



Invitae Bulls See More Upside After Transformative Archer Deal

Ticker/Price: NVTA \$31.75

Analysis:

Invitae (NVTA) with two sizable trades yesterday as buyers opened 1,000 January 2022 \$30 calls around \$10.60 and also 1,000 June 2022 \$30 calls were bought up to \$11.60, both adjusting up into strength and remaining bullish the name. NVTA has over 3,000 June 2022 \$40 calls and 2,200 of the January 2022 \$40 calls in OI as well looking for further upside. Shares jumped last week with news of their merger with ArcherDX and starting to work out of a small consolidation this week above \$30 with a short-term target of \$35. NVTA is out of a big weekly range now above \$28.75 and has a long-term measured move to \$45. The \$3.82B company trades 16X sales and 13X cash with expectations for mid-30% annual revenue growth. NVTA has been a strong growth story for years despite the lagging multiple and built out an expanded testing product range and market leadership in inherited disease risk management. The Archer deal is a transformative move which re-positions NVTA's core competencies alongside areas like somatic, tumor profiling through liquid biopsy, cancer monitoring, and more. The deal gives them a broad assortment of genetic tests and greatly expands their TAM including into areas like asymptomatic testing and International markets. Archer is developing in vitro diagnostic tests with FDA submissions expected later in 2020 as well. Analysts have an average target for shares of \$28. Cowen with a \$35 PT last week noting that its multiple should increase following its transformative acquisition of ArcherDx which provides it with an unmatched menu of products, and adds the real and likely possibility of unmodeled revenue upside in 2021. Short interest is 16.8% but down from around 22.5% in March. Hedge fund ownership rose 35% in Q1. ARK Investment added 5.8M shares and now has over 16M. Casdin Capital a buyer of 5.55M shares and now with 9M and a top position.

Hawk Vision:



Hawk's Perspective: NVTA is fairly extended here in the near-term but the call positioning gives a lot of time to look for a better spot and this is a story/stock that is going to continue to improve

Confidence Ranking: \$\$