



Bumbershoot Holdings LP  
17 E. 96<sup>th</sup> St., Unit #8c  
New York, NY 10128

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## Viking Therapeutics: Year In Review

- *It's been just over a year since I first published an article on Viking Therapeutics.*
- *"Welcome to the Glorious House of Gains" introduced VK5211, a potent selective androgen receptor modulator (SARM) with an enormous opportunity in hip fracture & other osteoporotic settings.*
- *"Hallmark Moment" reviewed the market for NAFLD/NASH and Viking's VK2809, a potent thyroid-beta agonist (THR-β) with potential to be a blockbuster.*
- *The company continues to make progress advancing both candidates, presenting at ASBMR & AASLD conferences and evaluating next steps with the FDA.*
- *There is never a "sure thing" in biotech investing, but the path from then to now has been nothing short of phenomenal.*

## Introduction

Viking Therapeutics (VKT:NGS) reported results for Q3'18 late last week. Headline results showed a slight "beat" although this is meaningless in the context of the overall investment thesis since the company is still pre-revenue as a "development-stage" biotech.

By far the most important highlights of the release were those related to its clinical pipeline & capital structure:

1. Viking announced (extremely) positive top-line results in Sep'18 from its P2 study of VK2809.
2. It continues to make progress advancing its lead molecular candidates—VK2809 & VK5211—with presentations at various prestigious conferences. It is evaluating plans for initiation of next phase trials/timeline with the FDA.
3. Successfully completed a secondary offering at \$18.50/share in Sep'18 following the P2 results. Adds ~\$170m of cash to the balance sheet which provides significant runway going forward.

These highlights helped to answer/eliminate some very important questions on the company. For starters, the VK2809 molecule had been contentious from a safety perspective due to elevated ALT/AST levels. P2 results helped put that issue to rest. Funding had also been one of the most important factors given its history of public offerings, but with the latest deal it now has a war chest of more than \$300m net cash. The balance sheet was already in good shape after raising funds following the "[sympathy move](#)" in May'18, but the current amount ends all questions with "runway beyond 2020."

## For Every Action, A Reaction

But for every question it answered, it also raised new ones. What is the status on VK5211 partnership? FDA meeting/correspondence about potential P3 endpoint? Functional/quality-of-life measures? Will the company need histological data/biopsy results to put VK2809 on equal footing with Madrigal? Will it pursue a P2B study or push forward on a P2/3 trial?

Not surprisingly, these are the issues "bears," "shorts," and "non-believers" have latched onto, helping to drive the stock down significantly below the latest deal price. And it *makes sense*.

While I am as enthusiastic as anybody about Viking's long-term prospects, when I take a step back from the company fundamentals... Viking is just another small, speculative biotech that is still up almost 1000% in the past year, despite having no revenue, no approved drug and carrying out multiple "dilutive" offerings. Such is the way for the majority of small biotechs, but it is easy to understand why investors with a negative sentiment could have something to sink their teeth into.

But when I take a step back... it is also *amazing* to see what this company has been able to accomplish in just the past year.

## It Has Been One For The Books!

Am I disappointed by the full retracement/round-trip back to pre-VK2809 highs of ~\$12/share? Of course. Everyone would love to see their investments perform well and make new highs. But I also remember sitting in a small conference room at the *Michelangelo* hotel in NYC on a cold, rainy day just over a year ago thinking

“what the heck am I doing here.” I had gone for Viking’s *Key Opinion Leader* event discussing *Musculoskeletal Therapeutics* in hip fracture and other settings. It was “sparsely” attended (at best) and nobody in the biotech world seemed to notice/care that I thought I was sitting on a [billion-dollar idea](#). The company had a market cap of just \$60m. It had less than 6-months’ worth of cash in the bank at current burn rate; and had just entered into some disheartening financial arrangements with “vulture” entities like *LPC*. Worst of all, investors were still left waiting on the company finally having data to present; and after multiple, long delays on enrollment there was no guarantee when that would be ready.

There are no “sure things” in biotech investing, but the path from then to right now has been nothing short of *phenomenal*. The efficacy of the molecules—VK5211 & VK2809—has produced some outstanding trial results. These offer huge potential medical benefits in areas of high unmet need. The company completed “successful” equity offerings in Dec’17, Feb’18, Jun’18 and Sep’18. It raised cash in *multiples* of its former market cap (!!!) and it now sports more than \$300m of net cash on the balance sheet. It brought in major new institutional investors and has the financial runway to aggressively advance its pipeline. And perhaps most of all, it gained significant *recognition*. Viking put itself on the map! It joined the conversation among some of the most highly touted small biotech companies.



### **And It Continues To Press On**

Even with some well-timed hedges, the drawdown has been painful in the short-term. But that is why you do the work.

I am a big believer in mantras and have tried to operate the fund under a relatively simple one since launching: *Know what you own, why you own it, and what you believe it to be worth.*

A year from now, investors will have answers to a whole bunch of today’s questions; and there will likely be new uncertainties, as well. Regardless of what those issues are, though, the company is likely to make substantial progress from where it stands today; and I expect it to continue to take steps closer to my original prediction of \$3.5b market cap—an increase of 100x from my start point.

I try to find value in people, businesses, and ideas. You never know how it will work out in the end, but I can’t wait to see how it unfolds.

## ENDNOTES

1. Bumbershoot Holdings – Welcome To The Glorious House of Gains (<https://bumbershootholdings.com/...>)

2. Bumbershoot Holdings – Hallmark Moment (<https://bumbershootholdings.com/2018/06/...>)

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Disclosure: Long VKTX

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