



FEATURED OPTIONS RADAR REPORT



Bulls Bet on a Biotech Moving Higher on ESMO Updates

Ticker/Price: MRTX (\$174)

Analysis:

Mirati Therapeutics (MRTX) with notable bullish positioning last week as 3000 October \$170/\$210 call spreads bought to open and a name that still has the 3300 October \$200 calls bought back on 6/25 in a stock replacement in open interest. MRTX notable positioning is all contained in the October expiration. MRTX was a Biotech laggard through Mid-August but recently bounced strong and closed last week near multi-week highs above a key volume node with the 200-day moving average just overhead at \$179. MRTX is also just below VWAP off the December 2020 highs at \$176 and the correction off the highs held at a 61.8% Fibonacci. The \$190 level would be a 50% retrace of the recent correction while \$205 is a 61.8%. MRTX is focused primarily on MRTX849, a KRAS G12C inhibitor, which is in clinical trial for treating NSCLC, colorectal, pancreatic, and other cancers. KRAS is the most frequently mutated gene in human cancer and occurs frequently in a number of indications which gives MRTX confidence they have multiple pathways to commercialization. The treatment has shown strong early efficacy and tolerability and currently being explored as both a monotherapy and in combination. They should file an NDA in the 2H for 2L+ NSCLC while Proof of Concept data will be out in the 2H for 1L NSCLC and 2L CRC. MRTX will present updated data from the Ph2 MRTX-500 study at the upcoming 2021 ESMO meeting this week. MRTX has a \$9B market cap and is pre-clinical without a real revenue base trading 7.55X cash. Analysts have an average target of \$216 and short interest is 7.5% of the float. Goldman has a \$281 target with a theoretical M&A target value of \$347 and sees a 30-50% probability of being acquired due to its role as a precision medicine story with a broad immuno-oncology pipeline. JP Morgan lowered its target to \$203 earlier this month but notes colorectal cancer updates at ESMO has low expectations and could deliver substantial upside on a positive release. MSCO started coverage at Neutral in August and a \$160 target concerned with competition in the space despite expectations for accelerated approval in NSCLC. Citi upgraded shares to Buy in June seeing upside in 2H21 on catalysts. Jefferies upgraded to Buy in May with a \$196 target seeing the three key clinical readouts in 2H21 de-risking the story and noting Mirati's ability to adjust development in real-time based on competitor updates is a strategic advantage. MRTX is the #1 holding for Perceptive Advisors and Boxer Capital and the 13th largest for Baker Brothers.

Hawk Vision:



Hawk's Perspective: MRTX positioning looks favorable though a clear boom or bust type play, so keep sizing smaller.

Confidence Ranking: \$\$