Enanta Pharma Attracts Unusual Upside Call Buying

Ticker/Price: ENTA ($95)

Analysis:

Enanta Pharmaceuticals (ENTA) with 1,500 March $100 calls bought today for $4.50 to $5.20 and follows 2,000 March $95 calls bought yesterday for $3.45, unusual size for the name which trades less than 125 options per day. ENTA shares have been strong recently, up 45% from the December lows, and strong move on volume the last two weeks above its 200-EMA. The recent move out of a multi-week base targets $100 but low-volume above the August range has room back to $120+. Long-term, a very strong chart which ran up in 2017 and pulled back to the 50% Fibonacci where it based. The $1.75B biotech trades 7.33X sales, 5.66X cash, and 31.5X FCF with 5% sales growth in FY19. ENTA develops small molecule drugs for the treatment of viral infections and liver diseases with trials in respiratory syncytial virus (RSV), NASH, primary biliary cholangitis (PBC), and hep B. They also have a collaboration with Abbott (ABT) to develop compounds for hep C. They expect Phase 2 data in RSV around mid-year and Phase 2 data in NASH in Q3, although will move with the other big data sets in the space expected in March. Analysts have an average target for shares of $102.50 with 2 buy ratings and 4 hold ratings. Short interest is high, 14.7%, and rising from the 2018 lows near 5%. Oppenheimer has a Neutral rating for shares, $100 PT, seeing headwinds in HCV but thinks they have a unique molecular platform with a proven NASH mechanism which could translate into a superior product. They think EDP-305 has potential to be a best-in-class FXR that is more selective with potentially less pruritus and can leverage the regulatory path forged by rivals. The company will be at the Roth Healthcare conference on 3/18 and the Oppenheimer Healthcare conference on 3/20. Institutional ownership rose 8.29% last quarter.

Hawk Vision:

Trading Strategy: ENTA is an intriguing name but carries plenty of near-term event risk and considering the rising short interest trends, likely one I will avoid after this big run.

Confidence Ranking: $$