



AbbVie Calls Bought Aggressively into Weakness

Ticker/Price: ABBV (\$68.75)

Analysis:

AbbVie (ABBV) notable trading on 3/20 as the May \$72.50 calls were active with size buyers as more than 6000 traded on the day in large lots starting at \$3.50 and trading up to \$4.25 offers. ABBV has a ton of open interest added the past few weeks with positioning on both sides but this activity one of the largest, while a 2/20 sale of 3500 January \$87.50 puts to open was another notable large trade. ABBV shares have pulled back to near September 2019 lows which was a retest of a key range breakout that started in 2017, large zone of volume support in the wide \$52/\$68 range. The \$102B Pharma trades 6.5X Earnings, 3.05X Sales and yields a 6.85% dividend while trying to close its large acquisition of Allergan (AGN). In the near-term on strong shares have room to rebound back to \$80. ABBV is coming off a monster quarter where it beat estimated by a wide margin. ABBV is expecting \$2B in synergies by year three. ABBV has recently launched a few products with strong growth including SKYRIZI, RINVOQ, and VENCLEXTA in lead indications and also have opportunities in new disease areas. ABBV also has some promising Neuro programs including Alzheimer's and Parkinson's. Analysts have an average target of \$100 on shares and short interest rising to 5% of the float though much of that likely due to M&A arbitrage. Cowen raised its target to \$105 in February seeing shares compelling given the growth prospects. Mizuho raised its target to \$104 seeing the Allergan deal changing the AbbVie story for the better with compelling valuation. Hedge Fund ownership rose 3.8% in Q4 filings.

Hawk Vision:



Hawk's Perspective: ABBV valuation and fat yield are looking attractive at these levels, though some concern with its pending deal and leverage.

Confidence Ranking: \$\$