



## Bull Spreads Open in Beigene

Ticker/Price: BGNE (\$137.9)

### Analysis:

**Beigene (BGNE)** on 1/23 with a spread that sold 500 December \$100 puts to buy the \$140/\$175 call spreads 500X, net \$6.15 debit. BGNE previously with 1000 December \$135 calls opened in a stock replacement on 9/27 for \$13.20 and 1000 December \$145 calls bought for \$9.90 on 10/8. BGNE does still have 1000 November \$140 short calls from 9/6 and 2000 November \$100 puts bought on 8/12 in OI as well as 1000 each of the February \$100 and \$90 puts bought back in July, a name that has been the focus of a short report in September from J. Capital claiming it is faking 60% of its sales. BGNE shares have put in a strong two week bounce off its 144 week moving average and weekly RSI nearing multi-month highs, the \$118 level strong support all year. The \$9.25B Chinese Biotech remains far from profitability while revenues seeing a big surge this year to \$423M from \$198M in 2018. BGNE is benefitting from China's drive to become a major player in the biotech sector after regulatory changes in 2016/2017 have driven lots of investor money into the space. China's government has also identified pharma as a key area of growth as they shift away from manufacturing. BGNE has two key assets: zanubrutinib and tislelizumab, both with important late-stage catalysts expected in 2019. The former is a potentially best-in-class BTK inhibitor to treat leukemia and mantle cell lymphoma. The company sees zanu as a potentially \$13.5B drug worldwide by 2025 given its range of indications. The latter asset is a PD-1 inhibitor being examined in trials in lung, liver, and gastric cancers. They see a potential \$12B market in China alone by 2025. BGNE has 26 Phase 3 or registration-enabling trials ongoing, 60 total studies, and a portfolio of 13 clinical or commercial stage assets. Analysts have an average target of \$180 and short interest remains elevated at 6% of the float. BGNE activity yesterday came on a day it met with SVB Leerink in California. Piper has a \$180 target citing a rebuttal of the short seller claims which appear unfounded. Morgan Stanley was out recently with a \$200 target. The FDA accepted a NDA for zanu with potential approval in Q120, PDUFA data of 2-27-20. BAML has a \$195 target seeing approval timeline a year ahead of expectations. Hedge Fund ownership fell 3% in Q2 filings, Celgene with a \$4.3B stake and Baker Brothers hold as its 4<sup>th</sup> largest position.

### Hawk Vision:



**Hawk's Perspective:** BGNE is an interesting name and think the short report was garbage and have to trust Baker Brother's large investment, a name that could see strong upside into the February catalyst.

**Confidence Ranking:** \$\$