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Stock Rating
Overweight

Industry View
In-Line

Portola Pharmaceuticals Inc

4Q Earnings: Updates For Betrixaban and Antidote

What's Changed

Price Target **\$33.00 to \$40.00**

Portola provided updates timelines and details for their Ph 3 betrixaban and andexanet alfa programs.

Our thoughts on the 4Q13 release and call are below.

Betrixaban Ph 3 data is delayed from mid-15 to likely early 2016 (pt enrollment to finish by YE15, discussed previously). We pushed out our commercial launch by a few months, which has min. impact on the drug's value if successful. We model \$820mn of peak WW sales.

Andexanet Alfa: The Ph 3 trial to reverse rivaroxaban and apixiban in healthy pts is set to start in 1H14. The trial will test two cohorts of pts, with the first receiving a single AA bolus and the second a bolus + infusion. We see both regimens as commercially viable. Add'l details on the trial, including dosing, may be available by 1Q14 call and would be relevant as we think about future labeling. The Ph 2 trials showing potential reversal of enoxaparin and edoxaban should read out by mid-14 to '15. We suspect the Street may not be focused on the value of enoxaparin reversal, if successful. While we expect an initial AA label to be for the drugs tested in the first Ph 3, we expect real world use with the other drugs based on any Ph 2 success, with likely label updates after incremental Ph 3 confirmatory studies per drug.

Cerdulatinib (Syk-Jak): Ph 1/2 proof-of-concept data in CLL and NHL is likely mid-14. Ph 2a proof-of-concept data in hematologic cancers is expected 2H15. We do not currently model this drug given its early stage.

Updates to the Model: We changed our discount rate from 15% to 12.5% to better match Portola's risk based on our recently updated valuation framework. We now use a 12.5% discount rate for companies with clear proof of concept for their lead drug (in this case AA), which is between our 15% rate for dev't stage companies and the 10% rate for commercial companies. We have made other small changes to the model (OpEx, COGS), which have much smaller impact.

Key Ratios and Statistics

Reuters: PTLA.O Bloomberg: PTLA US

Biotechnology / United States of America

Price target	\$40.00
Shr price, close (Mar 3, 2014)	\$23.25
Mkt cap, curr (mm)	\$802
52-Week Range	\$30.95-14.75

Fiscal Year ending	12/12	12/13	12/14e	12/15e
ModelWare EPS (\$)#	5.55	(3.72)	(3.69)	(3.71)
Prior ModelWare EPS (\$)	-	(3.45)	(2.99)	(2.39)
P/E	-	NM	NM	NM
Consensus EPS (\$)\$	-	(3.18)	(2.83)	(2.73)
Div yld (%)	-	-	-	-

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

= Our pension accounting has changed in ModelWare, which will affect ModelWare EPS figures for some stocks under coverage. Visit www.ms.com/mw.pdf for details

\$ = Consensus data is provided by Thomson Reuters Estimates.

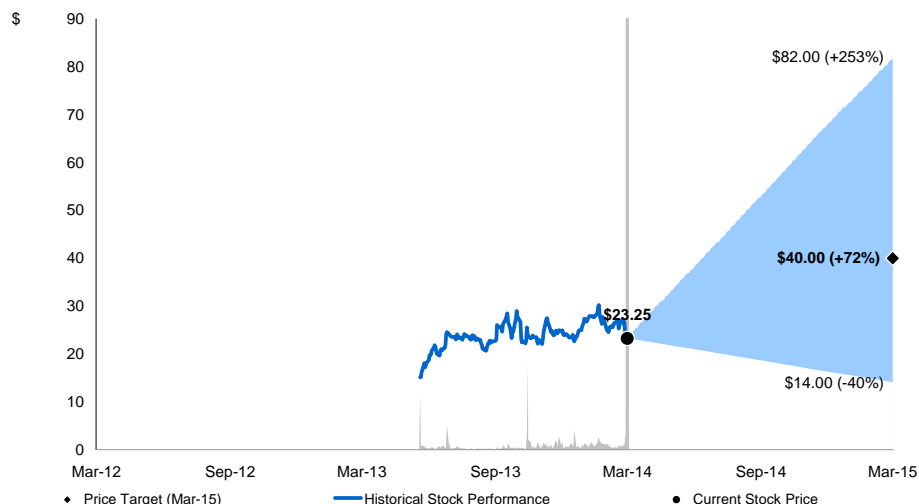
e = Morgan Stanley Research estimates

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Risk-Reward Snapshot: Portola (PTLA, OW, PT \$40)

