



EARNINGS UPDATE

Biotechnology

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PORTOLA PHARMACEUTICALS INC

(NASDAQ:PTLA)

Andexanet, Betrixaban Progressing At Pace

Recommendation

Rating:	Outperform
Price Target (in \$):	\$45.00
Expected Return:	102.1%
Dividend:	NA
Enterprise Value (MM):	\$1,082.9

Earnings Per Share

	2012A	2013E	2014E
Q1	--	\$(0.71)A	\$(0.60)
Q2	--	\$(1.47)A	\$(0.66)
Q3	--	\$(0.53)A	\$(0.68)
Q4	--	\$(0.56)	\$(0.71)
FY	\$0.00	\$(2.80)	\$(2.65)
P/E	--	NM	NM

Stock Statistics as of 11/05/2013 (in \$)

Price:	\$22.27
52W Range:	\$30.95-\$14.50
Shares Out (MM):	39.2
Market Cap (MM):	\$882.6
Net Debt (MM):	\$0.0

Fundamentals

Revenue (MM) ('12A)	72.0
Revenue (MM) ('13E)	11.0
Revenue (MM) ('14E)	10.0
EV/S ('12)	15.0x
EV/S ('13)	98.4x
EV/S ('14)	108.3x



Betrixaban's Ph. III is to have a futility analysis in 2014.

Results from Andexanet's studies with Xarelto and Lovenox are to be released soon, and a Ph. III will begin next year. We continue to think PTLA is undervalued for the potential of Andexanet and Betrixaban, and consider it a top small cap pick.

Q3 Financials.

Portola reported a Q3 loss of \$18.6MM, or \$0.53/share, and ended Q3 with \$218.9MM in cash. Following an equity raise of approx. \$100MM in October, Portola is funded through pivotal data releases for both Betrixaban and Andexanet alfa. A change in PTLA's share count associated with the recent offering changed our price target from \$47 to \$45.

Andexanet Alfa's Pivotal Trial On Track To Begin In 2014.

Portola will report data from the Phase II trials of andexanet alfa and rivaroxaban, and andexanet and enoxaparin, over the next two quarters, including a poster presentation of data from the rivaroxaban trial at ASH in December. Portola will finalize the design of andexanet's pivotal trial after analyzing the full Phase II results, but continues to expect to seek approval for andexanet using PK/PD endpoints in Phase III under an Accelerated Approval pathway. A subsequent Phase IV study will study andexanet in patients with uncontrolled bleeding, or in need of emergency surgery. Both the Phase III and IV trials are on track to begin during 2014.

Betrixaban's Phase III APEX Trial To Finish In 2015.

Once approximately 4,000 of APEX's 6,850 subjects are enrolled next year, the trial's data safety monitoring board will conduct an interim futility analysis.

PRT2070's Phase I/II Underway.

Patients with non-Hodgkin's lymphoma or chronic lymphocytic leukemia are being enrolled, including patients with progressive or relapsed disease. Proof-of-concept data from the trial are expected to be released in 2014.

Please see addendum of this report for important disclosures.



Investment Thesis

Portola Pharmaceuticals is a biopharmaceutical company focused on the development of novel therapies in the areas of thrombosis, hematology, and inflammation. Portola's lead candidate is Betrixaban, a once-daily Factor Xa inhibitor that is in the Phase III APEX trial for extended duration prophylaxis of venous thromboembolism (VTE) in acute medically ill patients. Betrixaban has been shown to have best-in-class pharmacokinetic and pharmacodynamics properties which, combined with an intelligent trial design, make us hopeful for the success of the APEX study. Following an interim futility analysis in 2014, final results from the trial are expected in H2:15, and we project Betrixaban will achieve \$700MM in revenue by 2020. Portola's second candidate is andexanet alfa (PRT4445), a Factor Xa decoy that is in Phase II as an antidote to direct and indirect Factor Xa inhibitors. Andexanet alfa has generated promising Phase II proof-of-concept data which have shown it to safely, potently, and rapidly neutralize anti-Factor Xa activity of apixaban. Given the unmet need for a Factor Xa antidote, we expect andexanet alfa to enter an abbreviated pivotal trial in 2014, and to be launched in 2016. We project it will achieve \$355MM in worldwide revenue in 2020. Behind Betrixaban and andexanet alfa are PRT2070, a dual Syk/JAK inhibitor in Phase I/II for hematologic malignancies, and PRT2607, a Syk inhibitor partnered with Biogen that could move into Phase II for allergic asthma as early as next year. Our analysis suggests that Portola is undervalued based on the potential of andexanet alfa and Betrixaban. We believe that at current levels investors are being more than adequately compensated for the clinical, regulatory, and commercial risk associated with the development of Portola's pipeline.

