



## FEATURED OPTIONS RADAR REPORT



### Bullish Activity in ADC Biotech Play Mersana

**Ticker/Price:** MRSN (\$17.14)

#### Analysis:

**Mersana Therapeutics (MRSN)** on 4/14 with 2000 August \$22.5/\$15 bull risk reversals opening for a debit of \$0.20 and follows bullish positioning in May since February, the \$20 calls with 1250X bought and the \$25 calls with 4800X bought while 2000 each of the \$20 and \$17.5 puts have been sold to open, so with shares at \$17 the reward/risk looking favorable. MRSN shares soared in May 2020 after reporting Phase 1 XMT-1536 data for its first-in-class ADC candidate targeting NaPi2b, in patients with ovarian cancer and non-small cell lung (NSCLC) adenocarcinoma. Shares have now pulled back to the August 2020 lows following that move and showing support the last four weeks above \$15. A Director bought 250,000 shares at \$18.36/share in January for \$4.59M. MRSN has a \$1.2B market cap and is focused on development of antibody drug conjugate (ADC) therapies for cancer patients. Their platform is considered a step forward from first-generation ADCs while being more effective and tolerable to patients. ADCs are a highly-targeted, potent biological drug that is built by attaching a small, molecular anti-cancer drug onto an antibody via a permanent link. The antibody then targets specific antigens within the body. They are sometimes referred to as empowered antibodies (mAbs). Typical ADCs will be highly selective which means they'll have less impact on healthy cells and they'll also have a potent cytotoxic aspect for destruction of cancer cells. MRSN's ADC platform generates high drug-to-antibody ratios with multiple payloads delivered per site, often 15-20. One of the biggest issues for high payload ADCs has been toxicity and MRSN developed a system called DolaLock which slowly converts the toxin over time into a metabolite. They are pursuing strategies in both cytotoxic and immunostimulatory ADCs. Their lead candidate is XMT-1536 which is being explored in ovarian cancer, NSCLC, renal, thyroid, and salivatory gland cancer. Analysts have an average target of \$27 with short interest elevated at 20.6% of the float. Stifel started coverage in December at Buy with a \$33 target calling it the most innovative play in the ADC space.

#### Hawk Vision:



**Hawk's Perspective:** MRSN clearly is risky with no revenues and an elevated short float, but also seems to be one of the more exciting plays, though 2021 catalysts appear limited, possibly a name that could attract M&A.

**Confidence Ranking:** \$\$