Betrixaban and Andexanet Alfa Drive Risk-Reward



Source: Morgan Stanley Research estimates, Thomson Reuters

Price Target \$40	We derive our PT from a discounted cash flow analysis that uses a WACC of 12.5% and a 0% terminal growth rate. The revenue drivers in our model are the WW launches of betrixaban and andexanet alfa in the US, EU, and ROW.	
Bull Case \$82	DCF	Betrixaban majority share of anticoagulated acute medically ill patients. Andexanet Alfa gains significant traction. Our bull case assumes betrixaban shows a favorable risk/benefit profile in its Ph 3 APEX trial driving sig. 35-d blood clot prophylaxis in the acute medically ill popln. Additionally, we assume PRT4445 success, and rapid market traction. Model details are as follows. 1) Betrixaban launch in 2017 in the US and 2018 in the EU. 2) Betrixaban peak share of ~50% of anticoagulated acute medically ill patients in both the US and EU with >50% of these pts receiving 35 days of therapy and peak WW sales of ~\$1.3bn 3) Andexanet alfa launch in the US in 2016 and in the EU in 2017 4) Andexanet alfa use in >35% of major bleeds with ~\$1.3bn peak WW sales
Base Case \$40	DCF	Betrixaban fairs reasonably well in the acute medically ill population. Steady uptake of Andexanet Alfa. Our base case assumes betrixaban shows a risk/benefit profile that is favorable enough to receive approval, but Lovenox retains majority share of anticoagulated acute medically ill patients. Additionally, we assume PRT4445 success and steady market uptake. Model details are as follows. 1) Betrixaban launch in 2017 in the US and 2018 in the EU 2) Betrixaban peak share of ~35%+ of anticoagulated acute medically ill patients in both the US and EU with ~60% of these pts receiving 35 days of therapy and peak WW sales of ~\$820mn 3) Andexanet alfa launch in the US in 2016 and in the EU in 2017 4) Andexanet alfa use in ~25% of major bleeds with ~\$850mn peak WW sales
Bear Case \$14	DCF	Betrixaban fails; Lower Andexanet Alfa sales than in our base case. Our bear case assumes that betrixaban fails to make it to market with the most likely reasons being an unfavorable risk/benefit profile. We expect Andexanet Alfa to make it to the market with lower peak sales than in our base case (\$500mn in 2023).

Investment Thesis

- We are OW PTLA as we believe lead assets, betrixaban and andexanet alfa, have encouraging data to date and WW sales potential of close to \$1.5+bn.
- Betrixaban, a factor Xa inhibitor, is in Ph 3 for the prevention of blood clots in non-surgical acute medically ill pts. While other factor Xa inhibitors have failed in this indication, we expect betrixaban to succeed as a) betrixaban has favorable PK and metabolic properties vs. other Xa inhibitors, and b) the Ph 3 trial design and pt popln has been optimized for success.
- The acute medically ill pop'n is large and an unmet need exists. Pts are currently treated with Lovenox for ~6-10d in the hospital, but blood clot risk remains high for weeks post-discharge. Long-term (35 d) treatment with betrixaban could reduce this risk. We model >\$800mn WW sales in 2023.
- Andexanet Alfa, a potential factor Xa reversal agent, has shown reductions in factor Xa activity in animals and a limited number of healthy volunteers.
- The need and physician support for a factor Xa antidote is considerable as bleeding is a sig. and potentially devastating complication of anticoagulation. We model WW sales for andexanet alfa of >\$800mn in 2023.

Risks to our price target

- 1) Betrixaban could fail in the Ph 3 APEX trial either due to insufficient efficacy or excessive bleeding,
- 2) a potential safety issue could arise with andexanet alfa,
- 3) the FDA could require a bleeding outcomes study for andexanet alfa, which would delay approval and demand sig. R&D dollars.

March 4, 2014
Portola Pharmaceuticals Inc

Valuation and Catalysts – Portola

Exhibit 1

DCF Drives Valuation

(\$ in mn)	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Free Cash Flow	(70)	(130)	(153)	(163)	(164)	(62)	103	298	511	617	715	744	751	338	339	339	339	339	271	217	174
YoY growth	42%	85%	18%	6%	1%	-62%	-267%	190%	72%	21%	16%	4%	1%	-55%	0%	0%	0%	0%	-20%	-20%	-20%
Net Cash Proxy for Dilution		-\$5.4	-\$6.3	-\$7.4	-\$8.3	-\$9.1	-\$9.9	-\$10.5	-\$11.0	-\$9.2	-\$8.0	-\$8.0	-\$8.0	-\$8.0	-\$8.0	-\$8.0	-\$8.0	-\$8.0	-\$8.0	-\$8.0	-\$8.0
Free Cash Flow for DCF	-\$70	-\$136	-\$160	-\$171	-\$173	-\$71	\$93	\$287	\$500	\$607	\$707	\$736	\$743	\$330	\$331	\$331	\$331	\$331	\$263	\$209	\$166
PV of Free Cash Flow		-136	-142	-135	-121	-44	52	142	219	237	245	227	203	80	72	64	57	50	36	25	18

Source: Company data, Morgan Stanley Research estimates

Exhibit 2

DCF Valuation Suggests Sig. Upside

Valuation Date	2014
Discount Rate	12.5%
Terminal Growth Rate	0%
Terminal Value Year	2033
Sum of Discounted FCF	\$1,147
Discounted Terminal Value	\$141
Net Cash	\$319
Equity Value	\$1,608
Equity Value/Sh	\$40
Shares Outstanding (Basic)	40

Source: Company Data, Morgan Stanley Research estimates

\$40 PT includes betrixaban in non-surgical acute medically ill patients and andexanet alfa for factor Xa reversal.

