



Medicine Co. Bulls See Upside Move Continuing

Ticker/Price: MDCO (\$57.15)

Analysis:

Medicine Co (MDCO) an impressive performer this year with shares up nearly 200% and continues to see a lot of size bullish option positioning. On 10/22 a trade bought 2500 March \$65/\$85 call spreads to open at \$4.95 giving us a view of the upside potential seen in the name, and the December \$75 calls were bought 2,290X on 10/18 for over \$700K. MDCO also has significant call open interest in November \$60 and \$65 strikes with over 5000 in each and large January 2020 \$55 and \$60 call positioning with over 10,000 in each while the January \$70 calls were sold 10,000X in a ratio spread with the \$60 calls back on 9/25. On 9/9 the April \$60 calls opened 4000X for \$2.33M and remain in open interest. The \$4.45B Biotech is not currently generating any revenues of note and is purely a pipeline play expecting \$1B+ in revenues by FY23. Sarissa Capital has been raising its active stake to 5.62% and sees the key asset Inclisiran becoming a blockbuster, transforming care for millions of patients suffering from elevated low density lipoprotein cholesterol (LDL-C) -- a leading cause of cardiovascular disease, -- due to its unique ability to deliver substantial, durable LDL-C reductions via twice-a-year dosing. Analysts have an average target of \$67 on shares while short interest continues to climb, currently at 32% of the float. RBC was out in June noting it as a potential next big M&A target in Biotech. On 8-26 MDCO announced its ORION-11 study met primary and secondary endpoints and in September ORION-9 and ORION-10 also hit primary and secondary endpoints. On 10/10 Jefferies raised its target to \$50 but cut its rating to Hold seeing Inclisiran consensus estimates too aggressive and seeing shares fully valued. B. Riley raised its target to \$95 on 10/2 with heightened conviction in Inclisiran taking dominant market share in the anti-PCSK9 marketplace, mainly at the expense of Regeneron (REGN) Praluent. The firm sees worldwide peak sales of \$4-\$8B. RW Baird raised its target to \$110 back on 5/20. Citi cut to Neutral on 9/17 seeing limited catalysts over the next year to move shares higher. JPM has a \$49 target and sees the focus shifting to the commercial potential and possibility of a strategic appetite exists for the asset, a 2030 sales forecast for Inclisiran of \$2.1B. OpCo on 9/3 called MDCO an attractive M&A target. Hedge Fund ownership rose 7.6% in Q2 filings, Slate Path adding to a large position while Maverick Capital added more shares as well. MDCO will next report in early November where the focus will be on the Inclisiran commercial launch plan, IV Skew inverted bullishly for much of the last two months.

Hawk Vision:



Hawk's Perspective: MDCO has been great since the last write-up in May and continue to like the massive potential as well as being a likely takeover target, based on positioning, a January/March \$70 calendar call spread at \$1.35 looks to be a nice structure.

Confidence Ranking: \$\$