



Portola Put Sales Bullish, Call Buyer Sees Near-Term Upside

Ticker/Price: PTLA (\$23.88)

Analysis:

Portola Pharma (PTLA) a Biotech trading weak to close the year has seen some interesting options positioning recently that has a bullish view. PTLA still has notable open interest in January 2020 short puts at the \$30 and \$25 strikes for 2,470X and 2,785X respectively and on 12/30 the February \$22.50 calls opened 2,775X for nearly \$1M. PTLA also has 1500 January 2021 \$32.50 puts that were sold to open in December deep ITM. PTLA shares closed the year right above its 61.8% Fibonacci retracement of the Dec. 2018 low to 2019 high at \$23.60 and looking to bounce. PTLA shares traded above \$65 in July 2017. The \$1.8B Biotech trades 3.8X Cash though does have a 1.3X Debt/Equity. PTLA is seeing a big revenue ramp in FY19 with 234% growth and another 84% growth seen in 2020 while currently trading around 4.5X FY21 revenue estimates. PTLA is generating revenues from Andexxa and also starting selling Ondexxya in Europe. Andexxa has seen a strong launch the first 6 quarters tracking with top successful acute hospital drug launches over the past 30 years and seeing strong trends as a move to the standard of care for an unmet need. PTLA is also working on Cerdulatinib as a new treatment option for relapsed/refractory patients with PTCL and CTCL. PTLA plans to initiated an urgent study for potential Andexxa label expansion and also initiating a study for cerdulatinib in peripheral T-cell lymphoma. Analysts have an average target near \$40 and short interest remains elevated at 20% of its float. PTLA was started Neutral with a \$35 target at Goldman on 11/8 noting the Andexxa launch is the key driver of shares. On 8/8 Citi was out with a note saying the time is now to buy PTLA, a \$51 target, and sees Andexxa generating \$550M in sales by 2022. Hedge Fund ownership rose 21.65% in Q3 filings, Highland Capital a new notable position, and notable top holders include Temasek, Cadian Capital and Jackson Square.

Hawk Vision:



Hawk's Perspective: PTLA price-action is poor but seems cheap on valuation for a strong launch with rapidly growing revenues and potential further upside drivers to come.

Confidence Ranking: \$\$