



## Avadel Bull Spreads into Key Data

Ticker/Price: AVDL (\$7)

### Analysis:

**Avadel Pharmaceuticals (AVDL)** traded 20X average calls yesterday with buyers of near 10,000 June \$7.50/\$15 call spreads for \$1.70. The June \$5 calls were also bought 2,350X for \$3.20 in a stock replacement and follows 1,000 December \$5 calls bought on 1-31 for \$3.70. AVDL has also seen a lot of insider buying since November with directors and the CEO adding over 65,000 shares between \$5 and \$6. Shares have traded strong since September up from around \$2-\$3 to the recent high near \$8.25 and pulling back to the rising 50-day MA and cloud support this week. MACD has reset back around zero while RSI is around 50 and potential for a strong move to the upside that targets \$11. The \$262.5M biotech trades 3.8X sales and 3.6X cash. They have five approved drugs since 2013 in hypotension and other indications but their current focus is sleep medicine. AVDL has a Phase 3 in Q2 for FT218 for the treatment of excessive daytime sleepiness and cataplexy in patients suffering from narcolepsy. The treatment is a once-nightly sodium oxybate treatment that is looking to prove clinically superior to the current SoC which requires multiple doses produced by **Jazz Pharma (JAZZ)**. The current treatment is a burden on their quality of life and only 9% of patients are given the 2X dosage as a first line therapy. A majority are also non-compliant. The total market for a one-time sodium oxybate formulation is estimated to be \$1.7B. Narcolepsy impacts around 200,000 Americans and only 25% are receiving treatment. Analysts have an average target for shares of \$9 with limited coverage. Craig Hallum with a \$15 PT and Buy rating on 1-30. Assuming the safety and efficacy profile of FT218 is borne out in Phase 3 data and an eventual FDA approval, the analyst anticipates swift market penetration given the inherent and obvious advantage he sees in 1-time dosing over a 2-times/night dose for patients who are already afflicted by sleep disorders. Short interest is 17.8%. Hedge fund ownership rose 2.5% in Q3 with Broadfin Capital a notable holder with 3.1M shares.

### Hawk Vision:



**Hawk's Perspective:** AVDL short interest up near new highs is a concern but Insider buying adds some confidence here and a very interesting small cap biotech, the call spreads an effective way to participate.

**Confidence Ranking:** \$\$