



Unusual Bull Positions In Jazz Pharma See Bottom In Shares

Ticker/Price: JAZZ (\$108.6)

Analysis:

Jazz Pharma (JAZZ) seeing some bullish activity in recent days with an opening buy of 600 November \$130 calls on 5/12 for over \$500K and on 5/14 the December \$105 puts were sold to open 600X for \$735K. JAZZ shares have lagged the recent Biotech rally and earlier this year touched the lowest level since 2013, shares now down 27% YTD. JAZZ shares have traded sideways the last two months and on a base breakout can target a move to \$128 or higher. In November 2018 a Director bought 50,000 shares at \$144.56. The \$6B Biotech posted 16.8% and 14.3% revenue growth as well as 24.1% and 16.5% EPS growth the last two years but 2020 seen as a transition year with just 2% revenue growth seen and EPS expected down 27% before a strong recovery in growth seen for 2021. JAZZ shares trade 2.73X Sales and 6.1X Cash. JAZZ has a diverse portfolio with Sleep, Neuroscience, Hematology and Oncology and is expanding its R&D portfolio into products for unmet needs. It has 5 commercialized products and R&D as a percentage of revenues at 11-13%. Looking ahead to 2020/2021 it sees potential approvals including Sunosi in the EU, JZP-258 for Narcolepsy in the US, JZP-458 US approval, and Lurbinectedin US accelerated approval. JAZZ noted at the BAML Conference in May it will look to use its \$2.6B in cash for further portfolio assets. JAZZ will have an August 16th PDUFA for Lubinectedin while ATLANTIS data expected in 2H20. JAZZ also has a July PDUFA for JZP-258 for treatment of cataplexy and excessive daytime sleepiness on the 21st. Investor concern has centered on the loss of exclusivity of Xyrem in narcolepsy in 2023, a \$1.6B revenue generating asset. Analysts have an average target of \$153 and short interest is at 5.2% of the float. On 5/6 Leerink lowered its target to \$160 after lowered guidance after more disruption from COVID-19 than expected. BMO cut its target to \$193 positive on the portfolio, disciplined spending and strong balance sheet. Jefferies started shares Buy on 4/6 with a \$149 target expecting JAZZ to be able to navigate through Xyrem concern with five other products increasing visibility on growth post-2023 while strong cash flows and a rock-solid balance sheet provide downside support. Hedge Fund ownership rose 4.82% in Q4 filings, Sarissa Capital adding to a concentrated position, which is interesting as an activist fund that could seek changes to unlock value in underperforming shares.

Hawk Vision:



Hawk's Perspective: JAZZ is an intriguing value here and think the reward/risk skews positively, a risk reversal candidate.

Confidence Ranking: \$\$