

Bristol Myers Dip Offers Value After Celgene Deal

Date: 1/31/19



Bristol Myers shares traded back to major support in early January following the announcement of their \$70B deal for Celgene and basing nicely over the past month after bouncing back. Shares are consolidating below the 50-day EMA around \$50 while a breakout above downtrend resistance from the October highs targets a re-test of the 200-EMA at \$54. Longer-term, BMY back at key support while weekly MACD nearing a bullish crossover and RSI coiled under 40 and ready for a move up. BMY has seen a number of bullish positions open since the CELG dip and more following earnings last week. The March \$52.50 calls, September \$55 calls, and September \$50 calls all seeing notable accumulation while the April \$60 calls with a buyer of 20,000 on 1/22. The full snapshot is below.

Date	Description	Volum	Open Int	Price	%Change	Delta	Impl Vol	Prob. ITM	Premium Paid	Symbol
1/29/2019	BMY 100 15 MAR 19 52.5 CALL	5,869	34,905	\$1.08	2.86%	0.28	38.32%	23.43%	\$633,852	BMY190315C52.5
1/29/2019	BMY 100 20 SEP 19 55 CALL	2,417	40	\$2.59	10.21%	0.34	32.89%	25.71%	\$626,003	BMY190920C55
1/29/2019	BMY 100 18 APR 19 48 PUT	1,117	473	\$2.99	2.05%	-0.46	33.71%	52.77%	\$333,983	BMY190418P48
1/28/2019	BMY 100 21 JUN 19 48 PUT	1,002	3,756	\$3.70	1.37%	-0.44	32.12%	53.04%	\$370,740	BMY190621P48
1/25/2019	BMY 100 20 SEP 19 50 PUT	1,001	12	\$5.47	2.24%	-0.5	30.68%	60.60%	\$585,585	BMY190920P50
1/25/2019	BMY 100 20 SEP 19 40 PUT	2,000	157	\$1.45	6.62%	-0.19	31.97%	27.22%	\$320,000	BMY190920P40
1/24/2019	BMY 100 18 APR 19 49 PUT	1,502	151	\$3.15	6.78%	-0.44	35.11%	51.38%	\$473,130	BMY190418P49
1/23/2019	BMY 100 20 SEP 19 50 CALL	1,500	3	\$5.80	11.54%	0.55	36.04%	43.87%	\$877,500	BMY190920C50
1/23/2019	BMY 100 20 SEP 19 45 PUT	2,000	10	\$3.05	-8.41%	-0.31	33.36%	42.09%	\$660,000	BMY190920P45
1/22/2019	BMY 100 18 APR 19 60 CALL	21,099	1,883	\$1.06	-10.92%	0.19	40.80%	14.55%	\$2,236,494	BMY190418C60
1/22/2019	BMY 100 21 JUN 19 50 PUT	3,047	5,769	\$4.91	10.34%	-0.46	36.51%	56.31%	\$1,496,077	BMY190621P50
1/22/2019	BMY 100 18 APR 19 65 CALL	21,153	2,446	\$0.49	-26.87%	0.11	41.70%	7.62%	\$1,036,497	BMY190418C65
1/18/2019	BMY 100 15 FEB 19 52.5 CALL	11,067	36,697	\$1.18	2.61%	0.33	41.24%	29.03%	\$1,339,107	BMY190215C52.5
1/18/2019	BMY 100 18 APR 19 50 CALL	3,150	3,040	\$3.60	1.41%	0.52	38.50%	45.10%	\$1,181,250	BMY190418C50
1/17/2019	BMY 100 18 APR 19 50 CALL	2,782	400	\$3.55	14.52%	0.51	37.73%	43.97%	\$987,610	BMY190418C50
1/16/2019	BMY 100 15 FEB 19 52.5 PUT	6,369	70	\$3.43	-30.99%	-0.67	33.48%	71.05%	\$2,260,995	BMY190215P52.5
1/16/2019	BMY 100 17 MAY 19 55 PUT	3,000	247	\$7.20	0.00%	-0.68	32.98%	74.91%	\$2,235,000	BMY190517P55
1/16/2019	BMY 100 18 APR 19 52.5 CALL	3,997	6,599	\$2.45	10.36%	0.42	35.63%	35.27%	\$1,035,223	BMY190418C52.5
1/15/2019	BMY 100 17 MAY 19 42 PUT	2,855	220	\$1.19	-28.31%	-0.19	33.90%	24.61%	\$339,745	BMY190517P42
1/14/2019	BMY 100 18 APR 19 52.5 CALL	4,420	2,556	\$1.66	3.75%	0.33	34.21%	27.58%	\$733,720	BMY190418C52.5
1/14/2019	BMY 100 18 APR 19 55 CALL	6,391	6,719	\$1.09	-5.22%	0.23	34.56%	18.55%	\$696,619	BMY190418C55
1/11/2019	BMY 100 17 JAN 20 38 PUT	1,500	121	\$1.91	-7.28%	-0.194	31.27%	30.02%	\$286,500	BMY200117P38
