



## Bulls Position for Upside in Sarepta for 2020 Catalysts

Ticker/Price: SRPT (\$118.50)

### Analysis:

**Sarepta Therapeutics (SRPT)** seeing bullish positioning the past month including 500 June 2021 \$130 calls bought for \$1.6M on 1/22, and March \$130/\$115 bull risk reversals opened 725X on 1/21 against the \$150 calls sold. SRPT also has 1000 May \$130 and 3000 May \$135 calls in open interest from size buys and has seen 1,650 June \$115 puts sold to open and 1500 January 2021 \$110 puts sold to open. The \$8.85B Biotech is trading 21.8X EV/Sales with revenue growth of 25.6% in FY19 seen accelerating to 63% growth in FY20, though profitability is far away. On the chart shares have pulled back into a recent gap and nearing a 55/200 MA crossover level with key volume support also there near \$114 though could retest a \$111.50 level. A move above \$130 should target a run back to \$155 which aligns with the May spread target level. SRPT has 42 programs in total with RNA and Gene Therapy the focus. Sarepta has continued to build out its gene therapy pipeline with expansions into indications such as MPS IIIA (with Lysogene), Charcot-Marie-Tooth (CMT, with NCH), Pompe disease and two other CNS disorders (with Lacerta). On the RNA side, the co has also continued to innovate and second-generation technology is already in the clinic. SRPT's \$1.1B in cash as of the end of 2Q positions it well to continue to execute on the pipeline. Analysts have an average target of \$195 on shares and short interest at 16.9% of the float is high but has pulled back 17.8% Q/Q off a three-year high. CSFB out in December seeing SRPT as a big mover in 2020 with functional results of SRP-9001 in DMD due in late 2020 and in Q1 2020 expecting efficacy results for its LGMD program. BAML named SAGE a top pick for 2020 on 1/7 with a \$187 target after a surprise accelerated approval and a strong pipeline. BTIG also named SRPT a top pick for 2020 seeing increased visibility for its gene therapy programs. Piper noted the partnership with Roche highly validated the program and has an Overweight rating with a \$210 target while Bernstein sees the DMD program worth \$90/share to Sarepta alone. RW Baird also positive on the Roche deal and sees SRP-9001 leading to profitability within one or two quarters of its launch. HC Wainwright has a \$260 target calling the Roche deal robust with compelling economics for the outside US rights. Hedge Fund ownership rose 22% in Q3 filings, Cadian Capital adding to a large position and Boxer Capital with a new position. SRPT was seen as the 2<sup>nd</sup> most likely Biotech M&A candidate in RBC's survey for 2020.

### Hawk Vision:



**Hawk's Perspective:** SRPT needs to find some price support and form a proper base but the story remains compelling for gene therapy and the put sales make the \$110/\$115 zone optimal.

**Confidence Ranking:** \$\$