



Ligand Puts Accumulate as Bears Take Aim

Ticker/Price: LGND (\$92)

Analysis:

Ligand Pharma (LGND) with a size buyer of 1,000 April \$105 puts yesterday up to \$16.10 and follows 2,000 May \$110 puts bought for \$19.70 on 3/9, a more than \$4.3M buy. LGND still has some May \$95 puts in OI from mid-February. Short interest has soared since September 2018 when it was around 18.5% and now 47.9% of the float, an all-time high. Shares are coiled in a narrow, multi-month bear flag above \$85 and rejected this week at the declining 200-MA. LGND was one of the best performers in healthcare from 2012 through 2018 but a breakdown here risks a move back down to the low \$60 range and filling a low-volume node from 2014. The \$1.61B company makes base compounds used in drug development but also generates most of their revenue through royalties and their 'shots on goal' methodology is meant to help mitigate risk of any specific program failure. LGND also benefits from having predictable revenue streams. Currently, LGND is tied to Gilead's (GILD) COVID-19 tests as a component supplier for the drug and any setback or failure there would be a negative catalyst. They also face a couple specific longer-term problems, however. 1) After divesting their biggest income stream in 2019, their royalty base is mostly focused on just two products which are set for a significant decline starting in 2023 as competition and generics hit the market. 2) Their pipeline of products invested in is heavily skewed towards Viking Therapeutics (VCTX) upcoming NASH data (a stock where short interest is 23%). Shares trade 24.3X earnings and 13.3X sales with a lot of cash thanks to the asset sale last year. Analysts have an average target for shares of \$165. Benchmark starting at Buy in January. The firm views the stock as a "safer way to play the growing biotechnology sector." Hedge fund ownership fell 9% in Q4. Melvin Capital a sizable owner of puts. LGND has seen a lot of insider buying since May 2019, the largest being a \$400,000 buy at \$99.22 in July. LGND will be at the Barclays healthcare conference this week and Roth conference next week. The HCW London Life Sciences meeting is in mid-April.

Hawk Vision:



Hawk's Perspective: LGND has long been a favorite of put buyers and continues to sit above a volume node ledge, potential to move to \$58 on a break of \$88.

Confidence Ranking: \$\$