



Unusual Large Bull Spread in Biotech in Lead for NASH

Ticker/Price: MDGL (\$232)

Analysis:

Madrigal Pharma (MDGL) with an interesting late afternoon trade on 3/23 as 2100 July \$300/\$400 call spreads were bought along with 2100 of the July \$180 puts sold for a net debit of \$1.80. MDGL does have 1000 October \$330 short calls in open interest and 1000 April \$390 short calls. MDGL shares are -20% YTD and closed at the lowest level since December when shares jumped to above \$300 from \$60 in the span of a week. MDGL soared in December after announcing positive topline results from pivotal Phase 3 MAESTRO-NASH Clinical Trial of resmetirom. MDGL intends to file NDA seeking accelerated approval of Resmetirom in 1H'23. Resmetirom, is a proprietary, liver-directed, selective thyroid hormone receptor- β , or THR- β , agonist being developed as a once-daily oral pill for the treatment of NASH. NAFLD has become the most common liver disease in the United States and other developed countries. NAFLD is estimated to affect approximately 25% of the population, and approximately 25% of those will progress from NAFLD to NASH. Current estimates place NASH prevalence at approximately 22 million people in the United States by 2024, with similar prevalence in Europe and Asia. The prevalence of NASH is also increasing in developing regions due to the adoption of a more sedentary lifestyle and a diet consisting of processed foods with high fat and fructose content. MDGL has a market cap of \$4.1B and trades 11.5X Cash and estimates for \$1B in revenues in 2025. Analysts have an average target of \$315 on shares with short interest down to 5.7% of the float. OpCo recently raised its target to \$300 seeing a differentiated drug that can drive physician uptake and expects data to support FDA approval. JMP raised its target to \$390 in January on strong survey results for resmetirom usage. JMP also now sees MDGL as a top M&A target. Cowen has a \$309 target seeing a \$2B market opportunity. Baker Brothers has a \$450M position as its 7th largest holding.

Hawk Vision:



Hawk's Perspective: MDGL at 4X FY25 sales makes a lot of sense as a M&A target and this is a low risk outlay for potential massive reward for a willing buyer at \$180.

Confidence Ranking: \$\$