1/10/2019	BMY 100 17 JAN 20 50 CALL	5,000	13,226	\$4.45	-1.11%	0.46	31.82%	34.81%	\$2,275,000	BMY200117C50
1/10/2019	BMY 100 17 JAN 20 40 PUT	5,006	32,109	\$2.70	0.00%	-0.25	30.86%	37.35%	\$1,351,620	BMY200117P40
1/10/2019	BMY 100 18 APR 19 55 CALL	4,031	2,512	\$1.11	0.91%	0.24	35.21%	18.53%	\$447,441	BMY190418C55
1/10/2019	BMY 100 18 APR 19 40 PUT	4,000	28	\$0.76	-10.59%	-0.15	35.25%	20.03%	\$304,000	BMY190418P40
1/9/2019	BMY 100 17 JAN 20 47 PUT	7,513	1,224	\$5.76	5.11%	-0.44	29.68%	57.20%	\$4,432,670	BMY200117P47
1/9/2019	BMY 100 17 JAN 20 40 PUT	15,155	6,359	\$2.63	0.77%	-0.25	31.64%	37.65%	\$3,985,765	BMY200117P40
1/9/2019	BMY 100 17 JAN 20 50 CALL	3,910	9,371	\$4.50	-9.09%	0.47	31.74%	35.11%	\$1,818,150	BMY200117C50
1/8/2019	BMY 100 17 JAN 20 52.5 CALL	1,816	1,702	\$4.13	-1.20%	0.43	31.81%	31.64%	\$771,800	BMY200117C52.5
1/8/2019	BMY 100 17 MAY 19 52.5 CALL	2,673	1,125	\$2.14	-10.46%	0.36	35.79%	28.21%	\$572,022	BMY190517C52.5
1/7/2019	BMY 100 15 MAR 19 50 CALL	6,695	25,880	\$2.20	32.53%	0.43	37.06%	37.42%	\$1,559,935	BMY190315C50
1/7/2019	BMY 100 15 FEB 19 50 CALL	7,540	5,462	\$1.66	50.91%	0.41	35.32%	36.45%	\$1,251,640	BMY190215C50
1/7/2019	BMY 100 21 JUN 19 55 CALL	2,632	36,462	\$2.25	14.80%	0.32	37.66%	23.85%	\$600,096	BMY190621C55
1/7/2019	BMY 100 21 JUN 19 43 PUT	2,504	1,439	\$2.36	-9.58%	-0.29	34.84%	37.92%	\$590,944	BMY190621P43
1/7/2019	BMY 100 17 MAY 19 52.5 CALL	1,862	99	\$2.39	12.74%	0.38	34.96%	30.48%	\$445,018	BMY190517C52.5
1/7/2019	BMY 100 18 APR 19 52.5 CALL	875	551	\$1.86	18.47%	0.33	36.48%	26.59%	\$168,875	BMY190418C52.5
1/4/2019	BMY 100 15 FEB 19 48 CALL	60,335	962	\$1.81	43.65%	0.441	35.30%	39.52%	\$10,920,635	BMY190215C48
1/4/2019	BMY 100 15 FEB 19 46 PUT	60,782	134	\$1.70	-45.16%	-0.414	33.00%	46.03%	\$10,332,940	BMY190215P46
1/4/2019	BMY 100 21 JUN 19 55 CALL	10,631	26,494	\$2.08	43.45%	0.3	37.98%	22.29%	\$2,221,879	BMY190621C55
1/4/2019	BMY 100 15 MAR 19 52.5 CALL	16,172	12,560	\$1.29	43.33%	0.28	38.11%	22.80%	\$2,086,188	BMY190315C52.5
1/4/2019	BMY 100 21 JUN 19 50 CALL	5,073	6,055	\$3.25	30.00%	0.43	38.57%	33.13%	\$1,699,790	BMY190621C50
1/4/2019	BMY 100 17 JAN 20 50 CALL	3,724	4,612	\$4.48	16.36%	0.46	34.07%	33.67%	\$1,668,352	BMY200117C50
1/4/2019	BMY 100 21 JUN 19 52.5 CALL	5,284	11,484	\$2.69	32.51%	0.37	38.37%	28.10%	\$1,421,396	BMY190621C52.5
1/4/2019	BMY 100 21 JUN 19 60 CALL	5,363	7,911	\$1.15	61.97%	0.2	37.55%	13.60%	\$616,745	BMY190621C60
1/4/2019	BMY 100 21 JUN 19 48 CALL	1,247	1,532	\$4.05	26.56%	0.49	39.32%	39.37%	\$536,210	BMY190621C48
1/4/2019	BMY 100 15 MAR 19 55 CALL	3,423	6,248	\$0.80	45.45%	0.19	39.67%	14.82%	\$284,109	BMY190315C55
1/3/2019	BMY 100 21 JUN 19 44 PUT	35,813	133	\$3.70	259.22%	-0.421	33.94%	52.05%	\$13,250,810	BMY190621P44
1/3/2019	BMY 100 21 JUN 19 55 CALL	26,943	3,804	\$1.45	-42.46%	0.228	35.66%	16.42%	\$3,906,735	BMY190621C55
1/3/2019	BMY 100 21 JUN 19 52.5 CALL	13,513	2,371	\$2.03	-43.14%	0.297	36.72%	22.04%	\$2,743,139	BMY190621C52.5
1/3/2019	BMY 100 21 JUN 19 47 CALL	6,940	718	\$3.66	-26.80%	0.46	35.73%	37.02%	\$2,540,040	BMY190621C47
1/3/2019	BMY 100 21 JUN 19 49 CALL	7,725	242	\$2.82	-46.79%	0.399	36.79%	31.03%	\$2,178,450	BMY190621C49
1/3/2019	BMY 100 21 JUN 19 50 CALL	7,863	458	\$2.50	-46.99%	0.37	37.09%	28.34%	\$1,965,750	BMY190621C50

