



Sage Therapeutics Seen Holding Up

Ticker/Price: SAGE (\$53)

Analysis:

Sage Therapeutics (SAGE) notable trade yesterday with 2,000 May \$55 puts sold to open down to \$8.45 and follows a small buy in the August \$50 calls on 3-2 for more than \$400k. SAGE has been under pressure since early December when their lead drug SAGE-217 failed in a Phase 3 trial in major depressive disorder (MDD). The drug failed to show significant results vs a placebo but the company argued later in a post-hoc analysis that one in ten patients in the trial didn't comply with the dosage guidelines and without those patients they actually met their goal. SAGE also saw efficacy in patients at different time markets and CEO Jeff Jonas has argued that SAGE-217's results in MDD were not as big of a miss as thought that wiped out half their market cap. The company halted other trials of SAGE-217 and has engaged with the FDA on next steps on the future of the pivotal drug. MSCO was out on 1/14 noting that while the company hasn't commented on a timeline, the firm expects management to provide FDA commentary when they receive minutes from their meeting, which he would expect by late in this quarter or early in the second quarter. They think Sage will succeed in negotiating modifications to the SAGE-217 program and continues to see upside in the company's early pipeline. Stifel positive on 3-1 saying SAGE under \$50 is 'one of the best opportunities in their coverage' and SAGE-217 is a single positive acute major depressive disorder study away from being just as big of a drug as investors have always hoped. They also think SAGE-217's value in postpartum depression is underappreciated, even if another study is needed.

Hawk Vision:



Hawk's Perspective: SAGE was a favorite and disappointed in December, name remains in the penalty box for me until it sees good news and better price action.

Confidence Ranking: \$\$