



Reata Pharma Bull Spread Sees Significant Upside into Pivotal 2020

Ticker/Price: RETA \$195

Analysis:

Reata Pharma (RETA) with a buyer of 2,500 May \$250/\$300 call spreads for \$9 to open today and follows a buyer of 1,000 December \$220 calls earlier this week. RETA has seen some sizable positions adjust higher as well with the recent strength. Shares have been on a big run recently following data and down a bit this week after an offering and retesting the October VPOC at \$180 as well as the rising 20-EMA where buyers are stepping in. A move higher has room back to the November balance at \$208 and then new highs. RETA has had two notable trial wins lately with Phase 2 data for omaveloxolone for the treatment of Fredreich's ataxia successful in October and then Phase 3 data for bardoxolone in CDK from Alport Syndrome successful in November. The latter is now on pace for approval and commercial preparations for 2020. It would be the first treatment for CKD caused by AS with a sizable US opportunity (30-60k AS patients). They have another Phase 3 trial for bardo due in early 2020 in pulmonary arterial hypertension. The \$5.55B biotech trades 19.8X cash. Short interest is 10.4% and at multi-year highs. Hedge fund ownership was flat in Q2, Farallon Capital and Slate Path both buyers of stock. Analysts have an average target for shares of \$235 with Citi at a Street High \$328/share. The firm thinks recent bardoxolone data 'hit it out of the park' and is more than sufficient to obtain accelerated approval. They also think recent omaveloxolone Phase 2 data was exceptional and the asset is a \$40-\$50 per share opportunity for the company with a 90% probability of success.

Hawk Vision:



Hawk's Perspective: RETA is pretty extended and with the longer-timeline has a lot of time to set up better with plenty of catalysts in the next 6 months.

Confidence Ranking: \$\$