We derive our PT from a discounted cash flow (DCF) analysis that uses a WACC of 12.5% and a terminal growth rate of 0% post 2033. We incorporate the cash cost of stock options

Valuation Methodology: We use a DCF to value Portola as well as most other companies under coverage. We believe a DCF best captures the long-term nature of drug development and commercialization. We do not feel that a multiples analysis accomplishes the same goal, as it only evaluates a company during a snapshot in time.

Discount Rate: We typically apply a discount rate of 12.5% to development stage companies with clear proof of concept data for their lead drug.

Terminal Growth Rate: Our modeled cash flows extend to 2023. In 2024-2025, we model free cash flow growth at 50% of the prior year's growth rate. In 2026, we decline free cash flow by 55% to account for betrixaban's patent expiration (composition of matter patent expiry in Sept 2020 plus 5 years Hatch-Waxman extension and potentially 6 months of pediatric exclusivity until March 2026). From 2027 to 2030, we

resume cash flow growth at 25% of the prior year, and in 2031-2033 we model cash flow declines of 20%/year to account for andexanet alfa's patent expiry (composition of matter patent until Feb 2029 followed by Hatch-Waxman extension until 2030, 14 years from the date of launch). Beyond 2033, we use a terminal growth rate of 0%.

Revenue: The revenue drivers in our model are betrixaban and andexanet alfa.

Economics: Portola currently has WW rights to both betrixaban and andexanet alfa. In 2004, Portola licensed from Millennium the right to certain compounds that inhibit Factor Xa, including betrixaban. As a result of this licensing, Portola owes Millennium betrixaban filing and approval payments (we model \$3 and \$20mn respectively) and pays a tiered single digit royalty (we estimate 4-8%) on WW sales of betrixaban.

COGS: We assume 6% of sales for betrixaban and 25-35% of sales for andexanet alfa. COGS also includes the Millennium royalty.

Operating Expenses:

R&D: We expect R&D to increase over the next few years as Portola runs Ph 3 trials for betrixaban and andexanet alfa. Post-2016, when Ph 3 trials are complete, we expect R&D to decline.

SG&A: We expect SG&A to be relatively stable through 2015. We expect a sig. increase in 2016+ as Portola builds a WW infrastructure to market betrixaban and andexanet alfa.

Financings: We model a \$180mn raise in 2015 and a \$220mn raise in 2016.

Key Risks To Our Price Target Include: 1) Betrixaban fails in the Ph 3 APEX trial due to insufficient efficacy or excessive bleeding, 2) a potential safety issue could arise with PRT4445 in a larger patient population that prevents the drug from coming to market, 3) a bleeding outcomes study could be required for PRT4445 approval, which would delay time to market and demand greater spending, 4) If Portola chooses to keep WW rights to both betrixaban and PRT4445, additional capital is likely needed prior to data.

March 4, 2014

Portola Pharmaceuticals Inc

Exhibit 3

Catalyst Calendar

Drug	Type	Event	Expected Timing
PRT2070	Clinical Data	Data in Ph 1/2 PoC study in pts with non-Hodgkin's lymphoma or chronic lymphocytic leukemia	2014
PRT4445	Clinical Data	Ph 2 data with additional Fxa inhibitors	2014
PRT4445	Product Advancement	Initiate Ph 3 trial	1H14
Cerdulatinib (Syk/Jak)	Clinical Data	Ph 1 proof of concept in refractory non-Hodgkin lymphoma and chronic lymphocytic leukemia	Mid-14
PRT4445	Clinical Data	Ph 3 data	4Q14
PRT4445	Product Advancement	Initiate Ph 4 confirmatory study	Late 2014/Early 2015
Betrixaban	Product Advancement	APEX trial futility analysis	1H15
Betrixaban	Product Advancement	Complete patient enrollment in APEX	2H15
Cerdulatinib (Syk/Jak)	Clinical Data	Ph 2a proof of concept in hematologic cancer patients with genetically defined tumors	2H15
Betrixaban	Clinical Data	Ph 3 APEX in acute medically ill	2016

Source: Company Data, Morgan Stanley Research

Exhibit 4

Portola Variance Analysis

	3Q13 Actual	4Q13 MS Est	4Q13 Actual	Var. from est	Q/Q % chg
Collaboration and Licensing Revenue	\$3	\$3	\$2		
Total Revenues	\$3	\$3	\$2		
R&D	\$17	\$20	\$23	13.2%	-23.6%
SG&A	\$3	\$3	\$5	59.0%	-33.7%
Total Operating Expenses	\$20	\$23	27	19.2%	-25.4%
Operating Income (Loss)	(\$18)	(\$20)	(25)	26.8%	-30.2%
Net Income (Loss)	(\$17)	(\$20)	(25)	27.2%	-32.1%
EPS - Diluted (GAAP)	(\$0.53)	(\$0.51)	(0.67)	31.1%	-21.7%
Consensus EPS		(\$0.57)			
Basic Shares Outstanding	35	41	39	-2.8%	-10.8%

