Unusual Put Sale Sees Value in Orthopedic Device Co.

Ticker/Price: ZBH ($123)

Analysis:

Zimmer Bio (ZBH) large opening seller of 1600 February $125 puts for $4.70 on 1/17 as the first notable trade in the name that makes it to the database. ZBH shares put in a strong run to close 2022 and last week pulled back to lower monthly value support just above the rising 55-day moving average. ZBH shares peaked in April 2021 and the recent move has also carried shares above the downtrend and the recent high came right at VWAP off those April 2021 highs as well as a 38.2% retracement, so clearing $129 can open up a move to $140. Zimmer Biomet is a global leader in musculoskeletal healthcare with orthopedic reconstructive products; sports medicine, biologics, extremities and trauma products; spine, craniomaxillofacial and thoracic products; dental implants; and related surgical products. ZBH screened positively for the 2023 outlook as a name with rising estimates and improving margins as well as the potential for a strong product cycle. ZBH has a market cap of $25.85B and trades 12.4X EBITDA, 17.75X Earnings and 25.75X FCF with revenues seen rebounding in 2023 along with EPS though still modest growth seen. ZBH is seeing strong demand for ROSA and Persona cementless form factor, additional launches in S.E.T. category and a hip product launch early in 2023. ZBH also should see improving results out of China and recently did a tuck-in deal for Embody. Analysts have an average target of $128 with short interest low at 1.3% of the float. RBC upgraded to Outperform last week with a $141 target on easing currency headwinds, product launches, market share gains and backlog upside. RayJay upgraded to Outperform on 1/5 with a $144 target saying large joint volumes are showing signs of inflection and can see upward skew to estimates.

Hawk Vision:

Hawk's Perspective: ZBH looks good if clears the 8-MA back inside value for a potential run to $140, seems to be an undervalued name with momentum and not much attention.

Confidence Ranking: $$