



Bullish Positioning in Relative Strength Biotech, Global Blood Therapeutics

Ticker/Price: GBT (\$50.45)

Analysis:

Global Blood Therapeutics (GBT) with 1,250 January \$60/\$75 call spreads bought today for \$3.90 to open and name which has over 4,000 June \$55 calls in OI including 2,000 added on 3/12. GBT has also seen the April \$60 calls bought 2,000X and the May \$50 calls bought 500X. Shares are consolidating below the recent highs at \$54 and rebounding today off the 50-EMA and just above daily cloud support. A breakout targets \$60 while long-term move out of a big weekly range under \$55 targets new all-time highs above \$65. The \$2.96B company trades 4.6X book and 6.2X cash with limited debt. The company published positive Phase 3 data for voxelotor last year for the treatment of sickle cell disease and has a pre-NDA meeting with the FDA upcoming before filing in the 2H. The drug is on path for accelerated approval with potential to market in early 2020. GBT sees a significant unmet need with over 100K patients in the US and 60K in Europe. They have focused 2019 on building out a commercial footprint especially in areas with higher instances of SCD. Analysts have an average target for shares of \$88 with 13 buy ratings and 1 hold. Guggenheim started at Buy on 2/22 with a \$75 PT, optimistic about approval and seeing \$1.45B in peak global sales. Wells Fargo positive on 1/11 after meeting with management. They see high probability of an early 2020 launch and optimistic on early uptake given the work the company has put in to build out in preparation. William Blair positive on 1/3 noting that recent safety data has de-risked the stock and given the significant need in SCD, GBT is an ideal takeover candidate. They think the model of a once-daily, oral therapy dosed in perpetuity aligns well with the large pharma model. Institutional ownership rose 10%. Short interest is 14.3% and down from 19% in October.

Hawk Vision:



Trading Strategy: GBT remains a favored small cap Biotech and relative strength is impressive, has some embedded event-risk, but a name that can be used in tandem with options to limit risk.

Confidence Ranking: \$\$