Source: Company Data, Morgan Stanley Research

Exhibit 5

Portola Changes to Model

	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
US Betrixaban Sales												
Current	0	0	0	0	0	39	94	149	206	267	356	444
Prior	0	0	0	0	37	89	142	196	254	339	423	509
WW Betrixaban Sales												
Current	0	0	0	0	0	39	134	246	365	494	644	820
Prior	0	0	0	0	37	131	235	347	468	623	787	965
US Antidote Sales												
Current	0	0	0	0	25	63	104	155	197	242	287	299
Prior	0	0	0	0	25	63	105	156	198	244	288	300
WW Antidote Sales												
Current	0	0	0	0	25	103	204	338	476	623	754	848
Prior	0	0	0	0	25	104	206	340	480	628	759	853
Total Revenues (\$mn)												
Current	72	11	8	0	25	142	338	584	842	1,117	1,398	1,669
Prior	72	11	0	0	62	235	440	687	947	1,251	1,546	1,817
COGS (\$mn)												
Current	0	0	0	0	1	17	77	138	172	227	243	284
Prior	0	0	0	0	12	47	91	147	205	272	334	385
SG&A (\$mn)												
Current	10.1	13.7	23.0	26.5	97.5	212.8	257.5	283.2	309.7	320.7	340.4	343.0
Prior	10.1	11.9	14.9	17.1	128.7	184.0	229.5	262.7	297.7	320.4	353.0	385.1
R&D (\$mn)												
Current	48.3	77.6	127.0	127.6	94.1	92.4	65.8	61.5	59.3	57.2	55.2	55.2
Prior	48.3	74.9	103.1	82.6	83.7	58.4	56.4	54.8	53.9	53.0	52.2	52.2
Net Income, non-GAAP, ex-ESO (\$mn)												
Current	14.2	(79.9)	(141.0)	(153.2)	(166.8)	(178.8)	(62.1)	101.6	301.9	515.9	629.8	726.0
Prior	14.2	(74.5)	(117.0)	(98.8)	(161.0)	(53.5)	64.3	223.5	392.6	475.3	528.4	652.5
GAAP EPS												
Current	\$5.55	(\$3.72)	(\$3.69)	(\$3.71)	(\$3.59)	(\$3.64)	(\$1.40)	\$1.62	\$5.20	\$8.98	\$10.93	\$12.56
Prior	\$5.55	(\$3.45)	(\$2.99)	(\$2.39)	(\$3.73)	(\$1.46)	\$0.96	\$4.12	\$7.45	\$9.04	\$9.98	\$12.31
Diluted EPS (w/out option expense)												
Current	\$6.92	(\$3.50)	(\$3.54)	(\$3.53)	(\$3.41)	(\$3.44)	(\$1.19)	\$1.84	\$5.43	\$9.23	\$11.20	\$12.85
Prior	\$6.92	(\$3.24)	(\$2.87)	(\$2.28)	(\$3.49)	(\$1.15)	\$1.30	\$4.49	\$7.84	\$9.43	\$10.42	\$12.79
Diluted Shares Outstanding												
Current	\$2.05	\$22.84	\$39.80	\$43.43	\$48.91	\$51.91	\$52.18	\$55.26	\$55.59	\$55.91	\$56.22	\$56.52
Prior	\$2.05	\$22.97	\$40.72	\$43.43	\$46.16	\$46.41	\$49.43	\$49.76	\$50.09	\$50.41	\$50.72	\$51.02

