



FEATURED OPTIONS RADAR REPORT



Biogen Bulls Position for Upside on FDA Event

Ticker/Price: BIIB (\$280)

Analysis:

Biogen (BIIB) shares rose 3% on a day when it was announced the FDA advisory committee will hold a meeting 11/6 for aducanumab, is key Alzheimer's solution. In late day trading spreads sold 1000 January \$250 puts to buy the \$295/\$355 call spreads 1000X and followed 1200 November \$320 calls opening in morning action for over \$1.5M. BIIB has also seen unusual January 2022 \$500 calls open recently with 3950 now in open interest and priced above \$7. On 9/17 the March \$300/\$270 bull put spreads opened 1000X. BIIB has a choppy long-term chart in a sideways pattern for many years and recently the \$275/\$310 a key volume zone. The \$42.75B Biotech trades at attractive valuation of 8.9X Earnings, 6.3X FCF and 2.95X Sales but concerns around its core MS franchise with slowing growth and generic competition and needs to deliver on Alzheimer's to excite investors. Current forecasts seen a 7.6% decline in revenues and 11.7% decline in EPS for 2021. Analysts have an average target of \$305 and short interest low at 2.3% of the float. Canaccord raised shares to Buy with a \$360 target in late January not wanting to underestimate investor fear of potentially missing out of an approval of the first ever disease-altering therapy for Alzheimer's, a massive addressable market and high unmet need. Guggenheim on 8/7 noting BIIB could trade to \$350 can gain 15-20% on FDA acceptance of the BLA filing and potential for \$5B-\$10B in peak sales for aducanumab. BIIB is also still battling Mylan (MYL) for its MS patent. BIIB was also recently mentioned as a potential buyer of Alexion (ALXN). CSFB upgraded BIIB 8/7 with a \$375 target and Outperform rating seeing a clear signal from the FDA of enthusiasm for the application and raised odds of success to 85%. Hedge Fund ownership fell 2.2% in Q2 filings.

Hawk Vision:



Hawk's Perspective: BIIB reward/risk looks asymmetrically skewed positive as valuation limits downside while upside could be immense considering Alzheimer's market potential. Though price action has been poor, will continue to monitor flows to see if there is a preferred strategy.

Confidence Ranking: \$\$