



Alkermes Bull Spreads Continue with Turnaround Plan, Activist Involvement

Ticker/Price: ALKS \$22.15

Analysis:

Alkermes (ALKS) with another 2,000 May \$25 calls bought today with the \$19 puts sold to open, similar to bull risk reversals yesterday which sold the \$18 puts to open. ALKS has seen a lot of bullish flow lately including buyers in the February \$23/\$20 bull risk reversal on 1/7 and still has over 13,000 February \$25 calls in open interest from bull risk reversals back in June 2020. ALKS shares have been strong the last week and now back at a big weekly breakout spot with a move above \$22.50 into a huge volume gap back to \$32. The \$3.45B company trades 40.5X earnings, 3X sales, and 6X cash with a nice pipeline and well-established commercial programs. ALKS was at JPM yesterday and outlined highlights from their recent value creation plan for 2021 which includes investing in growing their commercial program for Vivitrol, Aristada, and Vumerity which continue to gain traction in some large markets. They also intend to invest in

R&D around emerging assets in immune-oncology and neurology. They have a PDUFA on 6/1 for ALKS 3831 in schizophrenia. Analysts have an average target for shares of \$21 and Street High \$28 from Mizuho. Evercore out positive this morning noting that their drug ALKS 4230 continues to look intriguing after RCC data at JPM this week and fling under the radar for many. The analyst thinks that if the initial monotherapy signal is confirmed in additional data, Alkermes has important decisions to make including potentially spinning out the oncology business into a new company to focus on its development. Short interest is 7% and up from around 5.5% in October. Hedge fund ownership rose marginally last quarter but two notable holders in the name stand out. First is Sarissa Capital with 7.825M shares, their third largest position, and activist who could look to push for further change if their turnaround plan misfires. And second, Elliott holds a position in the name but through intermediaries at the moment, likely the 2.2M shares Nomura opened in Q3. The firm helped ALKS draft new profitability targets, a refreshed cost structure, and board in December. They also committed to pursuing alternatives for some of their non-core businesses.

Hawk Vision:



Hawk's Perspective: ALKS has been on a hot run lately and would prefer a better entry point but it could end up being one of the more intriguing names in 2021 with a lot of levers to pull right now

Confidence Ranking: \$\$