Source: Company Data, Morgan Stanley Research

Exhibit 6

Portola Quarterly Income Statement

(\$ in millions)	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14E	2Q14E	3Q14E	4Q14E	2014E
WW Betrixaban Sales										
US Betrixaban Sales										
EU Betrixaban Sales										
ROW Betrixaban Sales										
WW Betrixaban Sales										
WW Antidote Sales										
US Antidote Sales										
EU Antidote Sales										
ROW Antidote Sales										
WW Antidote Sales										
Collaboration and License Revenue	\$3.11	\$2.60	\$2.77	\$2.06	\$10.53	\$2.00	\$2.00	\$2.00	\$2.00	\$8.00
Revenues	\$3.11	\$2.60	\$2.77	\$2.06	\$10.53	\$2.00	\$2.00	\$2.00	\$2.00	\$8.00
Operating Expenses:										
COGS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
% of product sales	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
R&D	17.4	20.2	17.3	22.6	77.6	25.0	30.0	34.0	38.0	127.0
% of revenue	559.4%	777.5%	625.5%	1100.8%	736.4%	1250.0%	1500.0%	1700.0%	1900.0%	1587.5%
SG&A	2.7	3.107	3.16	4.77	14	5.0	5.5	6.0	6.5	23.0
% of revenue	85.6%	119.5%	114.2%	231.8%	130.1%	250.0%	275.0%	300.0%	325.0%	287.5%
Total Operating Expenses	\$20.0	\$23.3	\$20.5	\$27.4	\$91.253	\$30.0	\$35.5	\$40.0	\$44.5	\$150.000
Operating Income (Loss)	(\$16.940)	(\$20.730)	(\$17.695)	(\$25.356)	(\$80.721)	(\$28.000)	(\$33.500)	(\$38.000)	(\$42.500)	(\$142.00)
Operating Margin	-545.0%	-797.0%	-639.7%	-1233%	-766.4%	-1400.0%	-1675.0%	-1900.0%	-2125.0%	-1775.0%
Interest and Other Income, Net	(\$0.49)	\$0.34	\$0.68	\$0.29	\$0.83	\$0.24	\$0.24	\$0.24	\$0.24	\$0.96
Interest Expense					\$0.00					\$0.00
Pretax Income (Loss)	(\$17.43)	(\$20.39)	(\$17.02)	(\$25.06)	(\$79.90)	(\$27.76)	(\$33.26)	(\$37.76)	(\$42.26)	(\$141.04)
Provision for Income Taxes										
Effective tax rate										
Non-GAAP Net Income (Loss)	(\$17.43)	(\$20.39)	(\$17.02)	(\$25.06)	(\$79.90)	(\$27.76)	(\$33.26)	(\$37.76)	(\$42.26)	(\$141.04)
EPS, basic	(\$12.43)	(\$1.39)	(\$0.48)	(\$0.63)	(\$3.50)	(\$0.70)	(\$0.84)	(\$0.95)	(\$1.06)	(\$3.54)
EPS, diluted	(\$12.43)	(\$1.39)	(\$0.48)	(\$0.63)	(\$3.50)	(\$0.70)	(\$0.84)	(\$0.95)	(\$1.06)	(\$3.54)
Stock comp expense	0.7	1.2	1.5	1.5	5.0	1.5	1.5	1.5	1.5	6.0
% of operating expense	3.6%	5.2%	7.5%	5.5%	5.4%	5.0%	4.2%	3.8%	3.4%	4.0%
Tax benefit from options										
Net Income (inc. options expense)	(\$18.142)	(\$21.6)	(\$18.6)	(\$26.57)	(\$84.86)	(\$29.260)	(\$34.8)	(\$39.3)	(\$43.76)	(\$147.04)
EPS, diluted (inc. stock comp)	(\$12.94)	(\$1.47)	(\$0.53)	(\$0.67)	(\$3.72)	(\$0.74)	(\$0.87)	(\$0.99)	(\$1.10)	(\$3.69)
Basic Shares Outstanding	1.40	14.68	35.20	39.47	22.84	39.74	39.78	39.82	39.86	39.80
Diluted Shares Outstanding	1.40	14.68	35.20	39.47	22.84	39.74	39.78	39.82	39.86	39.80
Restructuring Charges	0	0	0	0	0	0	0	0	0	0
GAAP Net Income (incl. options)	(\$18.14)	(\$21.60)	(\$18.55)	(\$26.57)	(\$84.86)	(\$29.26)	(\$34.76)	(\$39.26)	(\$43.76)	(\$147.04)
GAAP EPS (dil, incl. options)	(\$12.94)	(\$1.47)	(\$0.53)	(\$0.67)	(\$3.72)	(\$0.74)	(\$0.87)	(\$0.99)	(\$1.10)	(\$3.69)

