



Neurocrine Bullish Positioning with Base Breakout

Ticker/Price: NBIX (\$110.20)

Analysis:

Neurocrine (NBIX) IV rising with bullish afternoon action as 865 May \$110 calls being bought to open up to \$10.30 with action starting near \$9.24 as IV gets bid up significantly. On 12/26 the August \$115 calls saw a large opening buy for 800X, or \$750K. NBIX shares are working out of a nice base along its 55 MA to start this week and recent highs near \$120 in sight on momentum above \$114.50. The \$10B Biotech trades 13X EV/Sales and 30X Earnings as one of the strongest recent commercial launch success stories and in the hot Neurology space. NBIX posted 46% Y/Y revenue growth last quarter beating estimates and after 70% revenue growth in FY19 it sees 37% growth in FY20 while EPS seen rising to \$3.55/share from \$0.73/share. NBIX is also preparing for the commercial launch of Opicapone and advancing the CAH development programs while also reviewing its gene therapy program for Parkinson's and Friedreich's Ataxia. Analysts have an average target of \$118 and short interest is 5% of the float. CSFB cut shares to Neutral on 12-13 with a \$110 target on valuation. Piper raised its target to \$153 on 12-12 noting ample runway for significant value creation. RBC with a note in September that Ingrezza could be approved for Huntington's and add 20% to revenue estimates for the drug. Hedge Fund ownership fell 2.6% in Q3 filings, Perceptive Advisors a top concentrated holder as its top position and Healthcor & Oribimed also large holders.

Hawk Vision:



Hawk's Perspective: NBIX was a top Biotech pick the last two years and continue to like the strong growth story and while 13X Revenues is pricey, its \$10B market cap could easily be swallowed in a M&A scenario.

Confidence Ranking: \$\$