



Illumina Bulls See Upside After Consolidation Period

Ticker/Price: ILMN

Analysis:

Illumina (ILMN) buyers active today for 1,575 November \$330 calls up to \$3.60 to open and follows a size buyer of 1,000 Jan. 2023 \$470 calls last week for \$2.4M while the Sept. \$330 and January \$330 puts both with smaller, high dollar sales recently. ILMN also has 1000 Jan. \$340 short puts in open interest from Jun. Shares are consolidating in a small range below its 55- and 200-day MA with a move above \$330 key for a run back to the July highs near \$400. ILMN is also back near the top-end of 5-year value, strong risk/reward spot. The \$45.5B company trades 47.45X earnings, 14X sales, and 13.7X cash with high-single digit growth. ILMN has been under pressure recently following their deal for GRAIL which should close in the 2H of next year and expands their TAM with new cancer detection screening and diagnostics and “the largest clinical application of genomics we’ve seen.” Their core business has bounced back well in 2020 with NextSeq sales demand strong and drawing in a lot of new customers which is calming some fears of cannibalization from the NovaSeq. Their NGS-based liquid biopsy test is also seeing better adoption given wider availability and ILMN sees opportunity into 2021 from more payors to follow ACOG’s recent guidance to expand coverage. Analysts have an average target for shares of \$323.50. Leerink raising estimates on 10/30 citing long-term growth prospects as the majority of the population in the developed and the emerging worlds are likely to be sequenced by one or more genetic tests in their lifetime, creating a massive market that benefits Illumina the most. Short interest is 3.3% and up from around 2% in July. Hedge fund ownership rose marginally in Q2, Edgewood Management a top holder with 5.4M shares.

Hawk Vision:



Hawk’s Perspective: ILMN forming a long monthly flag and despite some recent underperformance the long-term play on genomics remains attractive and looking for shares to clear \$330 near-term.

Confidence Ranking: \$\$