Source: Company Data, Morgan Stanley Research

March 4, 2014
Portola Pharmaceuticals Inc

Exhibit 7

Portola Annual Income Statement

(\$ in millions except per-share data)	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
WW Betrixaban Sales													
US Betrixaban Sales					0	0	39	94	149	206	267	356	444
EU Betrixaban Sales					0	0	0	41	91	137	179	225	297
ROW Betrixaban Sales					0	0	0	0	6	23	48	63	79
WW Betrixaban Sales					0	0	39	134	246	365	494	644	820
WW Antidote Sales													
US Antidote Sales					0	25	63	104	155	197	242	287	299
EU Antidote Sales					0	0	40	98	168	237	298	363	423
ROW Antidote Sales					0	0	0	2	15	42	83	104	127
WW Antidote Sales					0	25	103	204	338	476	623	754	848
Collaboration and License Revenue	78	72	11	8	0	0	0	0	0	0	0	0	0
Total Revenues	78	72	11	8	0	25	142	338	584	842	1,117	1,398	1,669
Costs & Expenses:													
COGS						1	17	77	138	172	227	243	284
% of Product Revenues To Portola						5.0%	11.7%	22.9%	23.6%	20.4%	20.3%	17.4%	17.0%
R&D	45	48	78	127	128	94	92	66	62	59	57	55	55
YoY Growth	7%	7%	61%	64%	0%	-26%	-2%	-29%	-6%	-4%	-4%	-4%	0%
% of Product Revenues To Portola						374%	65%	19%	11%	7%	5%	4%	3%
SG&A	11	10	14	23	26	98	213	257	283	310	321	340	343
YoY Growth	9%	-7%	35%	68%	15%	269%	118%	21%	10%	9%	4%	6%	1%
% of Product Revenues To Portola						388%	150%	76%	49%	37%	29%	24%	21%
Total Operating Expenses	56	58	91	150	154	193	322	401	483	541	604	639	682
Operating Income (Loss)	22.2	14	(81)	(142)	(154)	(168)	(180)	(62)	101	301	513	760	987
Operating Margin	28%	19%	(766%)	(1775.0%)	-	(667%)	(126.3%)	(18.5%)	17.3%	35.7%	45.9%	54.3%	59.1%
Interest and Other Income, Net	0.1	0.5	0.8	1.0	0.8	1.0	0.8	0.3	0.4	1.3	2.9	5.2	7.9
Interest Expense	(0.02)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pretax Income (Loss)	\$22.3	\$14	(\$80)	(\$141)	(\$153)	(\$167)	(\$179)	(\$62)	\$102	\$302	\$516	\$765	\$995
Provision For Income Taxes	0	0	0	0	0	0	0	0	0	0	0	135	269
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	17.7%	27.0%
Non-GAAP Net Income (Loss)	22.3	\$14	(\$80)	(\$141)	(\$153)	(\$167)	(\$179)	(\$62)	\$102	\$302	\$516	\$630	\$726
Stock Compensation Expense	\$2.4	\$2.8	\$5.0	\$6.0	\$8	\$9	\$10	\$11	\$12	\$13	\$14	\$15	\$16
% of Operating Expenses	4.2%	4.8%	5.4%	4.0%	5.2%	4.7%	3.1%	2.7%	2.5%	2.4%	2.3%	2.3%	2.3%
Non-GAAP Net Income (incl. ESO)	\$20.0	\$11.4	(\$84.9)	(\$147.0)	(\$161.2)	(\$175.8)	(\$188.8)	(\$73.1)	\$89.6	\$288.9	\$501.9	\$614.8	\$710.0
GAAP Net Income (Loss)	\$20.0	\$11.4	(\$84.9)	(\$147.0)	(\$161.2)	(\$175.8)	(\$188.8)	(\$73.1)	\$89.6	\$288.9	\$501.9	\$614.8	\$710.0
EPS, Basic (Non-GAAP, Pre-ESO)	\$17.9	\$10.49	(\$3.50)	(\$3.54)	(\$3.53)	(\$3.41)	(\$3.44)	(\$1.19)	\$1.94	\$5.72	\$9.72	\$11.79	\$13.51
EPS, Diluted (Non-GAAP, Pre-ESO)	\$10.7	\$6.92	(\$3.50)	(\$3.54)	(\$3.53)	(\$3.41)	(\$3.44)	(\$1.19)	\$1.84	\$5.43	\$9.23	\$11.20	\$12.85
EPS - Diluted (GAAP, Post- ESO)	\$9.57	\$5.55	(\$3.72)	(\$3.69)	(\$3.71)	(\$3.59)	(\$3.64)	(\$1.40)	\$1.62	\$5.20	\$8.98	\$10.93	\$12.56
Shares Outstanding - Basic	1.25	1.35	22.84	39.80	43.43	48.91	51.91	52.18	52.47	52.76	53.07	53.40	53.75
Shares Outstanding - Diluted	2.09	2.05	22.84	39.80	43.43	48.91	51.91	52.18	55.26	55.59	55.91	56.22	56.52

Source: Company Data, Morgan Stanley Research estimates

Exhibit 8

Portola Balance Sheet

(\$ in millions)	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Assets													
Cash and Cash Equivalents	170.3	53.6	235.9	157.1	206.8	265.5	104.3	46.9	155.1	460.1	981	1612	2346
Short-term Investments	17.8	77.7	77.7	27.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Accounts and Interest Receivable	1.1	0.7	0.7	0.7	0.7	0.2	1.3	3.1	5.4	7.7	10.3	12.8	15.3
Prepaid Expenses and Other Current Assets	0.3	3.0	0.2	0.2	0.0	0.5	2.8	6.8	11.7	16.8	22.3	28.0	33.4
Total current assets	190	135	314	186	215	274	116	64	180	492	1021	1660	2403
Property and Equipment, Net	3.9	2.9	3.2	4.6	6.0	8.0	10.7	12.4	14.7	17.3	20.2	23.2	26.2
Inventories	0.0	0.0	0.0	0.0	0.0	2.0	5.7	10.1	11.7	12.6	14.0	17.5	20.9
Other Long-Term Assets	0.0	8.2	0.2	0.2	0.0	0.5	2.8	6.8	11.7	16.8	22.3	28.0	33.4
Total assets	193	146	318	190	221	284	135	94	218	539	1078	1729	2483
Liabilities													
Accounts Payable	2.8	4.8	4.6	7.5	7.7	9.6	16.1	20.0	24.1	27.1	30.2	31.9	34.1
Accrued Compensation & Employee Benefits	2.8	1.9	2.9	4.8	4.9	6.1	10.3	12.8	15.4	17.2	19.3	20.3	21.7
Accrued and Other Liabilities	4.0	7.4	9.1	15.0	15.4	19.3	32.2	40.1	48.3	54.1	60.4	63.9	68.2
Accrued Income Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Revenue, Short-Term	9.9	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred Stock Warrant Liability	0.8	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	20	19	17	28	29	36	59	73	88	99	110	117	125
Deferred Revenue, Long-Term	59.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-Term Debt, Less Current Portion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Long-Term Liabilities	2.3	1.5	2.3	3.8	3.9	4.8	8.1	10.1	12.1	13.6	15.2	16.0	17.1
Total Liabilities	82	20	20	32	32	41	67	83	100	113	126	133	142
Shareholder's Equity													
Redeemable convertible preferred stock	317.3	317.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common Stock (Plus APIC)	7.6	10.7	585	593	784	1015	1028	1043	1061	1081	1105	1134	1170
Accumulated Other Comprehensive Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Deficit	(213.7)	(202.3)	(287.2)	(434.2)	(595.4)	(771)	(960)	(1033)	(944)	(655)	(153)	462	1172
Total Shareholder's Equity	111	126	298	159	189	244	68	10	117	427	952	1596	2342
Total Liabilities and Shareholder's Equity	193	146	318	190	221	284	135	94	218	539	1078	1729	2483

