



Bullish Open Interest Builds n Exelixis

Ticker/Price: EXEL (\$22.75)

Analysis:

Exelixis (EXEL) with over 1,150 January \$22 calls bought today from \$4.75 to \$5.00 and follows buyers of 5,000 March \$22 calls on 2/13 and the January 2020 \$32 calls 1,500X on 2/13. The August \$18 calls remain in open interest 19,943X from a buyer on 2/8, a more than \$11M position, and the May \$28 calls have 5,000 in open interest from a buyer. Shares have pulled back to trend support and daily cloud resistance / the 55-MA this week and nearing a breakout above \$23 from the January highs. A move higher targets \$27 and then a high-volume node from early 2018 around \$30. The \$6.6B biotech trades 17.2X earnings, 7.7X sales, and 9.5X cash with limited debt. EXEL sees 30% EPS growth in 2020 with sales growth of 17.1% and 21.8% over the next two years as Cabometyx is in the early stages of commercialization. The drug is seeing strong uptake in RCC and HCC and a number of trials this year to expand its reach. The company expects combo studies with Opdivo and Yervoy in the 2H of the year in RCC, the CheckMate 9ER trial. They also expect Phase 3 data in cobimetinib and atezolizumab in 2019 in first-line BRAF wild-type metastatic melanoma. They have also developed a growing early-stage pipeline with licensing agreements with StemSynergy and Invenra. Analysts have an average target for shares of \$25.50 with 7 buy ratings, 3 hold ratings, and 1 sell. Cowen with a \$29 PT earlier this week. The firm thinks Cabo may face more competitive pressures than expected but the combo studies will be a big driver for re-accelerating growth. They also think recent strong bids for oncology companies puts the company in play for a buyout. Short interest is 5% and modestly higher since December. Overall, however, far lower than its 3-year peak around 25%. Institutional ownership fell 6.4%. Alkeon Capital a big holder of call options and Consonance Capital a buyer of 2.7M shares of stock, now with over 6.6M total.

Hawk Vision:



Trading Strategy: EXEL was a highlighted top Biotech pick in the annual outlook and continue to love the flows I see in the name. It has a lot of major moving events coming but think it is a worthwhile own in the space.

Confidence Ranking: \$\$