



Large Call Buy in Apellis Pharma into Key Catalyst

Ticker/Price: APLS (\$26.25)

Analysis:

Apellis Pharmaceuticals (APLS) trading almost 100X average calls yesterday with a buyer of 3,000 December \$30 calls from \$4.10 up to \$6.20. APLS had a buyer of 400 October \$25 calls last week as well around \$3.40. Shares have pulled back to the August lows as well as the 20-week MA and the lowend of cloud support. Shares have run strong since February and holding the 38.2% Fibonacci of the move. The \$1.73B biotech trades 6X cash with limited debt. APLS focuses on ophthalmology and hematology treatments with their lead product APL-2 being explored in both indications right now at the Phase 3 level. Their study in PNH is going head-to-head with Alexion's (ALXN) Soliris which is the only approved treatment on the market right now. However, APLS believes their market opportunity is significant with 72% of Soliris patients remaining anemic. The company also notes that Soliris and Ultomiris have a negative effect of leaving red blood cells exposed to extravascular hemolysis. The PNH study has Phase 3 results in December. Analysts have an average target for shares of \$45. JP Morgan upgrading to Overweight on 7-12 with a \$49 PT. The firm thinks APL-2 is an underappreciated asset in the complement space, with opportunities that span geographic atrophy and paroxysmal nocturnal hemoglobinuria in the later stage. They also note that near-term eyes will be on the PEGASUS readout in December and early data suggests a potential differentiated option in the disease with respect to hemoglobin increase and other hematological indicators. OpCo starting at Overweight on 7-9 with a \$52 PT. They think APL-2 is well positioned to address the high unmet need in geographic atrophy where no treatment options currently exist, while also addressing deeper unmet need in a defined orphan blood disorder. Short interest is 4.7%. Hedge Fund ownership fell 8.25% in Q2. Hillhouse, Orbimed, and Cormorant Asset Management notable holders. APLS had a notable insider buy on 8-29 from the CFO of 11,699 shares at \$29.71, a more than \$347K investment.

Hawk Vision:



Hawk's Perspective: APLS is a combination of a low short float, insider buying, and a size options position so despite the event risk it looks like an enticing own while collaring with pricey options.

Confidence Ranking: \$\$