



Coherus Bulls Position in Strong Biosimilar Name

Ticker/Price: CHRS (\$21.15)

Analysis:

Coherus BioSciences (CHRS) with 3,000 November \$22.50/\$30 call spreads bought today to open for \$1.77 and follows accumulation in the October \$22.50 calls recently with over 6,000 in OI. The November \$25 calls also with over 900 in OI from buyers. Shares have held up well, especially with respect to other pharma names, and flagging in a weekly range under \$23.50. A move higher targets \$30. The \$1.42B company trades 9.17X earnings, 11.8X sales, and 12.6X cash with expectations for big jumps in EPS the next two years. CHRS is focused on the biosimilar market with their lead asset Udenyca which launched earlier this year. It has seen significant early uptake going around a 20% market share and management noting at the HCW conference in September that continued uptake in 2020 could help drive to 30%, especially as they continue to build out staffing. Neulasta has around \$1B in quarterly sales, so a lot of room for expansion especially if CHRS pursues an Onpro device. CHRS has longer-term biosimilar programs in development targeting Eylea and Humira. Analysts have an average target for shares of \$32.50. Barclays positive on 9-25 noting that Udenyca uptake remains impressive and they continue to see a strong path for share gains in 2020. Mizuho positive on 8-13 initiating coverage at Buy with a \$43 PT. They see Udenyca peak sales above consensus and think the asset alone is worth \$30/share. Short interest is 13.5% and up near 2-year highs. Hedge fund ownership fell 15.8% in Q2. Rock Springs Capital and Hound Partners notable holders.

Hawk Vision:



Hawk's Perspective: CHRS is an interesting name which has obviously shown relative strength in the space. I'd prefer to see some weakness to target with today's candle looking like a short-term top while the short-interest is also a little elevated.

Confidence Ranking: \$\$