



FEATURED OPTIONS RADAR REPORT



Sorrento Call Buyers See Significant Upside in Catalyst-Rich Year

Ticker/Price: SRNE \$13.90

Analysis:

Sorrento Therapeutics (SRNE) buyers of more than 6,500 January \$20 calls on 2/4 for \$5.50 with shares flagging after a strong run recently. SRNE has seen bullish flow accumulate since early December and a lot of it now deep ITM after the recent run. Shares are consolidating in a bull flag above the rising 8-EMA after a big volume jump on 1/27 and setting up for a nice short-term continuation above \$15.25 that targets \$20. The \$3.58B biotech trades 7.36X earnings and 86X sales with expectations to hit \$1B in annual revenue by FY22, up from \$42M in FY20. They also expect to hit profitability within 18 months. SRNE develops therapies for cancer, autoimmune, neuro, and inflammatory diseases through both their core business and Scilex, a company which works with pain management drugs. Their primary focus is a vast G-MAB antibody database which includes both CAR-T and ADC approaches to treatment. The company has a number of programs ongoing including Phase 3 studies in NSCLC and Lumbar Radicular/Sciatica Pain, Phase 2 studies in lymphoma, lupus, and prostate cancer, and early programs in immuno-oncology. SRNE also has a COVID-19 studies underway for both a simple virus antigen test and rapid POC RNA test as well as utilizing their G-MAB library to develop neutralizing antibodies against COVID. In early 2020, there were reports the company attracted a \$1B buyout bid from private equity which the board rejected. Analysts have an average target for shares of \$29 with a Street High \$35 from Alliance Global. The firm started coverage on 1/21 noting that SRNE has both one of the most active and promising pipelines in the COVID space as well as a potentially transformative non-opioid pain pipeline to go with its deep oncology pipeline. They see a number of potential drivers for shares in the next 6-to-12 months including multiple late stage clinical data read-outs and multiple potential Emergency Use Authorizations. Short interest is high at 28.5% and up from around 10% in mid-2020. Hedge fund ownership rose 25% in Q3, Cormorant a top holder with 6M shares.

Hawk Vision:



Hawk's Perspective: The short interest makes me a little cautious but it's easy to see the value given how many shots on goal they have to build out a deep product library and the short-term path looks to continue higher

Confidence Ranking: \$\$