



Neurocrine Calls Active as Biotech M&A Heats Up

Ticker/Price: NBIX (\$80.50)

Analysis:

Neurocrine (NBIX) buyer of 180 August \$95 calls for \$4.40 to \$4.60 today, follows 2,000 of the \$100 calls bought on Friday as well as the August \$80 calls and April \$85 calls last week. NBIX has seen buyers in the May \$90 calls and December \$135 calls back in late January as well. NBIX shares have pulled back from all-time highs in 201 around \$125 and found support at the 61.8% retracement of the rally higher. A move above \$82.50 clears the downtrend and targets a big volume node at \$90 and then a low-volume gap back to \$102.50. The \$7.16B biotech trades 29.3X earnings, 15.8X sales, and 11X cash with 47.7% and 39.7% revenue growth through FY20. The company is seeing strong uptake with Ingrezza with sales up 102% in Q4 and further positive data in January in patients with mood disorders. They have positive drivers in 2019 from their collaborative launch of Elagolix with Abbvie, an NDA for Opicapone for Parkinson's in Q2 ahead of 2020 commercial launch, and early stage trials in CAH due around mid-year. Analysts have an average target for shares of \$102.25 with 15 buy ratings and 3 hold ratings. Cantor with a \$127 PT on 2/6 citing their strong cash position and deep pipeline through 2021. Piper thinks Ingrezza with outperform expectations given the size of the underlying TD population and relatively favorable payor landscape point to ample room for growth. Short interest is 5%, up recently from around 4% but down from 10.5% in early 2018. Institutional ownership rose 1% with Orbimed and Senator Investment with notable buys.

Hawk Vision:



Trading Strategy: NBIX is a favorite Biotech in a period of underperformance and digestion, but can resume its uptrend. I would like to see shares back over \$85 for more interest.

Confidence Ranking: \$\$