

Incyte (INCY) Bulls Position for Catalyst-Rich 2H

Date: 8/12/19

Incyte (INCY) shares setting up well on multiple time-frames with bullish open interest including the August \$90 calls bought 2,000X, the December \$90 call bought in early July, and accumulation in the September \$82.50 calls with over 1,000X in OI. In April, the January \$85 calls were bought over 2,500X and remain in OI with 3,928 total accumulated. INCY has traded in a well-defined range since February and back near trend support last week around \$80 with a reversal candle on Thursday. Shares have room back to \$87.50 in the near-term before triggering a longer-term breakout which targets \$100. Bollinger Bands have tightened up on both the daily and weekly timeframe and set for a sharp move.



The \$17.55B biotech trades 27X earnings, 8.75X sales, and 10.35X cash with 23.6% and 35% EPS growth forecast. INCY is expecting 14.1% and 16.76% sales growth as well. INCY is executing well on their dual program strategy for long-term growth with late-stage assets in both hematology/oncology and inflammation. INCY is coming off a strong quarter with Jakafi results above estimates as it expands to new indications. The company expects to file an NDA seeking approval of pemigatinib in cholangiocarcinoma in the 2H. They also have data read-outs for ruxolitinib and itacitinib in GVHD by year-end. Analysts have an average target for shares of \$90. Piper with a \$95 PT on 7-30. The firm thinks INCY's late-stage pipeline represents additional opportunity for meaningful long-term upside while Jakafi continues to ramp near-term. The firm thinks ruxolitinib cream is an exciting potential product after positive activity in vitiligo and solid efficacy in atopic dermatitis. The analyst thinks the drug could generate over \$1B in global sales by the late 2020s for its combined eventual indications.

Date	Description	Volume	Open Int	Price	Delta	Implied Vol	Profit/Loss	Maximum Profit
7/15/2019	INCY 100 20 AUG 18 90 CALL	2,000	822	\$9.00	0.59	45.73%	18.00%	\$150,000
7/16/2019	INCY 100 17 JAN 20 82.5 PUT	202	221	\$9.00	-0.49	38.56%	78.23%	\$181,620
7/12/2019	INCY 100 20 DEC 18 70 PUT	811	10	\$3.00	-1.1	100.00%	130.00%	\$190,000
7/16/2019	INCY 100 20 DEC 18 90 CALL	902	117	\$9.00	0.42	38.00%	51.40%	\$186,000
8/12/2019	INCY 100 20 SEP 18 80 PUT	212	74	\$4.00	-0.28	38.23%	62.87%	\$122,200
8/24/2019	INCY 100 17 JAN 20 82.5 PUT	522	36	\$12.00	-0.52	37.05%	62.42%	\$642,000
8/24/2019	INCY 100 20 SEP 18 87.5 CALL	225	396	\$6.50	0.54	37.73%	46.20%	\$146,250
8/21/2019	INCY 100 20 DEC 18 60 PUT	756	287	\$5.00	-0.288	37.58%	38.23%	\$182,500
8/15/2019	INCY 100 20 SEP 18 500 CALL	1,280	78	\$1.21	0.28	38.90%	12.14%	\$182,300
8/17/2019	INCY 100 20 SEP 18 80 CALL	200	225	\$7.20	0.59	38.00%	51.37%	\$144,000
8/14/2019	INCY 100 20 SEP 18 82.5 CALL	401	284	\$5.00	0.51	38.23%	62.87%	\$198,000
5/18/2019	INCY 100 17 JAN 20 87.5 CALL	500	138	\$4.30	0.33	34.47%	23.03%	\$220,000
5/15/2019	INCY 100 20 DEC 18 87.5 PUT	200	0	\$14.00	-0.44	34.87%	72.07%	\$280,000
4/22/2019	INCY 100 17 JAN 20 85 CALL	1,500	1,818	\$5.70	0.4	38.88%	28.87%	\$1,426,500

Short interest is 1.8% it at its lowest level in two years and down from around 3.25% last month. Hedge Fund ownership fell 5.9% in Q2. Baker Bros are the top holder with

32.55M shares while Matrix Capital and Polar Capital two notable holders. INCY last saw insiders buy stock in November when a director bought stock at \$68.77.