



## Biogen Spreads Position for Upside Next Month

Ticker/Price: BIIB (\$295)

### Analysis:

**Biogen (BIIB)** with a large position today with 2,000 February \$295/\$325 call spreads bought for \$9.80. Today's flow follows some smaller Feb. \$290/\$325 call spreads bought last week while the Jan. 2021 OTM \$450 calls were accumulated in late December around \$17, a more than \$3.5M OTM trade. Shares gapped higher in October with the surprise Alzheimer's news and now in a tight wedge with a series of lower highs and higher lows since November. A move above \$305 can run back to \$320 and longer-term upside on a technical-basis is \$380. BIIB is probably the most-watched name in biotech in 2020 with their Alzheimer's treatment, Aducanumab, and near-term catalysts for the name include a potential timeline for the regulatory filing for the drug. The more likely near-term catalyst is a potential patent settlement or decision with Mylan (MYL) over Tecfidera. The company faces a potential significant dollar loss if MYL wins their case as the drug has been their top seller at more than \$4.27B in revenue in 2019. BIIB has won one IPR challenge on the drug before but the 514 patent is more significant. Evercore thinks BIIB can win the case given specifics around dosing and they don't believe MYL can prove that it was obvious to use the specific dosage in trials. BIIB trades 9X earnings and 3.7X sales with strong FCF and a \$5B buyback announced recently but those numbers in question by the IPR. Short interest is 2.4%. Hedge fund ownership rose 11% in Q3. Analysts have an average target of \$288 for shares and 10 buy ratings, 21 hold, and 3 sell. CSFB raising to Neutral in December while Baird a notable bear recently with an Underperform and \$250 PT. They think the hype around Alzheimer's will descend into broader critique of the full data set and that will put excess pressure on their risdiplam launch, Spinraza issues, and the patent challenge.

### Hawk Vision:



**Hawk's Perspective:** BIIB screened as a top large cap Bio and setting up nicely with this multi-week consolidation of the Alzheimer's news driven jump.

**Confidence Ranking:** \$\$