



FEATURED OPTIONS RADAR REPORT



Bristol Myers Bullish Positioning into 2H Catalysts

Ticker/Price: BMY (\$61.75)

Analysis:

Bristol Myers (BMY) on 8/10 with hot afternoon trading in October \$65 calls where open interest jumped 70% with nearly 5000 added up to \$1.30 in larger lots. BMY saw a lot of bullish activity into earning with buyers in August \$58 and \$59 calls and has sizable bullish positioning in January 2021 and January 2022. BMY recently beat estimates and raised its FY20 outlook citing several new product launches and the achievement of multiple milestones from our late-stage pipeline. The \$140.6B Pharma company that did a big acquisition of Celgene trades 8.35X Earnings, 16.3X FCF and 4X Sales with revenues seen growing 8.3% in 2021 off a tough comp from the CELG deal. BMY shares recently rejected at trend resistance off two prior 2020 highs and have a lot of resistance up through \$64.50, but above that level can start a breakout of a multi-year falling wedge targeting \$77 highs from 2016 followed by the next upside target of \$90. Analysts have an average target of \$72 and short interest low at 1.4% of the float. BAML out with a bullish report this morning and \$80 target calling it one of the more dynamic stories in Biopharma from a pipeline and new product cycle perspective. It notes with the Eliquis overhang removed and several higher-impact catalysts still to play out in 2H20 (i.e., TYK2, ozanimod in UC, CM9ER at ESMO, several new product launches) that BMY has a clear path towards a rerating. With an improving risk/reward profile, expect the BMY narrative to shift away from litigation risks as the thesis becomes more rooted in the breadth of the pipeline and upside opportunities. BMY's new "Big 7" has potential for greater than \$15B in peak sales with the large majority of assets already de-risked and an opportunity for a more meaningful inflection point heading into near-term commercial launches, and would more than offset the \$12B Revlimid franchise. Jefferies out with an Outperform rating and \$75 target on 7/28 noting "analysis of the drug portfolio suggests that clinical updates during 2H could improve sentiment around the current growth story, but may not resolve structural questions regarding long-term growth. The pivotal read-out for BMS-986165 in psoriasis during 2H could set a positive outlook for the potential of the TYK2 franchise to differentiate against the JAK class and believes the pathologic Complete Response review for the CheckMate-816 study during 2H provides optionality for Opdivo within the neoadjuvant setting of NSCLC. Conversations with the clinical community suggest that ozanimod may have more potential than expected within inflammatory bowel disease, which could be confirmed by the presentation of TRUE NORTH." Hedge Fund ownership rose 1.5% in Q1 filings.

Hawk Vision:



Hawk's Perspective: BMY upside options are cheap and do not seem to reflect the potential catalysts, so I can see the allure of these OTM calls as shares working out of a multi-week base and above all key moving averages.

Confidence Ranking: \$\$