



## FEATURED OPTIONS RADAR REPORT



### Arena Pharma Bulls Position for Positive Data

Ticker/Price: ARNA (\$77.2)

#### Analysis:

**Arena Pharma (ARNA)** large trade on 10/6 as 5000 December \$70 puts sold to open \$7.20 and 5000 November \$90 calls bought to open \$8.40 and follows a trade on 10/2 with 1000 November \$80/\$110 call spreads bought and the \$55 puts sold to open. ARNA also has 1650 November \$70 calls in OI and 4000 December \$70 calls that were part of calendar spreads with October. ARNA shares are trading up to record highs after recently clearing a consolidation range and into key Q4 data. The \$76.65 and \$84 levels are Fibonacci extension targets. The \$4.45B Biotech trades 3.8X Cash with revenues seen starting to ramp in 2021 but still minimal as it is in the clinical stage. ARNA has a deep pipeline with treatments in irritable bowel, atopic dermatitis and alopecia areata all in late-stage trials while their treatment for pulmonary hypertension being developed with United Therapeutics (UTHR) is also in Phase 3 development. Their key drug is a treatment called etrasimod which is a once-daily S1P receptor which is used to treat immune-related inflammatory diseases. The company sees a lot of potential for the drug across multiple indications like ulcerative colitis, Crohn's and more. Analysts have an average target of \$87 and short interest is at 7.5% of the float. HCW started at Buy with a \$90 target in June, noting "further value creation is likely in 2H20 and 2021 when multiple data readouts, if positive, could shift the conversation from etrasimod having multi-blockbuster peak sales potential in UC and Crohn's disease (CD), forms of inflammatory bowel disease (IBD), to possibly becoming one of the largest drugs ever with five indications on label." CSFB out on 9/16 positive on risk/reward into Q4 data, citing "market comps supporting ~\$20-\$40+/sh upside on convincing Ph2 data (we see a significant opportunity for a tolerable oral agent in AD, even without differentiated efficacy, and point to Otezla's ~\$2B+ run rate in psoriasis as a key comp). On a consistent safety but failed AD efficacy outcome, we think buyers would find shares attractive on a dip into the ~\$50-\$60/sh range, as a de-risked etrasimod UC program + ralinepag royalties + ~\$1.2B cash should set a 'floor', with key etrasimod IBD catalysts (Ph3 UC data ~late '21 & Ph2b Crohn's data also possible in 2021) coming into view." Citi raised its target to \$120 on 9/18 positive on the reward/risk into upcoming data. Hedge Fund ownership jumped 11.5% in Q2 filings, Great Point, Perceptive, and Healthcor notable top holders.

#### Hawk Vision:



**Hawk's Perspective:** ARNA data is likely post October expiration based on calendar spreads and could get better entry before that timeframe. It's a strong Biotech and one with a promising future.

**Confidence Ranking:** \$\$