Source: Company Data, Morgan Stanley Research estimates

March 4, 2014
Portola Pharmaceuticals Inc

Exhibit 9

Portola Cash Flow Statement

(\$ in millions)	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
CASH FLOWS FROM OPERATING ACTIVITIES													
Net Income (Loss)	20.0	11.4	(84.9)	(147.0)	(161.2)	(175.8)	(188.8)	(73.1)	89.6	288.9	501.9	614.8	710.0
Depreciation + Amortization	1.4	1.4	1.5	1.6	1.7	1.9	2.1	2.3	2.5	2.8	3.1	3.4	3.8
Noncash Interest Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of Premium on Investment Securities	0.8	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock-Based Compensation Expense	2.4	2.8	5.0	6.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0
Issuance of Convertible Preferred Stock for Licenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss on Disposal of Leashold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reevaluation of Preferred Stock Warrant Liability	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Change in assets and liabilities:													
Accounts and Interest Receivable	(0.0)	0.3	0.0	0.0	0.0	0.4	(1.1)	(1.8)	(2.3)	(2.4)	(2.5)	(2.6)	(2.5)
Pre-Paid and Other Current and Long-Term Assets	0.7	(4.6)	10.8	0.1	0.3	(1.0)	(4.7)	(7.8)	(9.8)	(10.3)	(11.0)	(11.2)	(10.8)
Inventory	0.0	0.0	0.0	0.0	0.0	(2.0)	(3.7)	(4.5)	(1.5)	(0.9)	(1.3)	(3.5)	(3.4)
Accounts Payable	1.1	2.0	(0.3)	2.9	0.2	1.9	6.4	3.9	4.1	2.9	3.2	1.7	2.2
Accrued Compensation and Employee Benefits	0.1	(1.0)	1.0	1.9	0.1	1.2	4.1	2.5	2.6	1.9	2.0	1.1	1.4
Accrued and Other Liabilities	(0.2)	3.4	1.7	5.9	0.4	3.9	12.9	7.9	8.2	5.8	6.3	3.4	4.4
Deferred Revenue	(35.4)	(65.4)	(4.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Long-Term Liabilities	0.0	(0.8)	0.8	1.5	0.1	1.0	3.2	2.0	2.1	1.5	1.6	0.9	1.1
Accrued Income Taxes	(2.48)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by (used in) operating activities	(11.7)	(49.2)	(68.4)	(127.2)	(150.4)	(159.5)	(159.5)	(57.6)	107.5	303.2	517.2	622.9	722.1
CASH FLOWS FROM INVESTING ACTIVITIES													
Purchases of Property, Plant and Equipment	(1)	(0)	(2)	(3)	(3)	(4)	(5)	(4)	(5)	(5)	(6)	(6)	(7)
Purchases of Short-Term Investments	(34)	(145)	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Sales of Short-Term Investments	2	37	0	50	20	0	0	0	0	0	0	0	0
Proceeds from Maturities of Short-Term Investments	66	41	0	0	0	0	0	0	0	0	0	0	0
Net cash used in investing activities	33.1	(67.8)	(1.8)	47.0	16.9	(3.9)	(4.8)	(4.0)	(4.8)	(5.4)	(6.0)	(6.4)	(6.8)
CASH FLOWS FROM FINANCING ACTIVITIES													
Repayment of Debt	(2.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Issuance of Common Stock	0.2	0.3	253	1.3	183.2	222.0	3.2	4.2	5.5	7.2	9.5	14.5	19.4
Repurchase of Unvested Common Stock	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Issuance of Convertible Preferred Stock	96.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Exercise of Warrants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by financing activities	94.2	0.3	252.5	1.3	183.2	222.0	3.2	4.2	5.5	7.2	9.5	14.5	19.4
Change in Cash and Cash Equivalents	115.6	(116.7)	182.3	(78.9)	49.7	58.7	(161.1)	(57.4)	108.2	305.0	520.7	631.0	734.6
Cash and Cash Equivalents at Beginning of Year	54.7	170.3	53.6	235.9	157.1	206.8	265.5	104.3	47	155	460	981	1,612
Cash and Cash Equivalents at End of Year	170	54	236	157	207	265	104	47	155	460	981	1,612	2,346
Marketable Securities	18	78	78	28	8	8	8	8	8	8	8	8	8
Cash and Marketable Securities at End of Year	188	131	314	185	214	273	112	55	163	468	988	1,619	2,354

Source: Company Data, Morgan Stanley Research estimates



Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations. For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

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(as of February 28, 2014)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1015	34%	303	37%	30%
Equal-weight/Hold	1307	44%	392	48%	30%
Not-Rated/Hold	100	3%	24	3%	24%
Underweight/Sell	538	18%	90	11%	17%
Total	2,960		809		

