William Blair

Portola Pharmaceuticals, Inc.

February 28, 2014

Fourth Quarter 2013 Results Highlighted by Clinical Progress and Strong Balance Sheet

Stock Rating: **Outperform**
Company Profile: **Aggressive Growth**

After the markets closed Thursday, February 27, Portola reported a fourth-quarter loss of $0.63 per share, in line with our estimate of a loss of $0.61 and the Street's estimate of a loss of $0.57. We discuss the highlights from the earnings call as well as our thoughts below. A variance analysis between our estimates and the company's actual results for the quarter is included in exhibit 1.

Key Highlights Following Management's Call With Investors:

- **Enrollment continues in the APEX trial; however, the study is now not expected to complete until the end of 2015.** Management reiterated that trial site initiations took longer than expected in the second half of 2013 but also pointed out that more than 400 of the 425-450 sites have now been opened, and results are still expected in 2015. Given the short length (35 days) of the actual trial, we do not believe this is a material delay. In addition, we highlight that Portola has incorporated the lessons learned from past trial failures, and ensuring that physicians are enrolling the proper patients in the trial may add time to the process, but we believe it is more likely to lead to positive clinical outcome when the trial reads out in early 2016.

- **Management provided 2014 financial guidance for the first time.** Portola announced that it expects operating expenses to be between $145 million and $160 million in 2014. While we acknowledge that this is a meaningful increase versus 2013, we believe the company's investment in its three most advanced clinical compounds is warranted and has the potential to create significant shareholder value over the long term. Management also said it expects to end the year with $185 million-$200 million in cash. At the end of the last quarter, Portola had $319 million in cash, which it expects to take it into the second quarter of 2016. We believe that Portola has an active news calendar during the next 12-24 months and that the company's cash is sufficient to take it through important late-stage clinical catalysts, with betrixaban and andexanet alfa in particular.

- **We expect numerous catalysts over the next 12-24 months.** We anticipate meaningful updates to Portola's three most advanced, wholly owned candidates in clinical development over the next two years. For betrixaban, we highlight the data and safety review in 2014, the trial's enrollment completion in 2015, and results in early 2016. For andexanet alfa, we note that Phase III trials in combination with Eliquis and Xarelto will begin in 2014, and results will be available later in the year and in early 2015, followed by a potential regulatory submission if the data is positive. For cerdulatinib, we expect Phase I data in 2014 and Phase II data in 2015. We believe the number of upcoming catalysts is illustrative of the progress Portola is making in advancing the compounds, and we believe positive news with each of these programs has the potential to drive upside for the company.

We maintain our Outperform rating on Portola.

Portola Pharmaceuticals is a late-stage, small-cap therapeutics company based in South San Francisco, California.

Symbol:	PTLA (NASDAQ)
Price:	$24.39 (52-Wk.: $15-$31)
Market Value (mil.):	$1,058
Fiscal Year End:	December
Long-Term EPS Growth Rate:	
Dividend/Yield:	None

	2013A	2014E	2015E
Estimates			
EPS FY	$-3.35	$-3.44	$-3.60
CY		$-3.44	$-3.60
Sales (mil.)	11	3	3
Valuation			
FY P/E	NM	NM	NM
CY P/E		NM	NM

Trading Data (FactSet)	
Shares Outstanding (mil.)	35
Float (mil.)	30
Average Daily Volume	334,570

Financial Data (FactSet)	
Long-Term Debt/Total Capital (MRQ)	0.0
Book Value Per Share (MRQ)	5.6
Enterprise Value (mil.)	763.3
EBITDA (TTM)	0.0
Enterprise Value/EBITDA (TTM)	0.0x
Return on Equity (TTM)	6.9

Two-Year Price Performance Chart

Sources: FactSet, William Blair & Company estimates

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Portfolio Manager Summary
After the markets closed Thursday, February 27, Portola reported a fourth-quarter loss of $0.63 per share, in line with our estimate of a loss of $0.61 and the Street's estimate of a loss of $0.57. We discuss the highlights from the earnings call as well as our thoughts below. A variance analysis between our estimates and the company's actual results for the quarter is included in exhibit 1.

Exhibit 1
Portola Pharmaceuticals, Inc.
Fourth Quarter 2013 Variance Analysis
(dollars in millions except EPS)

	PTLA Q4 2013A	WB Q4 2013E
Total Revenues	$2	$1
R&D	$23	$23
SG&A	$5	$4
Net Income	($25)	($25)
EPS (diluted)	($0.63)	($0.61)

Sources: Portola reports and William Blair & Company, L.L.C. estimates.

Portola provided 2014 expense guidance of $145 million-$160 million. This is a meaningful increase versus 2013, but we believe it is warranted given the value in the three most advanced clinical assets. Management also said it expects to end the year with $185 million-$200 million in cash. At the end of the last quarter, Portola had $319 million in cash, which it expects to take it into the second quarter of 2016. We believe this is a sufficient amount of cash to take Portola through important catalysts over the next 12-24 months that we believe have the potential to create significant shareholder value. Lastly, we have moved back our estimated launch of betrixaban to the first quarter of 2017 now that the APEX trial is expected to complete in late 2015 or early 2016. Therefore, our 2016 total revenue estimate is reduced to $5 million, from $39 million. We have modified our other financial estimates to come more in line with operating trends and management financial guidance, all of which we detail in exhibit 2.

Exhibit 2
Portola Pharmaceuticals, Inc.
Guidance and Estimates
(dollars in millions except EPS)

	WB Previous 2014E	WB Revised 2014E	WB Previous 2015E	WB Revised 2015E	WB Previous 2016E	WB Revised 2016E
Total Revenues	$2	$3	$1	$3	$39	$5
R&D	$102	$124	$106	$134	$110	$144
SG&A	$15	$22	$23	$28	$38	$38
Net Income	($114)	($142)	($126)	($158)	($112)	($177)
EPS (diluted)	($2.75)	($3.44)	($2.86)	($3.60)	($2.41)	($3.81)

Sources: Portola reports and William Blair & Company, L.L.C. estimates.

