

## Biogen (BIIB) Set for Reset a Focus Shifts Away from Alzheimer's Failure

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**Biogen (BIIB)** shares eyeing a move out of a wide base above \$245/\$250 and seeing a number of bullish trades recently including 500 June 2020 \$220 ITM calls bought yesterday for \$2.2M, 1,600 August \$260 calls on 7-30, and the October \$220 calls bought for more than \$740k on 7-26. BIIB has seen buyers in the August \$240 calls, October \$220 calls for \$1M, the March \$230 calls at \$2M, and several other small contract size but higher-dollar trades since late June. BIIB has been rangebound between \$220 and \$245 since March with a big gap above which stretches back to \$310. The \$44.8B company trades 7.5X earnings, 3.19X sales, and 6.68X FCF. BIIB expects mid-single digit growth this year. BIIB has been on the sidelines since their Alzheimer's study was halted in March/April but coming off a beat-and-raise quarter with the focus now on the remainder of the pipeline. Their core MS business grew in the low-single digits while their neuromuscular business led by Spinraza was also modestly higher. By 2020, the company sees a much more diverse portfolio outside of just MS and SMA with reach into immunology, ophthalmology, stroke, movement disorders, and neurocognitive disorders.



Analysts have an average target for shares of \$270 with 5 buy ratings, 23 hold ratings, and 2 sell. Canaccord positive on 7-24 noting their valuation, financial flexibility, and ignored pipeline make him more constructive on shares. HCW positive noting the pipeline continues to de-risk. With 10 upcoming data readouts in the next 18 months, investors should have plenty of data to chew through, and reengage with the stock. On the commercial front, Biogen's multiple sclerosis franchise remains resilient and the analyst takes comfort with Spinraza's global growth. On 7-25, CSFB out after meetings with management discussing capital allocation and M&A potential. The firm thinks Biogen is unlikely to make larger strategic changes to its capital allocation strategy, instead reiterating commitment to share repurchases supported by commercial execution in existing franchises. However, they note, "we see intensifying competition in MS and SMA that underscores a more urgent need to transact to help improve revenue growth prospects, nearer-term."

Short interest is 2.1%. Hedge Fund ownership rose 10% in Q1. Samlyn Capital an buyer of call options, Sarissa Capital, Camber Capital, and DLD Asset Management notable stock holders. In May, director Alexander Denner bought \$27M on behalf of Sarissa at \$229.94 while the CEO Michel Vounatsos bought \$1M in stock at \$231.50.