



Positions Build in Mirati for Large Expected Move

Ticker/Price: MRTX (\$57)

Analysis:

Mirati Therapeutics (MRTX) more bullish flow today with 500 June \$65 calls bought for \$6.50 spread against a sale of the \$40 puts 1,000X for \$2.10 and follows the December \$75 calls bought for over \$2M and the May \$60 calls bought for \$1.8M yesterday. The June \$75 calls have seen over 7,400 bought as well including 4,000 over the past week. MRTX today also seeing 2,000 December \$50 puts bought for \$13 tied to 60,000 shares of long stock at \$56.60, a delta positive trade. MRTX had a strong run in early 2019 up to \$77.50 but has pulled back recently with the rest of healthcare. Shares bounced at the 200-EMA yesterday and finding support there again today around \$56. A move back above the 8-EMA at \$62.50 key to a near-term trend shift. The \$2.15B biotech has hotly anticipated data for their KRAS inhibitors over the next 4-5 months including readouts in NSCLC in the 1H. The company is exploring an orally available small molecule inhibitor which has already demonstrated regression of tumors in a small subset of patients. They see widespread potential for the treatment in the three major cancers (NSCLC, colorectal, and pancreatic) with a \$3-4B market opportunity. Analysts have an average target for shares of \$69 with 9 buy ratings and 4 hold. Institutional ownership rose 4% last quarter. Farallon a top buyer of shares last quarter. CSFB started coverage in late March with an \$85 PT and Outperform rating. They think MRTX849 is a highly compelling asset with little in the competitive environment. Piper positive on 2/15 with an \$85 PT. They think early data suggests MRTX849 exhibits nanomolar potency, robust activity in mutant PDX models, and high specificity towards cancer cells – the latter of which should hopefully translate to few off-target toxicities in the clinic. Short interest is 12.5% but down from 17% in early 2019.

Hawk Vision:



Trading Strategy: MRTX is clearly a boom or bust event-driven trade to structure a strategy, pairing stock with puts is one option as we are seeing or utilizing risk-defined call spread strategies.

Confidence Ranking: \$\$