



## Illumina Calls Accumulate after Sell-off

**Ticker/Price:** ILMN (\$302.50)

### Analysis:

**Illumina (ILMN)** continuing to base after cutting their outlook and today 975 December OTM \$250 calls being bought up to \$8.40 and follows 5,000 of the \$320 calls bought between \$11.50 and \$23.30 since 7-12. ILMN has also seen buyers in the December \$330 and \$340 calls while the March \$270 puts sold to open earlier this week for \$265K. Shares gapped down to major support around \$300 which stretches back to late 2018 and holding up as it works off some extremes. Above \$312.50 shares have room back to \$325 and then gap-fill potential back up to \$360. Longer-term, ILMN remains in a wide bull flag which targets \$420 on a continuation of the strong trend higher. The \$44B company trades 40.87X earnings, 13X sales, and 12X cash with low-20% EPS growth and mid-teens revenue growth the next two years. ILMN has been downbeat on near-term challenges but a lot of long-term growth potential remains in sequencing consumables as well as a growing clinical opportunity with their NextSeq DX systems. The company also expects the PACB deal to close in Q4 which would add their Sequel II system to the company's portfolio of products aimed at faster, less expensive gene sequencing. Analysts have an average target for shares of \$330 with 10 buy ratings, 3 hold, and 1 sell. Piper lowering their PT to \$348 on 7-30 but noting now is the time to step in as long-term opportunities remain strong and management has cut guidance to the point where the next move is a positive revision. They also think the PopSeq opportunity remains despite the slower than anticipated ramp and order timing which makes it a 2020 story. JP Morgan positive this week highlighting that softness in Q2 was driven by factors outside of the company's direct control. Canaccord with a \$330 PT and Buy rating noting that near-term weakness doesn't change the "funnel of demand" for sequencing which remains one of the best long-term areas to be involved. Short interest is 2%. Hedge Fund ownership rose 11% in Q1. Carmignac Gestion a top holder with a \$134.5M position. Sands Capital also with a sizable position and 3.5% weight in their portfolio.

### Hawk Vision:



**Hawk's Perspective:** ILMN has been a long time favorite and looks to be quickly basing, but has to be in the penalty box right now after a fairly ugly quarter.

**Confidence Ranking:** \$\$