



## Merck Bullish Positions Accumulate as Product Momentum Continues

**Ticker/Price:** MRK (\$83)

### Analysis:

**Merck (MRK)** buyers yesterday of 3,375 October \$85 calls for \$1.96, adding to open interest where over 3,000 sat from buyers. MRK has recently seen buyers in the October \$82.50 calls on 7-23 as well as the June 2020 \$92.50 calls nearly 5000X. The June \$77.50 and \$70 puts have been sold to open recently as well. MRK shares gapped out of a small range this week on earnings and back near the rising 8-EMA yesterday. MACD is crossing over bullish while RSI is back above 50. Shares are in a long-term rising trend which targets \$88/\$90. The \$214.5B company trades 15.5X earnings and 5X sales with a 2.65% yield. MRK is targeting 11% and 10.4% EPS growth with 4.5% and 5.8% sales growth through 2021, raising their outlook. MRK has been adding some small tack-on deals like Peloton Therapeutics and Tilos while they've got a number of interesting pipeline events upcoming. The company said in June that they're looking at small- and mid-sized deals to build out their cancer treatment portfolio. Keytruda remains a strong asset with 63% Y/Y growth and 73% international driven by lung in Europe, China, and Japan. Early uptake has been strong in RCC and now approved in 11 different tumor types. Analysts have an average target for shares of \$90. Mizuho starting at Buy in early July, \$97 PT. The firm thinks MRK is more than just Keytruda but the drug is 'too important to ignore.' The franchise can drive operating margin expansion over the next few years which will help them overcome the loss of Januvia. Short interest is 0.7%. Hedge Fund ownership fell 9.55% in Q1. Senator Investment Group a top, concentrated holder with 2.5M shares

### Hawk Vision:



**Hawk's Perspective:** MRK remains the preferred best of breed Pharma though want to see a healthier base form before getting back involved in the name.

**Confidence Ranking:** \$\$