



Ligand Remains a Favorite of Bear Flow

Ticker/Price: LGND (\$94.50)

Analysis:

Ligand Pharma (LGND) with 2,000 May \$120 puts bought this morning for \$42 to \$43 into strength and name with 1,500 November \$110 puts, 2000 November \$125 puts, and 500 November \$95 puts in open interest. LGND has been a laggard since early 2019 and rolling back near support on the weekly with a break under \$75 setting up for further pressure down to \$50. There was a weekly bear MACD cross recently and bearish 8/21 EMA cross, setting up a number of hurdles. The \$1.47B company trades 18.28X earnings, 11.65X sales, and 1.8X cash. LGND has a portfolio of drug royalties, both in production and names in the pipeline, and expectations for mid-teens growth in FY22 and FY23 albeit dependent on some major programs with positive data in the 2H of 2020 and early 2021 (Palvella's PTX-022 and Retrophin's Sparsentan in focus). Today's gap higher was due to raised guidance behind growth of Captisol, a solubilizer manufactured and marketed by the company. Captisol is used in Remdesivir, the COVID treatment developed by Gilead (GILD), and the boost is likely due to anticipated and expanded use of the treatment into 2021. But, this is likely flawed for two reasons. First, recent reports have indicated that hospitals are turning down their allocated supply of remdesivir due to its high-price point, recent studies in JAMA showing uncertain clinical importance and declining near-term need for the antiviral. Reuters also noted in September that some hospitals built an inventory already in case of a second wave so demand into 2021 is very much in question. Second, STAT reported in August that the NIH is considering using a compound called GS-441524 that is similar to remdesivir which would limit its overall demand. Analysts have an average target for shares of \$180. HCW with a \$229 PT today on the guidance update. Short interest is 56.1% and soaring since late 2018 when it was around 15%. Hedge fund ownership fell 13% in Q2.

Hawk Vision:



Hawk's Perspective: LGND triggered a breakdown alert on 9/15 and noted the size November puts in OI and it continue to look very weak with a high short float, a top short.

Confidence Ranking: \$\$