



FEATURED OPTIONS RADAR REPORT



Alkermes Unusual Bull Trades with Catalysts, Including Potential Sale

Ticker/Price: ALKS (\$19.25)

Analysis:

Alkermes (ALKS) has popped up twice this week with unusual bullish trades, on 6/24 the February \$25/\$15 bull risk reversals opened 4000X at small debits, and on 6/25 the same trade was put on another 4000X. ALKS also has 4000 July \$20 calls in open interest that were bought on 5/28 near \$0.50 against short \$16 puts. ALKS has been a long time laggard in Biotech trending down since 2018 but notable that its weekly RSI at 55.85 is hitting a two year high and last week broke out of this downtrend despite plenty of overhead resistance in the \$20/\$23 zone. The \$2.95B biopharmaceutical is focused on advancing its neuroscience and oncology pipeline to deliver long-term growth and profitability. ALKS has two current products with Vivitrol for the prevention of opioid dependence and Aristada for schizophrenia. It sees royalty and manufacturing of Vumerity in 2020 as an additional driver and in 2021 the potential launch of ALKS 3831 pending FDA approval. Vumerity is a treatment for relapsing forms of MS that was approved in October 2019, Biogen holding the exclusive worldwide license and ALKS receives 15% royalties. ALKS 3831 in a potential new oral treatment for adults with schizophrenia and for adults with bipolar 1 disorder with a PDUFA scheduled for 11/15/2020. It also has ALKS 4230 in Phase 1 for Oncology and in 2H20 will present additional data. ALKS currently trades 44X Earnings, 2.5X Sales and has a strong cash-rich balance sheet with revenues seen recovering with 12% growth in 2021. Analysts have an average target of \$20 with short interest at 6.9% of the float rising 90% Q/Q to near a five-year high. Gordon Haskett with an interesting note this week that Sarissa Capital's Alex Denner made a big purchase in Q1 and Citigroup's trading desk also made a large buy that may have been a swap for a client who wants to remain anonymous, speculating Denner could become a 13D holder and push the company to sell itself. Hedge Fund ownership rose 7% in Q1 filings, Camber Capital adding to a concentrated stake, Baker Brothers adding small, and Maverick taking a new position.

Hawk Vision:



Hawk's Perspective: ALKS becomes an intriguing event-driven play as these bullish trades accumulate and is worth keeping an eye on.

Confidence Ranking: \$\$