



Speculative Call Buying in ArQule

Ticker/Price: ARQL (\$5.40)

Analysis:

ArQule (ARQL) sizable buy today of 10,000 June \$7.50 calls for \$0.60 to open and also trading another 1,450 June \$5 calls where buyers opened more than 2,750 last week. Shares are riding the 8-EMA higher over the last two weeks as it nears a flag breakout above \$6 and return to test the 2018 highs around \$7.20. ARQL has a measured move up over \$8 while long-term target from the pullback in the Fall is up to \$11. The \$606M biotech trades 23.5X sales and 6X cash without a lot of debt. The company sees a path to profitability by 2022 and sales growth jumping 200% in both 2020 and 2021. ARQL focuses on cancer and rare diseases with a number of early-stage trials across solid tumors, b-cell malignancies, and urothelial cancer. They expect early data by mid-year in Proteus Syndrome for their drug miransertib. PS is a highly unmet need, especially among children, with no approved systemic therapies. The company sees a clear path to market for the drug with potential to file in 2021. Analysts have an average target for shares of \$8 with limited coverage but all at a Buy equivalent. Short interest is 5.7% and down from almost 10.5% in late 2018. RBC starting at Outperform on 4/11 with a \$9 PT. The firm is positive on ARQL's unique clinical portfolio of precision-based kinase inhibitors in oncology and orphan disease. The firm expects additional data from ARQ 531 and progress on miransertib to be key de-risking events this year. Institutional ownership fell 20% last quarter. ARQL has seen a lot of insider buying in the last year with the largest from a Director in October at \$5.50, a \$1M buy.

Hawk Vision:



Trading Strategy: ARQL with the combination of the call accumulation and Insider buying makes it one of the more interesting speculative names to consider a holding.

Confidence Ranking: \$\$