



## Dermira Bullish Positioning as Fast Track Review Granted

Ticker/Price: DERM (\$10.25)

### Analysis:

**Dermira (DERM)** with 2500 March \$12/\$8 bull risk reversals opening \$0.70 debit and DERM with notable open interest of 1250 March \$6 calls and 2,345 March \$8 calls that opened back in early October into weakness. DERM near-term also has 1000 December \$7 and 2800 December \$10 calls sitting in open interest with just over a week until expiration. The \$545M Biotech company focusing on dermatological diseases is trading 6.6X sales with growth of 122% in 2019. The FDA granted fast-track designation yesterday for lebrikizumab which is being evaluated for moderate to severe atopic dermatitis and on 11/8 competitor ANAB posted weak data as a Phase 2b trial failed. DERM already has QBREXZA as a commercial product which has seen strong script growth and estimates peak sales at \$500-\$600M in 6-7 years. The lebrikizumab market is seen as sizable for AD (atopic dermatitis) with estimates to exceed the psoriasis market and approach \$6B in 2021. Analysts have an average target of \$23 on shares and short interest at 14.5% of the float continues to rise to new heights, up 33.8% Q/Q. Analyst coverage has been minimal lately, Mizuho upgrading to Buy in June with a \$14 target. Cantor out in April with a \$25 target seeing it as an interesting company in a consolidating space. Hedge Fund ownership fell by 12.9% in Q3 filings. ISI was out with a positive note yesterday after Sanofi's conference doubled down on its AD product seeing over EUR10B in peak sales and notes the dislocation in DERM shares is because there are no major read-outs in 2020 but sees DERM's product in AD just as effective as Sanofi/Regeneron's blockbuster Dupixent.

### Hawk Vision:



**Hawk's Perspective:** DERM opportunity looks very attractive if it can deliver, always a risk and the rising short float a concern, but seems to have a floor near \$8 and upside to \$20.

**Confidence Ranking:** \$\$