



Traders Position for Key Cara Therapeutic Catalysts

Ticker/Price: CARA (\$19.30)

Analysis:

Cara Therapeutic (CARA) has been seeing increased options positioning in recent days with 5,000 May \$20 calls accumulating in open interest and 1,500 June \$20 calls bought on 3/29 as well while June \$17.5, \$15, and \$12.50 puts have seen some action as well. Today the May/June \$22.50 calendar call spread trades 1,000X, the June \$20/\$15 strangle is bought 2,000X at \$4.75 with a bullish Delta skew, and 1,000 August \$20 calls are being bought to open. CARA shares have trended higher since making a low with the markets in December 2018 and in a strong uptrend. The \$738M Biotech trades 4.57X cash value with no debt and positioning is looking at Phase 3 data in CKD due out in Q2. CARA has plenty of funding through 2021. Analysts have an average target near \$25 and short interest has been falling to 13.8% of the float, a two year low. BAML rates shares a Neutral with a \$19 target seeing balanced risk-reward into data readouts that include topline results for the two pivotal studies of IV Korsuva (lead asset for itch in ESRD-HD) in 2Q19 (US study KALM-1) and 2H19 (global study KALM-2). Cantor Fitzgerald was out this morning with a \$27 12-month target after a call with a physician seeing higher conviction of upcoming readouts and potential for KORSUVA to usher-in a paradigm shift and a new SoC for this high-burden disease symptom. Stifel noted last week shares could rise well past the mid-\$20's on good KALM-1 data, and has a 75% probability of success with a \$26 target, a buyer into the data. Hedge Fund ownership was down modestly in Q4 filings. CARA's 30 day IV Skew at +3.8% compares to the +1.1% 52-week average, options pricing in a 30%+ move on data.

Hawk Vision:



Trading Strategy: CARA is clearly an event play and could run up into data, the reward/risk looks fairly favorable and skewed to the bullish side.

Confidence Ranking: \$\$