

Trade Idea

Direction:	LONG
Stock:	Pulse Bio (PLSE)
Exp. price:	\$40-60
Timing:	Very near term

COMPANY / TICKER:	Pulse Biosciences (PLSE)	REVENUE:	N/A
MARKET CAP:	≈\$300 million	CASH BALANCE:	\$38.5 million
SHARE PRICE:	\$20.28	TOTAL DEBT:	ZERO
SHARES OUT:	16.9 million	AVG DAILY VOLUME	217,000 shares per day
FREE FLOAT:	5.9 million	SHORT INTEREST:	2.1 million shares (40% of float)

- Pulse is scheduled to discuss “[Operational Highlights](#)” on a conference call at **4:30 pm today (Tuesday May 8th)**. In the past I have highlighted such calls which companies used to create very sharp price spikes. There are some obvious new developments emerging at Pulse.
- Over the past year, critical developments with Pulse have now unfolded [exactly opposite](#) to what was required in the short theses. These developments now provide very strong support and clues for the near term **LONG** thesis.
- Billionaire Bob Duggan has nearly doubled his position and now owns 35% of Pulse. Duggan continued to buy even as the share price rose to over \$28.00 (nearly 40% above current levels).
- Many are unaware that three of the four newly appointed Pulse board members actually came from Duggan’s Pharmacyclics. That background information was included in in the text but not in the table Pulse’s proxy statement. Pharmacyclics was the company which Duggan turned around from a tiny \$15 million market cap and sold to AbbVie for \$20 BILLION just a few years later. These newly appointed Pulse directors are his lieutenants.
- As Duggan’s lieutenants were installed at Pulse, other directors associated with MDB Capital then stepped down from Pulse’s board. This now frees MDB parties to sell without restrictions. These parties are now massively incentivized to see a near term spike in Pulse. MDB founder Chris Marlett owns 4.8% of Pulse. Certainly large enough to care, yet just small enough to be able to sell (on a spike) without requiring any disclosure.
- Short interest has quietly spiked to the highest level in Pulse’s history, now amounting to 2.1 million shares. [Fully 40% of the free float is sold short](#). Following a recent short report, short interest may actually be even higher.
- **Remember:** Troubled fundamentals do not always equate to an attractive short trade. With Pulse, I have nothing positive to say about: the fundamentals, the technology or the parties involved. Yet I can see that the stock will soon head sharply higher. Similar to Energous (WATT), near-term triple-digit price spikes are in no way dependent upon near-term commercialization of the technology.
- There are multiple strategic avenues which Duggan could announce now or in the near future. These include alternate FDA approval paths as well as new asset injections. Any of these should be expected to have a significant impact on the share price, which would then be sharply magnified by the 40% short interest and low float.
- Such announcements could happen sooner, later, or never. But starting today there is a series of possible dates on which we could potentially see this happen. Regardless of one’s view of a long position in Pulse, a short position is now downright reckless.

LONG \$PLSE

Here’s why Pulse (PLSE) is headed sharply higher

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Rules for contrarian long ideas - read this

Every time I publish a contrarian long idea, I receive howling complaints from out-of-breath academics-cum-researchers who shriek that I am shamelessly pumping some deeply troubled company just to ignite a fleeting short squeeze.

Yet anyone who bothers to actually read beyond the title of my reports will immediately observe my adherence to the following rules:

Rule #1 - I do not pretend to see merit in bad products or dubious individuals. I go out of my way to prominently identify specific problems (i.e. the short thesis). Such flaws are what make the trade a “contrarian” long. The basis of my contrarian long reports is always related to technical factors or financial engineering and it only applies when various parties with a significant long interest have an **identifiable means of influencing the share price**.

Rule #2 – High short interest alone is NOT SUFFICIENT to merit a contrarian long. Contrarian long ideas are not just fleeting short squeeze plays. These long ideas need to have sources of hidden support which will surprise investors and push the share price higher. **Short interest is still very important because it can often significantly amplify a small move into a big move.** High short interest in stocks like LFIN, HMNY, WINS was not what caused them to rise in the first place. These stocks needed technical factors or financial engineering. But the short interest undeniably amplified the spike into the stratosphere.

Rule #3 – My theses are of finite duration and are based on specific catalysts and expected timeframes. Clearly not all of my ideas work out as hoped. Once the expected date passes, the catalyst will have either happened or not. Either way, the thesis then becomes outdated and largely moot. As late as November 7th, 2016, I was pretty sure Hillary Clinton would win the US presidential election. Within 24 hours, my thesis was proven wrong and became moot. I adjusted my actions and outlook accordingly. Likewise, within just weeks of my long thesis on Overstock.com (OSTK), abrupt escalation by the SEC against all things crypto neutered my thesis completely. This would be obvious to anyone who read past the title.

Rule #4 – I don’t “pump” anything. It is easy to see that after I publish, I mostly refrain from putting out ongoing comment for a significant period of time. I let the market digest my findings and allow others to respond without interference. Over the past seven years, I have put forth a mere 400 or so tweets. This isn’t by accident. For example, starting November 16th, Restoration Hardware (RH) soared by more than 35%, starting on the exact day I had predicted. After November, I did not write or tweet about RH again until early April. RH now sits at around \$100.

