



## FEATURED OPTIONS RADAR REPORT



### GW Pharma Calls Bought into 55 MA test

Ticker/Price: GWPH (\$126)

#### Analysis:

**GW Pharma (GWPH)** trade on Friday bought 1,000 September \$130 calls for \$7.80 offer to open and name with little other notable open interest recently. Shares traded back to the 50-EMA and cloud support on Friday where it bounced after a modest four-day pullback from recent highs. GWPH has rallied strong since March and Friday's low ticked the 23.6% Fibonacci of the run. Shares have lagged the broader biotech sector since early 2019 when it traded as high as \$195/share and plenty of room to run above a high-volume node at \$130. The \$4.01B company trades 57.5X earnings and 10.2X sales with plenty of cash and virtually no debt. GWPH is leader in cannabinoid medicines with their lead product Epidiolex approved across a number of indications like refractory childhood epilepsies, Dravet syndrome, Lennox-Gastault, and more. GWPH is moving out of the early-stage commercial stages with expectations for \$1.1B in sales by FY22 and 50%+ growth in FY21 as more PBMs add coverage. The treatment launched in the EU as well and in the earliest stages of build-out of their sales and marketing efforts. Epidiolex has posted positive Phase 3 data for five straight Phase 3 trials and their latest NDA for TSC has been accepted for priority review and likely by year-end. GWPH sees the expansion as a big opportunity with high unmet needs in patients with TSC as epilepsy is present in 90%+ of patients. Analysts have an average target for shares of \$182 and Evercore a Street High \$275 PT, seeing strong upside optionality in their upcoming Phase 3 for MS spasticity. OpCo starting at Buy recently noting that Epidiolex has strong brand awareness and expects growth in the second half of 2020 marked by approval of Epidiolex for TSC. They also note that concerns of EU weakness are overblown as it accounts for only ~10% of sales. Stifel downgraded to Neutral in mid-July citing conservative physician expectations for Epidiolex use in 'off-label' refractory epilepsy. Short interest is 13.8% and down from its peak near 20% in February. Hedge fund ownership fell 8% in Q1. Baker Bros a top five holder.

#### Hawk Vision:



**Hawk's Perspective:** GWPH short interest remains quite elevated but like a commercial growth story and has a nice reward/risk into this pullback.

**Confidence Ranking:** \$\$