



FEATURED OPTIONS RADAR REPORT



Small, High Dollar Bullish Flow Accumulates in Healthcare Innovator

Ticker/Price: DXCM (\$515.30)

Analysis:

DexCom (DXCM) seeing a number of smaller, high-dollar options trades lately including a \$2M buy of the December \$400 calls on 8/24 and a buyer of 500 September \$520/\$490 bull risk reversals on 8/18. DXCM has seen sellers in the September, December, March and June options around the \$390 and \$380 strikes while the December \$500 calls had a \$2M buy on 7/30. Shares are consolidating the earnings gap higher above the 8- and 21-EMA with a breakout above \$527 in focus for a run to \$575. The \$48.56B company trades 145X earnings, 22.4X sales, and 18.8X cash with mid-40% growth. DXCM raised guidance in late July citing strong patient volume growth as COVID restrictions eased and their expanded sales force and marketing around their DTC product yielded solid early results. They see further growth in 2021 from advancements within the pharmacy channel, G7 manufacturing scale-up, expanded reimbursement and regulatory submissions in the 2H leading to new launches. DXCM remains a leader in the large and growing diabetes care market as there remains a big shift towards connected devices. In 2019, the company notes the worldwide spend was \$760B while the patient population will hit 700M by 2045, up from 460M in 2019. Analysts have an average target for shares of \$500 with a Street High \$550. Stephens raising estimates to \$546 on 7/30 citing easily beatable forward guidance and business remains poised to favorably inflect with the upcoming G7 commercial launches in Europe and U.S. Piper with a \$550 PT while OpCo sees a number of reasons for upside driven by a combination of DTC and expanding presence in primary care offices. Short interest is 4.4%. Hedge fund ownership fell 2.5% last quarter. Lone Pine remains a top holder with an \$800M stake.

Hawk Vision:



Hawk's Perspective: DXCM has long been one of our favorite names in the healthcare space, a true disruptor in a massive market, and should continue to deliver solid results with only moderate risk from delta variant becoming more prevalent in the US

Confidence Ranking: \$\$