



FEATURED OPTIONS RADAR REPORT



Novartis Long-Term Calls Position for Re-Rate Higher

Ticker/Price: NVS (\$96.90)

Analysis:

Novartis (NVS) with interesting activity all week in January 2023 calls with 1000 of the \$115 calls opening on 1/15, 1000 of the \$110 calls on 1/19 and 1800 of the \$130 calls on 1/21. **NVS** also with 3800 January \$120 calls bought \$1.15 on 1/21 and has 1400 April \$85 calls in OI from 10/29. NVS on the monthly is forming the handle of a multi-year cup and handle pattern and above \$95 targets a measured move to above \$130 while a longer-term rising channel leaves significant room for upside and \$107 is a 138.2% extension level near-term. The \$235B drug maker trades 15.2X Earnings, 4.75X Sales and yields a 3.2% dividend. NVS forecasts see revenue growth of 6.8% in 2021, best in a decade, and EPS seen rising 11%, so valuation seems cheap for it delivering multi-year best growth rates. NVS will next report on 1-26. NVS has over 15 blockbusters in its portfolio, and has exposure to all of the major advanced therapy platform that it believes that will shape the industry in the decade to come: cell therapy, gene therapy, radioligand therapy and, of course, RNA technologies. Novartis' pipeline has 116 projects in Phase I and II and 49 projects in Phase III in registration. NVS sees a lot of catalysts in 2021 including approvals for Entresto half after a positive advisory committee meeting that it had in December; the continued advancement of Leqvio and Kesimpta in more geographies; multiple major submissions, assuming positive readouts for medicines such as canakinumab, if positive, as well as Lu-PSMA and MBG; and then a range of major readouts in the late stage portfolio. NVS also has a lot of firepower to look at acquisitions. Analysts have an average target of \$107 and short interest is minimal at 0.2% of the float. Deutsche Bank started shares at Buy last week noting European Pharma is in the midst of an age of secular innovation yet valuations are inexpensive. NVS started a \$2.5B buyback in November. Aristotle Capital has a \$600M position.

Hawk Vision:



Hawk's Perspective: NVS is cheap and offers a nice yield, not the most exciting name to trade options but think the stock is a bargain for a long-term conservative play.

Confidence Ranking: \$\$