



Medicine Co. Bulls Active as Potential Blockbuster Drug Nears Key Catalyst

Ticker/Price: MDCO (\$35.9)

Analysis:

Medicine Co (MDCO) continuing a recent theme of bullish options positioning with 1,000 August \$40 calls bought \$1.55 to \$2.10 aggressively early and also seeing 1,000 January \$48 calls bought for \$6.50 with 1,000 of the \$30 puts sold to open for \$6. MDCO recently has seen 2,000 June \$35 calls bought, the January 445/\$20 bull risk reversal open 1,000X, and 2,300 October \$32 calls bought. Shares have also shown clear relative strength with a series of bull flags through 2019 and breaking out today to highs. The \$2.5B biopharmaceutical expects a sales ramp to start in FY20 with \$1B+ revenue expected for FY23. Sarissa Capital was out last night raising its active stake to 5.62% and sees the key asset Inclisiran becoming a blockbuster, transforming care for millions of patients suffering from elevated low density lipoprotein cholesterol (LDL-C) - a leading cause of cardiovascular disease, -- due to its unique ability to deliver substantial, durable LDL-C reductions via twice-a-year dosing. Analysts have an average target of \$57 and short interest is high at 28% of the float. Chardan Capital put a \$90 target in late April as a Top Pick noting cash will last through 2020 sufficiently funding Phase 3 data readouts and NDA/MAA submissions, and notes the Q3 2019 Phase 3 readout is a key catalyst. RW Baird raised its target to \$110 on 5/20 increasing conviction in inclisiran after recent readouts to "ascend the Iron Throne" of PCSK9 drugs as safety concerns have now effectively been squashed. Hedge Fund ownership rose 4% in Q1 filings.

Hawk Vision:



Trading Strategy: MDCO is showing a real strong trend and clearly has a lot of risk into the key Q3 event and the short interest a concern, but also potential to be a major winner, so pairing stock with puts may be the best strategy here.

Confidence Ranking: \$\$