

SPOTLIGHT OPTION TRADE



Slowing Growth, Falling Margins and Capital Allocation Missteps Make this Med-Tech a Short

TRADE SNAPSHOT

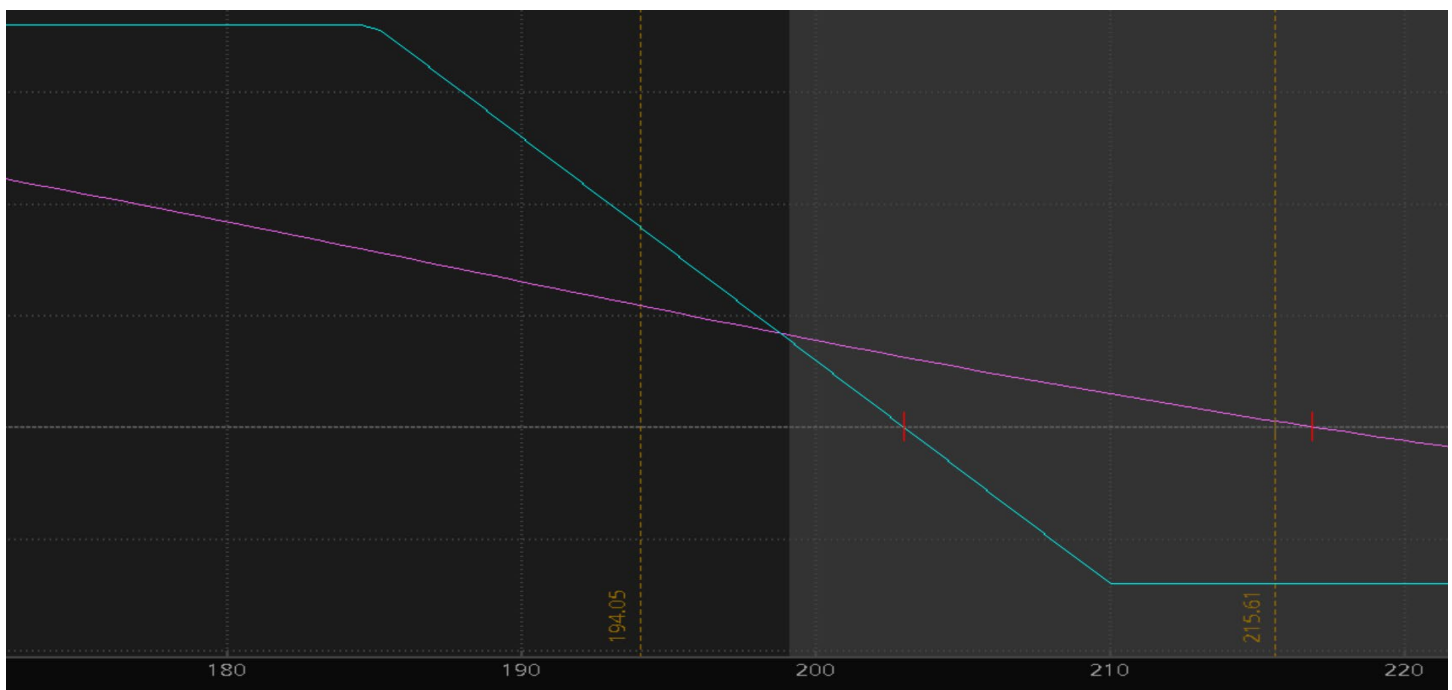
TICKER	ILMN
SECURITY	Illumina
SECTOR	Healthcare – Diagnostics
CURRENT PRICE	\$215.60
LONG/SHORT	Short
TARGET	\$180
STOP	\$230
TIMEFRAME	6 Weeks

Trading Strategy: Long the ILMN September \$210/\$185 Put Spreads at \$7

Net Debit/Credit: Debit of \$7

Profitability Zone: ILMN Below \$203 on September OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: ILMN remains in a weak trend as a name that broke its 200-week EMA and now trying to base at VWAP off 2011 lows but has also broken a decade long uptrend and could really continue to spiral much lower as it trades rich on valuation.



