



Size Call Buy in Promising Biotech Zymeworks

Ticker/Price: ZYME (\$37.4)

Analysis:

ZymeWorks (ZYME) size buyer of 5,000 October \$50 calls this morning for \$4.18, notable volume for the name that trades less than 50 calls per day on average. ZYME did have 750 January \$25 puts bought in mid-January. Shares are consolidating in a narrow range under \$40 after rebounding from the March lows and today's action targeting a run back over the 2020 highs. ZYME with a big run since early 2017 and shares pulled back and tested the 61.8% Fibonacci of the 2019 move from \$12 to \$52. The \$1.72B biotech trades 3.5X cash with no notable debt. ZYME focuses on cancer treatments with their lead product ZW25 in early stage trials in biliary tract, gastroesophageal, breast and other indications. ZYME's specialty area is bispecifics and see their treatments as an ideal complement to current Standard of Care in HER2 given the safety profile. Longer-term, ZYME sees their lead treatment ZW49 supplanting Herceptin as a foundational treatment in HER2-expressing cancers. They expect an update for ZW49 sometime in 2020. Analysts have an average target for shares of \$51. HCW has a \$60 PT while Stifel has a \$70 PT as they model \$1.25B in peak worldwide ZW49 sales in HER2+ breast cancer. Short interest is 2.3%. Hedge fund ownership rose 28.8% in Q1 with notable funds adding like Perceptive, Redmile, Orbimed, Ecor1, and Polar Capital. Insiders have been active too. On 4/3 the CEO bought stock at \$33.39 and in January a size buy from a director for \$350,000 at \$46.50.

Hawk Vision:



Hawk's Perspective: ZYME was a great discovery last year and a big winner, quiet for a while now and setting back up, speculative name but one worth considering a smaller allocation.

Confidence Ranking: \$\$