Amarin Calls Show Faith Despite Weak Price Action

Ticker/Price: AMRN ($18.80)

Analysis:

Amarin (AMRN) call buyers active into weakness again with 9000 February $21 calls at $1.58, same spot with 10,000 bought yesterday and follows 10,000 March $23 calls yesterday as well. AMRN also had 3,000 March $24 calls bought and the June $30 calls bought this week. Shares are back near the November breakout spot around $18.50 as well as the 200-day MA as recent label expansion has been a 'sell the news' event. AMRN remains in a big consolidation since the 2018 run with a move above $24 targeting a long-term run up to $35. The $7.4B biotech trades 30X FY21 EPS and 20X sales with the early stages of a big commercial ramp with sales expected to hit $1B within two years. AMRN raised their outlook this week but also expects spending to increase as they build out sales staff and a DTC marketing campaign in the works. Recent label expansion for Vascepa for patients with either established CV disease or diabetes gives them a much broader TAM and sets up the drug as a potential blockbuster. Shares are weak today with United (UNH) labeling the drug as 'non-preferred' but Citi positive this afternoon noting that payers likely haven't yet considered the new "game-changing" cardiovascular risk-reduction label for Vascepa that was granted in December, which leaves Vascepa with no relevant competitors. Analysts have an average target for shares of $27.50. Jefferies yesterday noting that with the company doubling their sales force, they are setting up well to continue to outpace Street estimates while the launch remains on of the strongest they have seen. Short interest is 13.2%. Hedge fund ownership rose 2.5% in Q3. Boxer Capital and Perceptive both notable adds, the latter with a 7.6M share position.

Hawk Vision:

Hawk's Perspective: AMRN price action is concerning with plenty of better Biotech names trading well with strong option flows, so hesitant to get involved in this name that has a lot of skepticism surrounding it.

Confidence Ranking: $