



Edwards Call Spread Positioning for Conference Season, New Indication Approval

Ticker/Price: EW (\$221)

Analysis:

Edwards Lifesciences (EW) buyer yesterday of 1,000 October \$230/\$240 call spreads for \$2.65 and follows buyers recently in the Sept. \$230 calls. EW has bullish calls in the January 250 calls as well as the January 2021 \$210 calls from June which remain in OI. Shares have consolidated in a multi-week range above its rising 20-day MA since earnings with a breakout targeting \$235.50. The \$46.77B company trades 36.8X earnings, 11.8X sales, and 50X cash with mid-teens EPS growth. EW expects 11% sales growth each of the next two years. EW is coming off a strong quarter with growth in TAVR up 16% and showing growing confidence the company will continue to gain share. TAVR is expected to be an \$8B market by 2023 and remains significantly underpenetrated with estimates at just 12% of all transcatheter aortic or mitral procedures. EW has a number of catalysts into year-end including approval of the expanded indications for TAVR in the US for low-risk patients (expected by the end of Sept.) and their annual investor meeting in December where they'll layout their strategic plan. EW will be at the Wells Fargo conference next week. Analysts have an average target for shares of \$218.50. Raymond James raising their PT to \$232 on 7-24 citing increased confidence given a sharp acceleration in TAVR growth and an earlier than expected approval for Low Risk. Jefferies with a \$245 PT noting that TAVR is again proving the naysayers wrong and with mitral just starting to ramp, there is more to come. Canaccord with a \$285 PT. They think TAVR growth will accelerate into year-end while TMTT growth will help drive the multiple higher. interest is 1%. Hedge Fund ownership rose 5.2% in Q2. Healthcor Management, Bessemer Group, and Merian Global notable holders.

Hawk Vision:



Hawk's Perspective: EW has been a standout this year and setting up well for a breakout above \$224 with well-defined catalysts. I'd like to see more activity in the name because ATM open interest is light.

Confidence Ranking: \$\$