



Mirati Calls Accumulate into Key 2H Readouts

Ticker/Price: MRTX \$72.26

Analysis:

Mirati Therapeutics (MRTX) with buyer yesterday for 1,000 September \$85 calls for \$13 and follows 2,000 April \$95 calls bought earlier in the week for \$3.10. MRTX still has 5,000 May \$120 calls in OI from a buyer back on 12/18. Shares are back at a high-volume node from 2019 at \$72.50 and the low-end of a gap that has room back to \$100 on a turnaround. MRTX is also right back at the 61.8% Fibonacci of the run from the 2018 low. The \$3.18B biotech trades 7.65X cash a number of early-stage programs in play over the next 18 months. MRTX focuses on cancer treatments with their KRAS G12C inhibitor the main focus. KRAS inhibitors are considered the “holy grail” of cancer treatments as they can stop development of KRAS mutations which are the driver of growth for deadly cancer cells. MRTX’s treatment, MRTX849, is an oral treatment that keeps the KRAS molecule inactive and thus prevents tumor growth. They see the KRAS G12C+ market as a significant opportunity given the patient population in NSCLC, colorectal, and pancreatic indications. MRTX estimates the TAM at \$7B in commercial potential through the US and EU. The company will next have a data update in the 2H of 2020 in solid tumors. Competitor Amgen (AMGN) will also have data for AMG 510 sometime in 2020. Analysts have an average target for shares of \$115. JP Morgan upgrading to Neutral yesterday while HCW with a \$134 PT. BMO with a \$128 PT. They think MRTX849 "now stands in its own right" after prior external validation of anti-G12C mechanism by competitor AMG-510. As such, he increased his probability-of-success assumptions to 70% and 40% in non-small-cell lung carcinoma and colorectal cancer respectively, from 60% and 30% previously. Short interest is 12.4% but down from around 17.5% in early 2019. Hedge fund ownership fell 3.5% in Q4. Boxer Capital, Sands Capital, and Perceptive are top holders. On 1/10, Boxer Capital bought \$4.875M in stock on the open market at \$97.50.

Hawk Vision:



Hawk’s Perspective: MRTX has a clear driver in the 2H and some standout holders in the name while short interest is coming down, an interesting mix and the recent selling sets up a nice risk/reward

Confidence Ranking: \$\$