



FEATURED OPTIONS RADAR REPORT



Calendar Spreads Position for Upside into Key Early 2022 Biotech Event

Ticker/Price: ARNA (\$45.80)

Analysis:

Arena Pharma (ARNA) with an unusually large trade on 8/19 as 3000 January/April 2022 \$50 calendar call spreads opened at a \$4.50 debit, a name lacking much notable open interest. ARNA shares have been very weak since last November and down 40% YTD but are nearing trend support from 2017 and 2020 lows, a 61.8% retracement of that same range, and key volume node resistance all in the \$40/\$44 zone. ARNA is a biopharmaceutical company focused on delivering novel, transformational medicines with optimized pharmacology and pharmacokinetics and its pipeline includes multiple potentially first- or best-in-class assets with broad clinical utility. Its most advanced investigational clinical programs include: etrasimod (APD334), being evaluated in a Phase 3 program for ulcerative colitis, or UC, a Phase 2b/3 program for Crohn's disease, or CD, and a Phase 2 program in alopecia areata, or AA. ARNA currently has a market cap of \$2.88B and trades 3X cash while recently announcing a collaboration and option agreement with Aristeia Therapeutics that it feels bolsters its mid-stage pipeline to collaborate on the advancement of RIST4721, an oral, highly selective CXCR2 antagonist, which has the potential to be developed for a range of immune-mediated inflammatory diseases. ARNA has a strong \$1.1B cash position and operating cash burn in Q2 rose to \$93.8M. The ARNA options positioning is targeting a key event, the readout of top line data from the pivotal Phase 3 ELEVATE UC 12 and UC 25 studies for etrasimod in ulcerative colitis in Q1 2022. ARNA also pushed out CULTIVATE from 2H21 to Q2 2022 which is seen as a higher risk event for shares. Analysts have an average target of \$95 with short interest fairly low at 5.7% of the float. Goldman sees a 75% probability of success for the ELEVATE UC12 and UC25 readout and has a Buy rating with a \$90 target. Cantor Fitzgerald lowered its target to \$93 recently seeing the eventual etrasimod launch pushing to 2023 in UC and in Crohn's to 2024 but notes plenty of shots on goal and a lot of catalysts the next 12-18 months that can drive significant upside. Citi started shares Buy in April with a \$101 target seeing a lot of upside in the pipeline. Alkerm has a \$120M position in ARNA.

Hawk Vision:



Hawk's Perspective: ARNA is an ugly chart but at this Price/Cash with upside catalysts the strategy here does look well thought out positioning for upside on the key data.

Confidence Ranking: \$\$