We expect continued focus on the company's pipeline and upcoming clinical catalysts. We highlight that in addition to the company's flagship program with betrixaban, there is growing investor interest regarding andexanet alfa. And we note that given existing clinical and regulatory timelines, andexanet alfa may be Portola's first compound eligible for regulatory approval. A timeline illustration of expected upcoming events is presented in exhibit 3, on the following page.

Exhibit 3
Portola Pharmaceuticals, Inc.
Timeline

Date	Drug	Event
2014	Andexanet alfa	Phase III trial initiation in combination with Eliquis and Xarelto in uncontrolled bleeding (1H).
	Andexanet alfa	Phase III trial results in combination with Eliquis and Xarelto in uncontrolled bleeding (Q4).
	Andexanet alfa	Phase IV trial initiation in uncontrolled bleeding (2H).
	Andexanet alfa	Phase II trial additional results with other Factor Xa inhibitors in uncontrolled bleeding.
	Andexanet alfa	Commercial-scale manufacturing progress.
	Betrixaban	Phase III APEX trial third planned Data Safety Monitoring Committee review in venous thromboembolism prevention in acute medical illness.
	Cerdulatinib	Phase I trial results in hematologic cancers, including chronic lymphocytic leukemia and non-Hodgkin lymphoma.
	Cerdulatinib	Phase II trial initiation in hematologic cancers, including chronic lymphocytic leukemia and non-Hodgkin lymphoma.
	PRT2607	Phase II trial initiation in allergic asthma.
2015	Andexanet alfa	Phase III trial additional results in combination with Eliquis and Xarelto in uncontrolled bleeding (1H).
	Andexanet alfa	Regulatory submission in uncontrolled bleeding (2H).
	Andexanet alfa	Phase II trial additional results with other Factor Xa inhibitors in uncontrolled bleeding.
	Betrixaban	Phase III APEX trial futility analysis in venous thromboembolism prevention in acute medical illness.
	Betrixaban	Phase III APEX trial enrollment completion in venous thromboembolism prevention in acute medical illness.
	Betrixaban	Phase III APEX trial results for venous thromboembolism prevention in acute medical illness.
	Betrixaban	Potential regulatory submission for venous thromboembolism prevention in acute medical illness.
	Cerdulatinib	Phase II trial results in hematologic cancers, , including chronic lymphocytic leukemia and non-Hodgkin lymphoma.
2016	Betrixaban	Phase III APEX trial results in venous thromboembolism prevention in acute medical illness.

Sources: Portola reports

Valuation

Portola is currently trading at $25.27 with a market cap of $1.1 billion. We believe that Portola's three advanced, wholly owned clinical compounds offer the potential for significant shareholder value creation due to the robust efficacy and safety observed to date and the significant commercial opportunity in markets with a high unmet medical need.

Risks

We believe the most important risks for Portola are clinical, regulatory, and financial. As with all biotechnology companies engaged in clinical development, the risk that trials fail is significant, and Portola is engaging in late-stage trials with its two most advanced assets. We believe failures with either of these compounds would weigh on the company's shares. In addition, Portola has no prior experience bringing a compound to market, so we acknowledge that there is regulatory risk as the company navigates that process for the first time. Lastly, Portola continues to spend more money that it generates, so there is the risk that the company will need to access the financial markets again to fund its operations for the future.

IMPORTANT DISCLOSURES

William Blair was a manager or co-manager of a public offering of equity securities for Portola Pharmaceuticals, Inc. within the prior 12 months.

William Blair is a market maker in the security of Portola Pharmaceuticals, Inc. and may have a long or short position.

William Blair intends to seek investment banking compensation in the next three months from Portola Pharmaceuticals, Inc.

Within the past 12 months William Blair has provided or is providing investment banking services to or has an investment services relationship with Portola Pharmaceuticals, Inc.

Additional information is available upon request.

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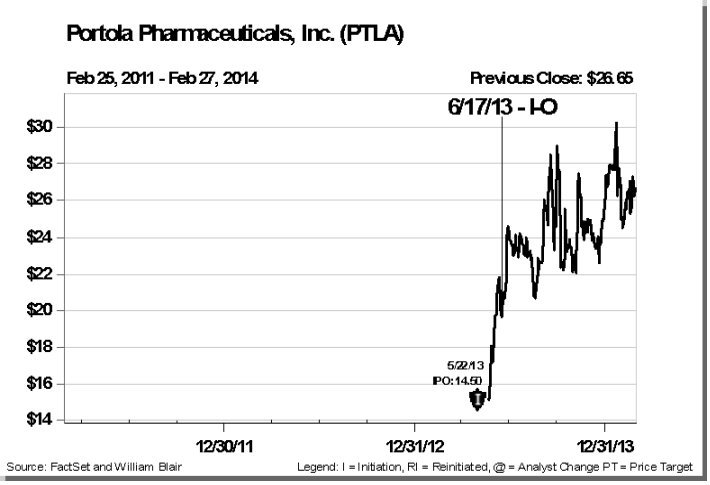
DOW JONES: 16,272.65
S&P 500: 1,854.29
NASDAQ: 4,318.93



Current Rating Distribution (as of 01/31/14)

Coverage Universe	Percent	Inv. Banking Relationships*	Percent
Outperform (Buy)	64	Outperform (Buy)	12
Market Perform (Hold)	33	Market Perform (Hold)	2
Underperform (Sell)	1	Underperform (Sell)	0

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