



## Novartis Sizable Call Buy as Shares Break Out

**Ticker/Price:** NVS (\$92.25)

### Analysis:

**Novartis (NVS)** buyer today of 5,000 July \$95 calls for \$2.20 to \$2.25 to open, sizable trade in the name which making new 1-year highs. NVS has 3,850 April \$90 calls in open interest as well from January while the January 2020 \$92.50 short puts remain in OI 1,500X from October. Shares are working out of a big range this week and just below the 2015 highs at \$92.50. The four-year bull flag has a long-term measured move to \$120. The \$234.5B company trades 15.3X earnings, 4.4X sales, and 42X FCF with a 3% yield. NVS is targeting 3% EPS growth this year and 8.3% in FY20 with revenue growth of 2% and 4.5% respectively. The company has an exciting group of asset-based catalysts in 2019 including pivotal data from their AveXis acquisition in Q2 in SMA. Later in the year, the company expects data in both progressive and relapsing MS as well as data from Fevipirant in asthma. NVS has been reshaping their portfolio with a focus on efficient, cost-controlled R&D and nearing a spin of their eye-care unit Alcon in Q2. The CEO of their generics unit Sandoz announced today that he was stepping down and that's also fueled speculation the company could explore a sale or spin of that unit as well, another potential upside driver. Analysts have an average target for shares of \$90 with 7 buy ratings, 5 hold ratings, and 3 sell ratings, most recently JP Morgan on 1/29. Goldman added shares to their Conviction Buy list last Fall seeing the company entering a period of sustained sales growth driven by a reinvigorated pharma business, new products and a deep pipeline. Institutional ownership fell 2% last quarter.

### Hawk Vision:



**Trading Strategy:** NVS is a name we wrote on the options in October and also highlighted in the 2019 Market Outlook as a top pick in Pharma, and continue to love it with these flows and the fundamentals as well as its relative technical strength.

**Confidence Ranking:** \$\$