Fundamental Analysis: ILMN still has a \$32B market cap and trades 41.6X Earnings and 7X Sales despite growth slowing to 12-15% topline while EPS seen down 30% this year. ILMN margins are also coming under pressure and expect it to see further weakness from the consumer diagnostics space. ILMN's CFO left in June and the company did not take the opportunity to update guidance, a bit unusual and we recently saw an ugly warning from 10X (TXG). ILMN faces an increasingly difficult competitive environment and is expected to host an Investor Event on 10/3. ILMN is launching Chemistry X, which promises ~2x faster cycle times, ~2x longer reads, and ~3x greater accuracy than the current SBS chemistry. However, ILMN's pricing power is coming under pressure and likely weighs on margins. ILMN has been trying to acquire Grail and recently EU antitrust regulators are seen vetoing the \$8B deal. Analysts have an average target of \$300 with short interest at 2.7% of the float jumping 125% Q/Q. Barclays cut to Underweight on 7/13 with a \$150 target citing multiple overhands at high valuation.

Options Activity:

Date ▾	Ticker	Contract	Volume	OI	Price	Delta	IV	Premium	Last	Current OI
07-28-2022	ILMN	ILMN 100 16 SEP 22 220 CALL	452	72	\$13	0.48	48.17%	\$745,800	\$13.2	519
07-20-2022	ILMN	ILMN 100 16 SEP 22 270 CALL	1,503	274	\$1.34	0.08	48%	\$217,935	\$2.6	1,591
07-20-2022	ILMN	ILMN 100 16 SEP 22 250 CALL	1,014	65	\$2.69	0.17	48.52%	\$405,600	\$4	1,067
07-19-2022	ILMN	ILMN 100 19 AUG 22 192.5 CALL	456	1	\$12.3	0.55	55.85%	\$642,960	\$27.3	263
07-14-2022	ILMN	ILMN 100 19 AUG 22 175 CALL	449	7	\$12.51	0.54	58.54%	\$619,620	\$23.5	223
07-13-2022	ILMN	ILMN 100 20 JAN 23 200 PUT	200	140	\$35.7	-0.53	48.74%	\$738,000	\$20.8	305
07-08-2022	ILMN	ILMN 100 20 JAN 23 135 PUT	578	317	\$6.9	-0.14	62.17%	\$554,880	\$5.87	1,175
07-08-2022	ILMN	ILMN 100 19 AUG 22 200 CALL	461	74	\$16.49	0.58	53.6%	\$797,530	\$22.74	473
07-07-2022	ILMN	ILMN 100 19 AUG 22 190 PUT	300	52	\$9.8	-0.34	56.4%	\$306,000	\$3.5	371
07-07-2022	ILMN	ILMN 100 19 AUG 22 210 CALL	323	21	\$10.9	0.45	53.04%	\$381,140	\$14.04	589
07-05-2022	ILMN	ILMN 100 19 JAN 24 220 PUT	260	199	\$57.1	-0.50	41.61%	\$1,541,800	\$3.55	449
06-29-2022	ILMN	ILMN 100 20 JAN 23 115 PUT	459	0	\$5.2	-0.10	62%	\$238,680	\$4.55	1,359
06-29-2022	ILMN	ILMN 100 20 JAN 23 120 PUT	562	3	\$6.1	-0.12	62.81%	\$342,820	\$3.5	501
06-27-2022	ILMN	ILMN 100 20 JAN 23 280 CALL	661	103	\$6.4	0.20	47.7%	\$456,090	\$9.8	754
06-22-2022	ILMN	ILMN 100 16 DEC 22 270 CALL	634	14	\$4.9	0.18	48.66%	\$310,660	\$9.5	640
06-16-2022	ILMN	ILMN 100 16 DEC 22 150 PUT	501	15	\$11.5	-0.22	57.83%	\$656,310	\$9.1	798

Potential Catalysts: Earnings 8-11-22

Disclaimer:

Not Investment Advice or Recommendation

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