



Axsome Bulls Position for Strong Upside Move

Ticker/Price: AXSM (\$96.3)

Analysis:

Axsome Therapeutics (AXSM) with late day buyers of 1,600 April \$120 calls up to \$15.85, more than \$2.7M in premium, and many spread with sales of the March \$135 calls. AXSM has seen buyers in the March \$110 calls, April \$130 and \$140 calls, and April \$105 put sales recently as well as a buyer of 2,200 March \$40 calls for more than \$52.75. Shares have pulled back from 52-week highs up near \$110 and bouncing this week the 8-week EMA as they maneuver out of a bull wedge. The long-term measured move is up to \$150. The \$3.52B biotech trades 80.5X cash and last raised in December selling 2M shares at \$87. AXSM has had two significant trial wins in the last two months. In mid-December, the company's Phase 3 data in depression showed strong efficacy and safety setting up an NDA in the 2H of 2020 and potentially clean label for the drug that has near \$1B in potential peak sales. AXS-05 has better onset speed and effect than peers, and likely becomes the new SoC. On 12-30, the company announced positive data for AXS-07 in migraine with good safety profile and effect with most patients seeing relief from symptoms within one day. Analysts have an average target for shares of \$100. Ladenburg with a \$165 PT seeing a recent US licensing deal with Pfizer (PFE) accelerating the development of AXS-12 by "obviating the need" for certain reboxetine preclinical and clinical long-term safety studies that would have taken up to two years to complete. Sun Trust with a \$140 PT and thinks \$100 is a "new floor" given its portfolio of two approvable drugs in lucrative indications with combined peak sales potential of over \$2B. HCW with a \$200 PT noting that MOMENTUM data substantially increases the probability of approval and success for AXS-07, giving the company "three shots on goal" when paired with AXS-05 for major depressive disorder and AXS-12 for narcolepsy. Short interest is 10.8% and down from around 18.7% in August. Hedge fund ownership fell 11% in Q3 but notable holders remain Iridian Asset Management, Alethea, Baker Bros, RA Capital, and Ghost Tree.

Hawk Vision:



Hawk's Perspective: AXSM triggered out of its nice base this week and continues to look like an emerging superstar in the Neuro space, a name worthy of consideration.

Confidence Ranking: \$\$