



Zogenix Bulls Position Ahead of NDA

Ticker/Price: ZGNX (\$44.20)

Analysis:

Zogenix (ZGNX) with bullish flow this week into the April \$55 calls with 2,500 bought on 9-4, over \$1.3M in premium, and spot where 10,000 April \$55/\$75 call spreads were bought to open on 8-27. ZGNX has also seen buyers in the Oct. \$46 calls, 1500X, and the Sept. \$43 calls this week. Shares dropped recently to fill a gap from June back around \$42.50 and working on a weekly reversal candle. MACD and RSI on the daily both showing signs of bottoming and turning back while a move over \$44 has room back up to around \$50. Longer-term, ZGNX has been range bound since late 2018 between \$55 and \$35. The \$1.91B biotech trades 4.12X cash with limited debt. They see profitability by FY22 with revenue growth jumping the next two years from \$2.14M to \$252.33M. Short interest is high, around 19.1%, but down from around 23.2% in July. Shares jumped 22% in June after the company resolved issues with the FDA over their NDA for Fintepla, a treatment for seizures associated with Dravet syndrome. They expect the re-filing in Q3 which will lead to a PDUFA later. ZGNX acquired Modis Therapeutics on 8-26, a developer of therapies for rare inherited diseases, including their lead treatment of thymidine kinase 2 deficiency. Analysts have an average target for shares of \$65 with eleven buy ratings. Piper positive on 8-26 after the Modis deal. While pipeline diversification makes sense, investors are likely thrown off by the timing of the deal, given the proximity to Fintepla approval and it likely reduces the odds of a takeover in the near-term. The firm still thinks Fintepla will be a commercial success and estimates approval and launch by Q2 of 2020. Guggenheim upgrading to Buy on 6-27 with a \$64 PT. The firm thinks the company has a clear understanding with the FDA on potential approval pathway and thinks priority review could help with a speedy approval. Hedge fund ownership rose 11.3% in Q2. Cadian Capital a buyer of 1.95M shares and now with 3.285M total, their fourth largest position. RA Capital, Bridger Capital, and Great Point Advisors all notable holders.

Hawk Vision:



Hawk's Perspective: The high short interest makes me cautious overall but with a clear catalyst on the horizon, an interesting speculative name to position in smaller size.

Confidence Ranking: \$\$