



Biohaven Seen to Have Positive Reward/Risk at this Level

Ticker/Price: BHVN (\$37.75)

Analysis:

Biohaven (BHVN) bullish spread today is buying the April \$40/\$55 call spread and selling the \$30 puts to open, 2500X for a \$1.80 net debit. BHVN had 500 OTM July \$55 calls bought last week on 1/10 and 500 of the April \$50 calls bought on 12/3. Shares have been range bound under \$40/\$42 since mid-2018 and slow trend higher since debuting in early 2017. BHVN has a measured move to \$50 on a breakout. The \$1.59B early-stage biotech trades 9.5X cash with limited debt and reported positive data for Zydis in December, their orally dissolving tablet version of rimegepant which is their lead product candidate. Rimegepant is a CGRP receptor antagonist used in the treatment of migraine but potential for expansion to other indications. The drug has potential for \$1B in peak sales but enters a crowded space with Allergan is expected to submit an NDA for their CGRP in Q1. BHVN will be at the AAN neurology conference in May with full safety data on rimegepant, an area which has been of concerns in earlier trials given liver problems in patients. Other catalysts include early trials in anxiety, spinocerebellar Ataxia, and OCD later this year. Analysts have an average target for shares of \$51.50 with 8 buy ratings and 1 hold rating. Oppenheimer with a \$54 PT for shares and continues to believe their glutamate platform with two late-stage assets remain under the radar. Piper on 12/10 said that rimegepant definitely appears to be safe after the company made changes while toxicity will remain a focus but recent data bodes well for the ongoing trials. They are aggressive buyers of the stock given the faster onset of action in the new Zydis gives them a leg up over peers Allergan other generics on the market. Short interest is over 7%, down from around 8% in mid-2018. Institutional ownership fell 13.5% last quarter.

Hawk Vision:



Trading Strategy: BHVN screened as one of the more attractive small cap Biotechs in the 2019 outlook that can become a commercial launch story. These spreads define clear levels, willing to be long at the late 2018 lows and seeing plenty of upside, a nice approach.

Confidence Ranking: \$\$