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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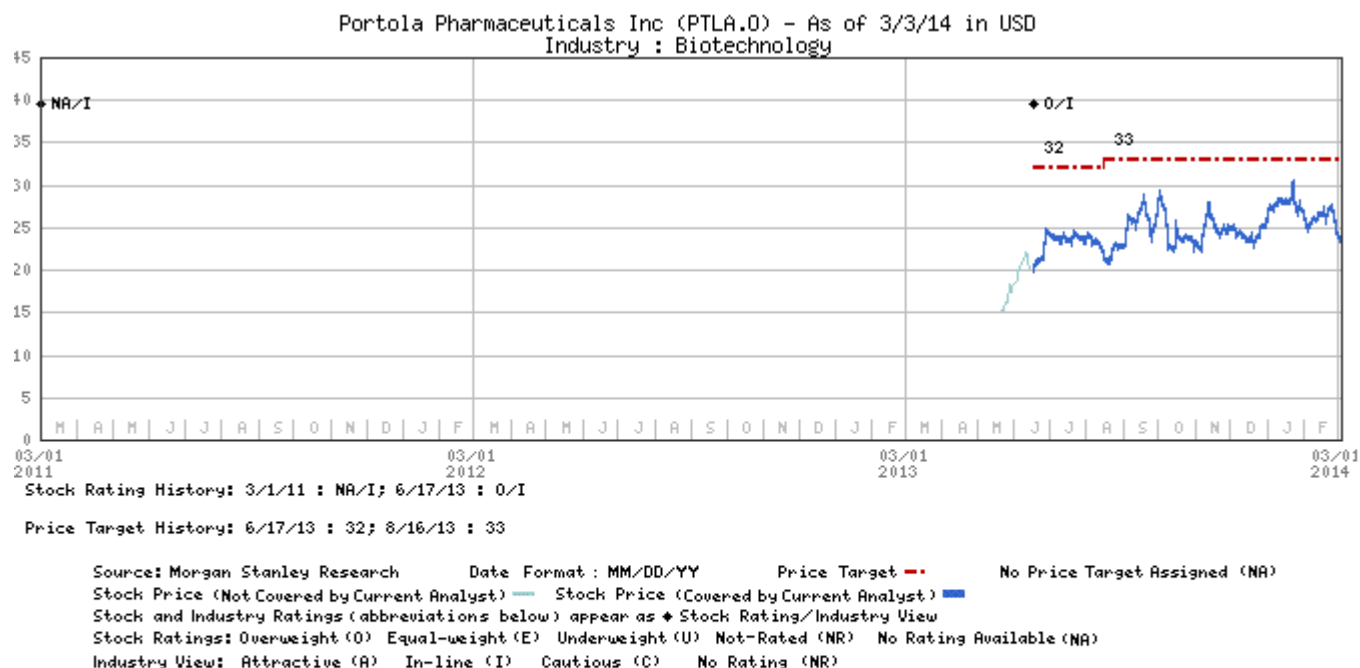
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Stock Price, Price Target and Rating History (See Rating Definitions)

March 4, 2014
Portola Pharmaceuticals Inc



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Industry Coverage:Biotechnology

Company (Ticker)	Rating (as of)	Price* (03/03/2014)
David Friedman, M.D.		
AMAG Pharmaceuticals, Inc. (AMAG.O)	E (11/21/2011)	\$20.61
Alexion Pharmaceuticals (ALXN.O)	O (09/07/2010)	\$172.43
Alnylam Pharmaceuticals (ALNY.O)	E (01/14/2014)	\$79.9
Auxilium Pharmaceuticals (AUXL.O)	E (05/03/2013)	\$30.81
Chimerix Inc (CMRX.O)	O (05/06/2013)	\$18.97
Cubist Pharmaceuticals Inc. (CBST.O)	O (11/13/2013)	\$79.13
Idenix Pharmaceuticals, Inc. (IDIX.O)	E (03/18/2011)	\$6.69
Incyte Corporation (INCY.O)	U (01/23/2013)	\$63.75
InterMune (ITMN.O)	E (09/07/2010)	\$31.29
Ironwood Pharmaceuticals, Inc. (IRWD.O)	E (04/24/2013)	\$14.11
Lexicon Pharmaceuticals, Inc. (LXRX.O)	U (06/11/2013)	\$1.75
NPS Pharmaceuticals (NPSP.O)	O (10/03/2012)	\$34.68
Neurocrine Biosciences Inc (NBIX.O)	E (01/08/2014)	\$16.67
Ophthotech Corp (OPHT.O)	O- (10/21/2013)	\$33.79
Portola Pharmaceuticals Inc (PTLA.O)	O (06/17/2013)	\$23.25
Relypsa, Inc. (RLYP.O)	O (12/10/2013)	\$39.09
Synageva Biopharma Corp (GEVA.O)	O (04/20/2012)	\$101.36
Tesaro Inc. (TSRO.O)	E (02/04/2014)	\$31.6
Theravance Inc (THRX.O)	U (07/22/2013)	\$36.88
Ultragenyx Pharmaceutical Inc (RARE.O)	O (02/25/2014)	\$55.53
Vertex Pharmaceuticals (VRTX.O)	E (05/08/2012)	\$81.56
XenoPort Inc (XNPT.O)	U (06/11/2013)	\$6.09

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* Historical prices are not split adjusted.