



Alexion Bullish Trades into Lows

Ticker/Price: ALXN (\$75.55)

Analysis:

Alexion (ALXN) bullish opening trade on 3/16 with 1,500 January \$70 calls bought for \$19.50 in a stock replacement late. ALXN has recently seen some Jan. 2022 \$75 puts sold to open for more than \$600k while the May \$105/\$90 bull risk reversal remains in OI from late January. ALXN is down near 30% for the year, in line with the XBI. The \$18.27B biotech trades 6.22X earnings, 3.66X sales, and 9.5X FCF. ALXN expects to earn \$13/share in EPS by FY22 with revenues over \$6.5B driven by their wide and growing portfolio of medicines in rare diseases. They've constructed a massive portfolio of assets and expect to grow their neurological patient reach by 4X over the next five years through Soliris and Ultomiris. They've been actively looking to expand beyond just blood disorders with a number of smaller deals including Achillion in 2019. ALXN recently came under fire from activist Elliott Management that is pushing the company for a proactive sale but management believes they have a number of growth initiatives to build value. They think Ultomiris has value in other indications like ALS which is a high-risk, high-reward program. Analysts have an average target for shares of \$147.50. Jefferies positive on 3-13 seeing large cap bio as a defensive zone for 2020 given valuations. BAML downgrading to Neutral on 3-5 noting the company has had a good commercial execution for Soliris/Ultomiris with "overblown competitor concerns", but also warns that until 2021/2022, the "complement competitive landscape" will be perceived as a challenge. Short interest is 2.0%. Hedge fund ownership fell 4.5%. Baker Bros. a top holder with 8.25M shares, their fifth largest. ALXN last saw insider buying in May 2018 when a director bought \$1.2M in stock at \$120.79.

Hawk Vision:



Hawk's Perspective: ALXN has an ugly trend but is at a weekly channel bottom, one to keep an eye on if we see things stabilize.

Confidence Ranking: \$\$