Guardant Calls See Value in Emerging Diagnostics Leader

Ticker/Price: GH $71.13

Analysis:

Guardant Health (GH) buyer yesterday of 500 October $70 calls near $16.00, sizable trade in the name that has been holding up well in a multi-week base. GH has limited open interest but did have over 1800 April $95 calls accumulate in late February and $600k in January $100 puts sold on 2/10. On 3/20, the April $80/$55 bear risk reversal opened 1000X but may be collaring stock. Shares are basing under $72.50 with the 50- and 200-MA above around $80. Shares pulled back to October 2019 support and long-term forming a big range under $100. The $6.19B company trades 29X sales and 11.8X cash with limited debt and explosive growth potential. The company sees mid-20% to low-30% revenue growth the next two years. GH is a leader in the liquid biopsy-based cancer testing market, a faster, more precise and more efficient solution to traditional tissue-based biopsies. GH believes that their platform can transform cancer management with a total market opportunity around $50B in both clinical and biopharma customers working in early- and late-stage diseases. They recently announced expanded Medicare coverage for Guardant360. Analysts have an average target for shares of $109.50. JP Morgan positive on 3-11 and Guggenheim starting at Buy on 2-21 with a $103 PT. The firm thinks GH can expand its total addressable market "dramatically" by using its technology to monitor for cancer recurrence. Canaccord with a Buy rating noting that the company is one of the best executors in the space with long-term strategic thinking and a global vision across cancers in late stage therapy selection, cancer monitoring, and early stage cancer screening. Short interest is 4.4%. Hedge fund ownership rose 21% in Q4 with Coatue, Viking Global, and Redmile notable buyers.

Hawk Vision:

Hawk's Perspective: GH is a favorite name with a big and expanding market opportunity; shares have shown relative strength lately and think it can be traded on a pullback vs the recent low.

Confidence Ranking: $$