



## Unusual Upside Call Buys in Beigene

**Ticker/Price:** BGNE (\$125.50)

### Analysis:

**Beigene (BGNE)** with another 500 August \$155 calls bought today for \$3.50, spot where 500 were bought yesterday and unusual size for the name without much notable open interest. Shares traded as high as \$220 in early 2018, a massive run from its debut in late 2016 around \$20 and pulled back to the 50% Fibonacci of the move this year. BGNE is forming a big weekly wedge under \$138 with MACD turning positive and RSI coiled. The \$7.62B biotech trades 31X sales and 4.7X cash with limited debt. The China-based company has a number of partnerships and Chinese rights to key drugs like Revlimid and Abraxane. They are still years away from profitability but see revenue growth of 18.9% in FY20 and 124.4% in FY21. BGNE is benefitting from China's drive to become a major player in the biotech sector after regulatory changes in 2016/2017 have driven lots of investor money into the space. China's government has also identified pharma as a key area of growth as they shift away from manufacturing. BGNE has two key assets: zanubrutinib and tislelizumab, both with important late-stage catalysts expected in 2019. The former is a potentially best-in-class BTK inhibitor to treat leukemia and mantle cell lymphoma. The company sees zanu as a potentially \$13.5B drug worldwide by 2025 given its range of indications. The latter asset is a PD-1 inhibitor being examined in trials in lung, liver, and gastric cancers. They see a potential \$12B market in China alone by 2025. Analysts have an average target for shares of \$186.50. Piper positive on 6-20 noting that the combo's activity in chronic lymphocytic leukemia/small lymphocytic lymphoma and Hodgkin's lymphoma "promising." Bernstein has a \$201 PT for shares. Short interest is 6.2% and rising in 2019 from around 2.5%. Hedge Fund ownership fell 0.5%. Baker Bros are the top holder with 10.5% of their portfolio and 11.95M shares. Hillhouse, Orbimed, and Polar Capital all top holders as well.

### Hawk Vision:



**Trading Strategy:** BGNE is looking interesting with this call buying and a big base forming, alert in for a move above \$130.

**Confidence Ranking:** \$\$