



FEATURED OPTIONS RADAR REPORT



Vertex Bulls See Limited Downside for Beaten Up Biotech

Ticker/Price: VRTX (\$216.75)

Analysis:

Vertex Pharmaceutical (VRTX) with 1,000 May \$210 puts sold to open today between \$5.95 and \$6.10 and later spreads selling 1,500 May \$185 puts to buy the \$230/\$260 call spread for a net \$4.50. VRTX has seen bull flow lately including buyers of the January \$230 calls, May \$220 and \$230 calls in March, and May \$240 and \$250 calls in February. The July \$260 calls remain in OI over 2,000 from January as well, a more than \$3M position. Shares have traded in a narrow range since October's gap down and looks poised to move higher off of support. VRTX has downtrend resistance just above from the July highs and a break higher targets the 200-day at \$240 and then the gap back to \$270. The \$55B biotech trades 16.5X earnings, 9X sales, and 8.3X cash. VRTX fell late last year stopping development of VX814 but entering 2021 with a strong core business built around a dominant cystic fibrosis franchise which includes a potential Phase 3 trial later this year for their next-gen CF drug. Their pipeline remains strong as well with a collaboration with Crispr (CRSP) in gene editing for SCD and beta thalassemia, programs looking at treatments for kidney disorders, diabetes, advanced pain medication and more. Analysts have an average target for shares of \$293 and a Street High \$347. Citi adding to their Focus List on 3/25 as the pipeline is not in the current valuation as the base business alone has a fair value in \$225 to \$245 share range. Baird upgrading to Overweight on 2/23 citing several readouts upcoming in 2021 and the analyst notes shares are currently supported by the CF opportunity. BMO with a \$284 PT as they still think that its Trikafta/Kaftrio will continue to grow this year. Short interest is 1.92%, up from around 1% in December. Hedge fund ownership rose 9% in Q4, ARK Investment adding to their stake. In November a director bought \$3.25M in stock at \$217.36. In February, media reports speculated that Vertex could look at M&A and potential targets include BioMarin (BMRN).

Hawk Vision:



Hawk's Perspective: VRTX is a high-quality name and the value disconnect seems to be fairly wide with a leading core business and lots of shots on goal within their pipeline, a nice value and risk/reward versus the recent lows

Confidence Ranking: \$\$