



Tandem Calls Bought as Shares Consolidate

Ticker/Price: TNDM (\$63.80)

Analysis:

Tandem Diabetes (TNDM) with more than 1,000 August \$65 calls being bought today up to \$10.90, sizable trade which follows buyers in the January 2021 \$65 calls and January \$85 calls recently. The April / May 3rd (W) \$65 call calendar spread also opened 1,000X yesterday likely targeting earnings. Shares have been on a strong run and pulling back off of \$75 highs recently to base above the 50-day and cloud support. A breakout move targets \$90 and a big volume node from 2016. The \$3.67B company trades 20X sales and 28.5X cash with a path to profitability by 2021. TNDM is growing revenues at 25% annually driven by adoption of their t:slim X2 insulin pump. TNDM sees a significant long-term opportunity with the US pump market at 30% penetration and a sizable International TAM with 150K pumpers in near-term markets and 300K in long-term markets. They see gross margins driven by growing reimbursement and new products. Analysts have an average target for shares of \$61.5 with 9 buy ratings and 3 hold ratings. BMO Capital starting at Outperform on 3/8 with a \$77 PT. The firm is positive on TNDM's differentiation as pump utilization increases. They see momentum continuing in 2019 and expects more of the 3.3M US insulin-dependent patients to migrate to pumps. Short interest is 9.1% but down from 10.7% in early 2019. Institutional ownership fell 7% last quarter. Daruma Capital and Point72 active buyers last quarter.

Hawk Vision:



Trading Strategy: TNDM has a nice base and looks tradable against the 50 day MA, definitely a volatile name but a favorite Med-Tech grower.

Confidence Ranking: \$\$