



FEATURED OPTIONS RADAR REPORT



Large Call Spread Sees Upside in Diagnostics Leader

Ticker/Price: ILMN (\$333.85)

Illumina (ILMN) seeing some bullish activity with 1250 June \$400/\$500 call spreads bought to open on 2/14 after 400 June 2023 \$450 calls bought for \$1.9M on 2/9 and 1000 January \$350 short puts remain in open interest. ILMN shares are down 10% YTD near the lower edge of a falling wedge pattern and currently under all major moving averages but the recent low tested a major long-term VPOC and weekly RSI showing a bullish divergence while MACD has also improved. ILMN would need to clear the \$410 level to break out of the falling wedge pattern. ILMN is the global leader in sequencing- and array-based solutions for genetic and genomic analysis. ILMN customers include leading genomic research centers, academic institutions, government laboratories, and hospitals, as well as pharmaceutical, biotechnology, commercial molecular diagnostic laboratories, and consumer genomics companies. ILMN has a market cap of \$58B and trades at a premium valuation of 64X Earnings, 50X EBITDA and 10X EV/Sales with a forward three-year revenue CAGR near 18% and EBITDA around 15%. Longer-term, a favorable view of ILMN's key end markets, tailwinds in place for its flagship platform from a multiyear upgrade cycle, an embedded call option around future product cycles, and reimbursement momentum for NGS-based diagnostic tests make ILMN's base business one of the best secular growth stories in the life sciences industry. However, shares have some major headwinds with key sequencing technology patents rolling off as competitive pressures mount and headline risk from its legal process to close its large acquisition of GRAIL. ILMN has put up strong numbers to start 2022 with it raising guidance and then beating estimates. ILMN will host a Fall Investor event later this year as a key catalyst. Analysts have an average target of \$400 with short interest low at 1.2% of the float. Piper recently raised its target to \$460 noting the earnings call validated its competitive positioning and sees it beating estimates throughout 2022. Stifel upgraded shares to Buy with a \$480 target on 1/18 into a compelling product cycle.

Hawk Vision:



Hawk's Perspective: ILMN remains richly valued and tough to get behind in the current environment but it is a profitable leader so waiting for more constructive price action to set up a stronger reward/risk trade.

Confidence Ranking: \$\$