The \$80.7B company trades 11.2X earnings, 3.5X sales, and 11.8X cash with a 3.3% yield. BMY is expecting 6-8% EPS growth through FY20 and revenue growing 7.5%. Shares dropped initially after announcing the deal over concerns about debt and the viability of approval but BMY CEO laid out the long-term benefits of doubling their pipeline at the JPM Conference in early January. The key assets they

acquire, including Ozanimod, JCAR017, and bb2121, are all nearing key trials or approval and BMY believes their reimbursement organization and strong existing sales structure can better leverage those assets into higher peak sales. Canaccord was out on 1/24 speculating that BMY may seek 100% ownership of bb2121 from Bluebird since the treatment is too valuable to share. The move also removes dependence on Opdivo to drive long-term growth, especially with a number of high-profile failures recently. The deal is expected to close in Q3.

Analysts have an average target for shares of \$60.50 with 8 buy ratings and 12 hold ratings. Societe General upgraded to Buy on 1/15 calling the deal "bold" and seeing upside to \$60. The firm applauds management for making "such a bold strategic move," contending that improved cash flow and a higher R&D budget for the combined company should help it navigate past medium-term patent expirations while simultaneously growing the dividend. Institutional ownership was modestly higher last quarter while short interest is around 0.8%.

Trade to Consider: Long the **BMY** March \$50 Calls for \$2.20 or Better