



FEATURED OPTIONS RADAR REPORT



Bulls Position in GlaxoSmithKline for Investor Update, Activist Campaign

Ticker/Price: GSK (\$38.20)

Analysis:

GlaxoSmithKline (GSK) options seeing a lot of activity since mid-April with August expiration a common target, the \$36 calls bought 3,000X back on 3/18 and then traded more than 7,000X on 5/11, waiting on open interest to confirm additions. GSK has also seen 9500 May \$40 calls open, 4950 August \$40 calls, 1500 August \$39 calls, and 2250 January 2023 \$30 calls. GSK also has 7,480 January 2023 \$35 calls in open interest from size buys that started 10/30. On the chart GSK shares have put in a triple bottom near the \$33 level and are starting to clear a range that targets a move to \$43. GSK is in the process of separating into two companies in 2022, Biopharma with leading specialty medicine and vaccine programs, and Consumer Healthcare. Global vaccine sales remained flat at approximately £23.8 billion in 2020. The global consumer healthcare market is estimated to be valued at more than £140 billion. GSK's biopharma R&D pipeline contains 40 potential new medicines and 19 candidate vaccines. The \$93.5B Pharma trades 12.3X Earnings, 10X EBITDA, 2.1X Sales and 26X FCF with a large 5.55% dividend yield. GSK forecasts see revenues growing 5-7% annually the next two years and EBITDA rising 8-10%. GSK is coming off a weak earnings report missing estimates across most products but there is optimism for 2H21, particularly for its key growth driver Shingrix which has suffered setbacks due to COVID-19 vaccination. GSK also has a key catalyst coming on June 23rd when it will hold an Investor Day to provide details around the timing and mechanism of the Consumer Health separation. The focus will be on the new BioPharma entity and long-term growth expectations, a potential for GSK shares to re-rate higher. GSK is also planning to provide revenue outlooks for the next 10 years, with more granular updates over the next 5 years. Alongside these, management will provide details of a new dividend distribution policy as well as capital allocation priorities for the standalone biopharma entity. GSK also has some data catalysts in 2H21 with Zejula + dostarlimab in 2L + PROC ovarian cancer, called Moonstone, and Daprodustat data for Anemia. Another catalyst involves Elliott Management, the activist hedge fund recently disclosed it is building a large stake and pressuring the CEO to speed up the turnaround. Glaxo could seek to value the consumer division, which makes products ranging from Sensodyne toothpaste to Advil, at \$50 billion or even more. Some potential advisers have suggested Glaxo consider merging the unit with Reckitt Benckiser Group Plc or the consumer-health operations of Sanofi or Bayer AG. The news of Elliott's involvement now questions if the pharma business or whole company could instead be sold. Glaxo is also trying to rebuild its oncology portfolio with plans to double the number of blockbuster drugs by 2026. Analysts have an average target of \$50 with short interest low at 1.1% of the float.

Hawk Vision:



Hawk's Perspective: GSK has multiple event-driven catalysts and August looks to be the favored spot to position, a name that can potentially see \$45-\$50 this year and upside options are priced cheap.

Confidence Ranking: \$\$\$