



## Vertex Momentum Seen Continuing as Calls Accumulate

Ticker/Price: VRTX (\$244.70)

### Analysis:

**Vertex (VRTX)** buyer of 940 March \$250 calls \$5.75, same spot where 490 bought on 1-22, and yesterday's action came as some February \$250 calls close and adjust out in time. VRTX has seen a lot of bull flow lately including buyers in the July \$240 and \$260 calls while the March \$240 puts and April \$210 puts sold to open. Shares have trended well since mid-October and bouncing strong over the last two weeks off the rising 50-MA. VRTX traded in a narrow weekly range for more than two years before breaking out in October and a long-term measured move to \$315.50. The \$62.69B company trades 24.12X earnings and 15X sales with over \$15.50/share in cash. VRTX sees 31.5% and then 19.3% EPS growth with revenues up 21% and 15% through 2022. VRTX is coming off a strong quarter and raising guidance after initial sales for Trikafta – their triple combo medication for cystic fibrosis – topped estimates by a wide margin. The company believes that Trikafta's strength will continue to drive growth in their CF franchise despite some cannibalization of other products. VRTX expects continued rapid uptake in the next two coming quarters. They also have a deep pipeline of updates in 2020 including Phase 2 data in AAT and Phase 3 data and a potential sNDA filing for their triple combo in children 6 to 11 years with two F508del mutations and one F508del mutation. Analysts have an average target for shares of \$252. HCW has a \$270 PT for shares seeing Trikafta traction in its infancy and the firm anticipates cash flow in 2020. Stifel with a \$275 PT with pipeline enthusiasm for T1D, gene editing and pain. BAML has a \$295 PT for shares and sees peak potential for Trikafta of \$12.5B. Short interest is 1.4%. Hedge fund ownership rose 16.2% in Q3. Senator Investment, Orbimed, Polar Capital and Harding Loevner notable holders.

### Hawk Vision:



**Hawk's Perspective:** VRTX is a favorite Biotech as it has been delivering the strongest growth numbers among peers and continue to think if there is another mega-deal, it would be the name to be acquired. Either way it remains a best of class name.

Confidence Ranking: \$\$