



## Large Call Buys in Alexion into Legal Catalyst

Ticker/Price: ALXN (\$114.85)

### Analysis:

**Alexion Pharma (ALXN)** traded over 11,000 calls on 8/21 with IV30 rising nearly 15%, most notable were 1,000 January \$120 calls and 1,000 November \$125 calls bought for combined over \$1.6M. ALXN also has over 5,000 September \$115 calls in open interest and has seen September \$120 and \$125 calls accumulate with 4,700 and 3,350 in OI respectively. ALXN shares were under pressure in July but based near the \$107 level and now the 8 day EMA curling higher and shares out of that 7 week downtrend. On a long term perspective shares have been stuck in a long sideways range for three years. The \$25.75B rare disease focused Biotech trades 10.45X Earnings, 5.7X Sales and 20.25X FCF. ALXN is coming off a strong quarter despite a weak reaction and posted 15% and 16% revenue growth the last two years with 17% growth seen in FY19 and 14% in FY20. Soliris remains the main revenue generator for Alexion and the gMG launch was its best yet. ALXN plans to accelerate its Neurology portfolio and grow the Metabolic portfolio moving forward. Analysts have an average target of \$160 on shares and short interest at a five year low at 1.4% of the float. Morgan Stanley has a \$177 target and sees two important legal catalysts with a 9/5 oral hearing on whether new Soliris patients are issuable and would extend IP from 2021 to 2027. JP Morgan out on 7/31 at Overweight with a \$712 target confident on ALXN's guidance and potential for Ultomiris to work in other indications and improve its growth trajectory. Piper noted on 7/24 that shares are range-bound on unfounded concerns over the ability of the company to diversify away from Soliris/Ultomiris, and sees patient investors being rewarded, a \$180 target. Hedge Fund ownership rose 2.2% in Q2 filings, Baker Brothers reducing but still its 4<sup>th</sup> largest holding while Sound Shore added to its concentrated position.

### Hawk Vision:



**Hawk's Perspective:** ALXN has been frustrating but the price action and size of this flow is meaningful with shares finally out of a downtrend, and overall looks extremely attractive on valuation especially if Soliris IP is extended.

**Confidence Ranking:** \$\$