



Glaxo Calls Bought as Pipeline Visibility Improves

Ticker/Price: GSK (\$43)

Analysis:

Glaxo (GSK) with 2000 May \$42 calls bought \$2.45 offer to open which follows 1500 of the \$41 calls bought yesterday while the \$44 and \$45 calls have seen sellers. GSK has also seen a good amount of call buying in November \$42 and \$43 strikes. GSK shares have shown recent relative strength after a multi-year basing breakout and continuing momentum this week, room up to \$45 near-term. Bloomberg reported on 9/26 the company is seeking its next big vaccine after success in shingles. GSK yesterday divested its rabies and tick-borne vaccines for EUR301M. It will next report on 9/30 and recently saw success in therapy for ovarian cancer. The \$105B Pharma is trading 14X Earnings, 2.6X Sales and 27.35X FCF with a 4.37% yield, an attractive value/yield name. Analysts have an average target of \$46 and short interest is low at 0.3% of the float. Soc-Gen raised shares to Buy in early September liking the management and allocation changes and notes five high profile assets in Phase 3 with results over the next 3-4 years. Hedge Fund ownership fell 2.2% in Q2 filings, Black Creek a notable concentrated holder.

Hawk Vision:



Hawk's Perspective: GSK is an interesting turnaround story and offers good valuation and yield for a longer-term investment horizon, not really a name I would trade options on, prefer the stock.

Confidence Ranking: \$\$