Upcoming Milestones

Event	Timing
Data from Phase II studies of andexanet alfa and Xarelto and Enoxaparin	Q4:13/Q1:14
Initiate Phase III and Phase IV trials of andexanet alfa	H1:14
Proof of concept data from Phase I/II trial of PRT2070	2014
Interim futility analysis in Betrixaban's APEX trial	2014
Finish enrollment for Betrixaban's APEX trial	Mid:2015
Data from PRT2070's Phase II proof of concept trial	H2:15

Source: Cowen and Company



Portola Pharmaceuticals Inc. Quarterly P&L (\$MM)

	Q1:13A	Q2:13A	Q3:13A	Q4:13E	2013E	Q1:14E	Q2:14E	Q3:14E	Q4:14E	2014E
Betrixaban	-	-	-	-	-	-	-	-	-	-
PRT4445	-	-	-	-	-	-	-	-	-	-
Collaboration and Licensing Revenue	3.1	2.6	2.8	2.5	11.0	2.5	2.5	2.5	2.5	10.0
Other	-	-	-	-	-	-	-	-	-	-
Total Revenue	3.1	2.6	2.8	2.5	11.0	2.5	2.5	2.5	2.5	10.0
COGS	-	-	-	-	-	-	-	-	-	-
Gross Margin	-	-	-	-	-	-	-	-	-	-
R&D	17.7	20.8	18.1	20.5	77.1	22.5	25.0	26.0	27.0	100.5
SG&A	3.0	3.7	3.9	4.0	14.7	4.0	4.1	4.1	4.3	16.5
Other	-	-	-	-	-	-	-	-	-	-
Operating Expenses	20.8	24.5	22.0	24.5	91.8	26.5	29.1	30.1	31.3	117.0
Operating Income / (Loss)	(17.7)	(21.9)	(19.2)	(22.0)	(80.8)	(24.0)	(26.6)	(27.6)	(28.8)	(107.0)
Interest Income, net	(0.5)	0.3	0.7	0.2	0.7	0.1	0.1	0.2	0.2	0.5
Other Income	-	-	-	-	-	-	-	-	-	-
Pretax net income	(18.1)	(21.6)	(18.6)	(21.8)	(80.1)	(23.9)	(26.5)	(27.5)	(28.7)	(106.5)
Taxes	-	-	-	-	-	-	-	-	-	-
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
GAAP Net Income to common stockholders	(18.1)	(21.6)	(18.6)	(21.8)	(80.1)	(23.9)	(26.5)	(27.5)	(28.7)	(106.5)
GAAP EPS	\$(0.71)	\$(1.47)	\$(0.53)	\$(0.56)	\$(2.80)	\$(0.60)	\$(0.66)	\$(0.68)	\$(0.71)	\$(2.65)
Diluted Shares Outstanding (MM)	25.5	14.7	35.2	39.2	28.6	40.0	40.2	40.3	40.4	40.2

Source: Cowen and Company

Portola Pharmaceuticals Inc. Annual P&L (\$MM)

	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Betrixaban	-	-	-	-	-	150.0	300.0	475.0	700.0
PRT4445	-	-	-	-	50.0	120.0	190.0	275.0	355.0
Collaboration and Licensing Revenue	72.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Other	-	-	-	-	-	-	-	-	-
Total Revenue	72.0	11.0	10.0	10.0	60.0	280.0	500.0	760.0	1,065.0
COGS	-	-	-	-	14.9	44.4	74.3	110.4	151.4
Gross Margin	-	-	-	-	70%	84%	85%	85%	86%
R&D	49.7	77.1	100.5	105.0	110.0	115.0	120.0	130.0	140.0
SG&A	11.5	14.7	16.5	49.8	151.5	205.5	250.4	275.0	300.0
Other	-	-	-	-	-	-	-	-	-
Operating Expenses	61.2	91.8	117.0	154.8	276.4	364.9	444.7	515.4	591.4
Operating Income / (Loss)	10.9	(80.8)	(107.0)	(144.8)	(216.4)	(84.9)	55.3	244.6	473.6
Interest Income, net	0.5	0.7	0.5	1.0	1.0	1.0	1.0	7.0	11.0
Other Income	-	-	-	-	-	-	-	-	-
Pretax net income	11.4	(80.1)	(106.5)	(143.8)	(215.4)	(83.9)	56.3	251.6	484.6
Taxes	-	-	-	-	-	-	-	37.7	169.6
Tax Rate	-	-	-	-	-	-	-	15%	35%
GAAP Net Income to common stockholders	-	(80.1)	(106.5)	(143.8)	(215.4)	(83.9)	56.3	213.9	315.0
GAAP EPS	-	(2.80)	(2.65)	(3.55)	(5.25)	(2.00)	1.25	4.65	6.70
Diluted Shares Outstanding (MM)	20.5	28.6	40.2	40.5	41.0	42.0	45.0	46.0	47.0

Source: Cowen and Company