



Iovance Options Position for Potential M&A Deal

Ticker/Price: IOVA (\$36)

Analysis:

Iovance (IOVA) with a number of notable trades on 3/2 including a large buy of 2,500 June \$40 calls at \$4.80 and 2,000 April \$35 calls for \$7, a name seeing a lot of March positions adjust notably March \$30 short calls adjusting to September \$50 to adjust a buy-write position. IOVA had a buyer of 4000 June \$35 calls on 2/26 and 5,000 June \$40 calls on 2/25 while 4000 September \$45 calls sold to open in a buy-write on 2/27 and the same with 1,000 January \$40 calls. IOVA shares have rallied sharply the past week after Bloomberg reported the company is exploring a potential sale. The company is working with financial advisors after receiving interest and has not made a decision yet whether to stay independent or seek a deal. Iovance specializes in cell therapy focused on treating solid tumors. Iovance could make sense for potential buyers including Takeda Pharmaceutical Co., Novartis and Gilead Sciences Inc. according to a Stifel analyst, noting "This is one of the few cell therapy companies in our coverage with data that has been de-risked to a large degree by a proof-of-concept study," "We can see how this might be one of the more interesting cell therapy take-out candidates." IOVA has rallied nearly 40% since the news and now with a market cap of \$4.57B trading 14.9X Cash. IOVA has multiple ongoing pivotal trials in melanoma and cervical cancer, the clinical data from its earlier trials demonstrated impressive efficacy. Iovance is also conducting tumor infiltrating lymphocytes, or TIL, trials in head/ neck cancer and non-small cell lung cancer as well as other indications. The market opportunity for an autologous tumor-infiltrating lymphocyte product in the advanced melanoma/cervical cancer setting can reach \$2B-plus sales at peak. IOVA's early stage data in May showed positive response rates for both melanoma and cervical, especially compared with Keytruda and is on track for a 2020 filing. Analysts have an average target near \$40 and short interest is 12.7% of the float. Piper recently raised its target to \$40 noting timelines for melanoma and cervical registrational cohort filings remaining unchanged by year-end FY20 and noted it views Iovance as the leader in solid tumor targeting cell therapy and contends that some of its rumored potential acquirers do as well. Perceptive Advisors the top concentrated holder in the name with a \$260M position though reduced in Q4 as did Avoro Capital who holds \$244M, while Farallon also a large position added along with Orbimed and Great Point.

Hawk Vision:



Hawk's Perspective: IOVA flows indicating a likely deal around \$45-\$55 which would make sense, about a premium of 90-100% from the original report. The strikes available limit strategies, but June \$35/\$40 call spreads are marking \$2.50, a potential 100% return.

Confidence Ranking: \$\$