



Bristol Myers Options Market Sees Opportunity in Weakness after Huge M&A Deal

Ticker/Price: BMY (\$48.5)

Analysis:

Bristol Myers (BMY) continues to draw bullish flow since their \$74B deal for Celgene last week with sizable adds over the last two days to Jan. 2020 \$50 calls, June 2019 \$50 calls, June \$52.50 calls, June \$55 calls, and March \$52.50 calls. BMY also saw buyers in the Jan. 2020 \$50 calls on Thursday as well as the June \$40 short puts. Today, the March \$50/\$57.50 call spread is trading another 5,000X while the June \$48/\$60 call spread is being bought 2,500X against a sale of the \$43 puts. Shares fell back last week to key support at \$46 which stretches back to mid-2014 and closed strong. Shares can continue to fill the gap back to \$50.50 in the near-term while longer-term it has a big volume node at \$57.50 and then resistance around \$62.50. The \$85.58B company trades 11.4X earnings and 3.88X sales with a 3.5% yield. The deal has brought up concerns about debt but BMY is confident the long-term benefits of doubling their pipeline will outweigh the near-term issues. BMY is acquiring a number of key assets including Ozanimod, JCAR017, and bb2121 which are entering key stages towards approval. In total, the NewCo will have ten phase 3 programs with six near launch and BMY's CEO thinks they can leverage their reimbursement organization and strong existing sales structure into \$15B of peak sales for those drugs. Analysts have an average target for shares of \$61 with 7 buy ratings, 12 hold ratings, and 1 sell rating. Edward Jones downgraded shares to Hold. Baird estimated that the probability of the deal going through is around 65% at the moment. Institutional ownership was modestly higher last quarter while short interest is around 0.8%.

Hawk Vision:



Trading Strategy: BMY is tough to play with the uncertainty surrounding deal approval but either outcome seems positive for BMY in the 6-12 month timeframe, and shares quickly snapping back add confidence to this view.

Confidence Ranking: \$\$