



Accelaron Bulls Position for New Highs

Ticker/Price: XLRN \$97.86

Analysis:

Accelaron Pharmaceuticals (XLRN) with 1,000 August \$95 puts sold to open on Friday 6/26 for \$5.50, confident trade in a biotech trading near all-time highs. XLRN had buyers of 800 July \$100 calls on 6/25 around \$5.50 and 400 August \$110 calls on 6/19. XLRN has seen a lot of bullish flows in June including the July \$105 calls, July \$95 calls, and July \$95 and \$90 short puts. XLRN shares are consolidating in a nice weekly bull flag under \$110 and pulled back on Friday to the 21-MA and just above YTD VPOC. A breakout targets \$130. The \$5.5B biotech trades 13.2X cash and 72.5X sales with no debt. XLRN focuses on rare diseases with programs in PAH and transfusion-dependent beta-thalassemia. Their two main products are Reblozyl and sotatercept, the former gaining FDA approval within the last twelve months. The company is focusing on the early commercial launch, label expansion and further indications into beta-thalassemia, low-risk MDS, and also in combination with a JAK2 inhibitor. The latter recently had positive Phase 2 data in pulmonary arterial hypertension and sets up for a Phase 3 trial in 2021. The PAH market is massive and growing at around \$9B. Analysts have an average target for shares of \$118. CSFB raising their PT to \$134 last week noting that the consistent, large benefit across a range of endpoints significantly derisks future clinical development and supports blockbuster potential for sotatercept. Their base-case projects \$1.5B in global sales for the drug with many opportunities to potentially double the TAM. Leerink believes the Accelaron drug could perform in the top quartile of PAH drugs, putting its annual revenue potential in the \$1.5 billion to \$2 billion range within five years of reaching the market. Short interest is 6.9% and down from around 10% in January 2019. Hedge fund ownership fell 1.5%. Avoro Capital, Alkeon, and Artal Group all notable buyers.

Hawk Vision:



Hawk's Perspective: XLRN is an interesting story with the two different assets and emerging commercial play with shares back at a nice risk/reward spot to recapture new highs

Confidence Ranking: \$\$