Calls Accumulate in Pharma and Medtech Leader on Pipeline Potential

Ticker/Price: JNJ ($153.4)

Analysis:

Johnson and Johnson (JNJ) seeing consistent bullish flow since March including recent buys of 4000 June 2024 $160 calls and 2000 October/January $155 call calendar spreads. JNJ also with 2500 May $155 calls bought and 1000 May $150 calls while Oct. $160 calls sold to open 3000X. JNJ also has 15,000 April $150 short puts in open interest. JNJ shares have spent the past month basing in the $150/$154 narrow range with shares down 13% YTD and below its 200-week but the $150 level a key retest of a 2021 breakout and volume node support while weekly MACD and RSI are very oversold. The $152 level is a 50% retrace of the 2018/2022 range and shares also tested trend support off 2015/2020 lows at $150. Consumer Health, Pharmaceutical and MedTech are JNJ's primary business segments. In November 2021, the Company announced its intention to separate the Company's Consumer Health business (Kenvue as the name for the planned New Consumer Health Company), with the intention to create a new, publicly traded company by the end of the fiscal year 2023. JNJ did a big acquisition of ABIOMED (ABMD) last year to boost the med-tech division. JNJ has a market cap of $473B and trades 14.1X earnings, 12X EBITDA and 5X Sales with a 2.95% dividend yield. JNJ's growth outlook is modest in the low single digits for revenues and EPS. JNJ is targeting $60B in Pharma revenues by 2025 with key pipeline drivers being Ph3 data from Carvykti CARTITUDE-4 trial near term as well as Ph2 assets - Nipocalimab (anti-FcRn) and oral IL-23 for psoriasis. Analysts have an average target of $180 with short interest minimal at 0.3% of the float. UBS recently initiated shares at Neutral with a $164 target citing investor concerns with the STELARA LOE starting late 2023. Wells Fargo sees JNJ's talc litigation risk up to $10B.

Hawk Vision:

Hawk's Perspective: JNJ has a clear $150 support to be trading against and with some pipeline success can easily get back to $165.

Confidence Ranking: $$