



Nevro Bulls Active Seeing Further Upside as Growth Accelerates

Ticker/Price: NVRO (\$133.50)

Analysis:

Nevro (NVRO) with a lot of bullish positioning on 1/27 as 500 December \$135 puts were sold to open for \$1.2M, the March \$125 puts were sold to open 1000X to buy the \$135/\$155 call spreads, and 2000 of the March \$135 puts were sold to open for \$2M. NVRO has been popular with opening put sales previously and also still has 1000 of the February \$110 calls in open interest from 12/16 and 12/17 purchases at \$9.90 to \$10. NVRO shares have been on an incredible parabolic run since 2019 reaching new highs this week and the next Fibonacci extension target is the 2.272 near \$170. The \$4.1B med-tech company makes products for patients suffering from chronic pain with its Senza spinal cord stimulation system. NVRO currently trades 10.5X EV/Sales with revenues expected to grow 12.8% in FY20 and still far from profitability. The company provided upside guidance for Q4 and FY20 on 1/14 at the JPM Conference. NVRO has long been an intriguing growth name with its large \$12.9B annual TAM in the US for the Spinal Cord Stimulation (SCS) market only being 10% penetrated. Its core markets are leg and back pain while it sees potential large target markets with Painful Diabetic Neuropathy (PDN) and Non-Surgical Refractory Back Pain. Analysts have an average target of \$120 and short interest is still elevated at 9.7% of the float but trending down to a three-year low with shorts finally capitulating. BAML raised its target to \$170 after NVRO presented data in PDN over the weekend, though unlikely to contribute until late 2021, but can increase the addressable market by 2M more patients and multi-billions of revenue dollars. SunTrust started NVRO at Buy on 1/7 seeing the SCS market underpenetrated and likely to see growth reacceleration in 2020 with NVRO regaining market share. Hedge Fund ownership declined 14% in Q3 filings, Jackson Square a notable top holder.

Hawk Vision:



Hawk's Perspective: NVRO has been on a wild run and really like the opportunity for this med-tech star, tough to buy anything at new highs, but a name to consider accumulating on dips.

Confidence Ranking: \$\$