Rule #5 – The best way to go broke is to let researchers make trading calls. Any time we see a stock with a very high short interest, there is typically is a near-infinite supply of negative information which is easily discoverable for those who care to spend the time. The more time one spends the more one will uncover. **Forever.** But remember the maxim that **“time management is a crucial part of fund management”**.

Academic oriented short researchers can become **unhinged** when I suggest that a stock price may rise even though it has (*gasp!*) fundamental problems which are easily visible. Yet in the real world we see such spikes happen quite frequently. For obvious reasons, such researchers will **unswervingly** express a) **absolute conviction** about b) **a very large decline** which will happen c) **in the very near future**. For those of us more focused on economics over philosophy, it is critical to apply a very strong filter when considering the views of such researchers. When their clients suffer losses, these researchers will quickly suggest the urgent need for even more billable research hours to dig up even more dirt from the bottomless quarry. But with technical trades and financial engineering, the general result is that no amount of additional garbage sifting will yield a positive result on the trading side.

Pulse - the long thesis vs. the short thesis

A sharp rise in Pulse's share price does NOT require any near term commercialization of the product.

Maneuvering by insiders, including Bob Duggan, shows that they are now sharply escalating their focus on Pulse.

Critical elements of the short thesis have all gone in the exact opposite direction of what required for the short thesis. These same elements now strongly support a LONG position.

These developments have quite plainly boosted the case for a sharp rise in the share price. They also sharply increase the likelihood of a sudden strategic announcement by Pulse.

Pulse Biosciences describes itself as a clinical stage "electroceutical" company pursuing commercial applications for its Nano-Pulse Stimulation ("NPS") technology, potentially including immuno-oncology and dermatology. Pulse has no revenues to date. Pulse came public in an IPO by MDB Capital in 2014. In early 2017, billionaire Scientologist Bob Duggan acquired an initial 15% of Pulse. The [announcement](#) quickly sent the stock up by as much as 600% to just under \$40. Throughout 2017, Duggan continued purchasing additional shares of Pulse, even as the share price rose as high as \$28.00. In the past three quarters Duggan has nearly doubled his subsequent stake and now owns 35% of the outstanding shares.

Yes, yes, yes. I am well aware of the dismal track record of MDB deals in terms of achieving any long term commercial success. I also have nothing positive to say about Pulse's would-be product or the various parties involved with the company. But I am also equally aware of the short-term performance of MDB deals in terms of share price, particularly when certain specific elements are present.

REGARDLESS of one's view on the product or the parties involved, recent developments should make it quite clear what is about to happen with the share price at Pulse. I can understand why some might refrain from going long on Pulse. But it is unclear to me why anyone would deliberately choose to remain short through this period.

The first (and most obvious) catalyst date for Pulse comes today (Tuesday) after the close. There will be more additional catalysts going forward. There are multiple scenarios involving alternative FDA approvals, new asset injections or tie-in's with other Duggan entities. All of these should be very easy to envision immediately.

For those who are skeptical of "electro-ceuticals", try lowering your expectations. Ask yourself instead: what are the odds of an explosive press release. Pulse has neither earnings nor revenues such that "earnings calls" are a misnomer. Instead these calls will be focused on "operational highlights". This is exactly the type of call which Restoration Hardware (RH) used to surprise investors on November 16th, 2017, sending the stock up by more than 35% to new all time highs.

Here is a link to my report on RH which predicted that exact move on that exact day.

MoxReports: [Long \\$RH – \\$RH Will Spike Much, Much Higher Very, Very Soon](#)

And here is a link to the press release from Pulse announcing to call discussing "operational highlights" call at **4:30 pm today**.

["PULSE BIOSCIENCES TO REPORT FIRST QUARTER 2018 FINANCIAL RESULTS AND OPERATIONAL HIGHLIGHTS"](#)

Key arguments for short thesis now support LONG position

The key elements of the short thesis have ALL gone in the exact opposite direction of what was required for a successful short trade.

Various short articles have already made clear their case against Pulse's technology, its fundamentals and the various parties behind it. But none of those elements were explicit reasons for the share price itself to decline.

The bear thesis against the share price has been predicated on three specific catalysts. None of these elements came to pass. And in fact each of them has now gone in the exact opposite direction of what was required for the short thesis to be successful. **Each of these new developments now becomes a strong component of the LONG thesis.**

Element	Short thesis expectation	Actual outcomes
Duggan's transactions	Duggan was expected to sell some or all of his stake following a form 144 filing in 2017	But actually... rather than sell, Duggan nearly doubled the size of his stake in 2017. Duggan acquired 2.7 million more shares even as the share price rose to as high as \$28.00. Duggan now owns 35% of Pulse.
MDB's incentives	Following board reshuffling, MDB was assumed to be "out" and would therefore have no further incentive to see share price higher	But actually... MDB is by no means "out". Instead, MDB and their involved individuals continue to own substantial stakes. MDB is simply off the board, which now allows them to sell freely at any time. In other words... MDB is now more incentivized than ever to see a sharp spike in Pulse ! MDB founder Chris Marlett personally owns 4.8% of Pulse, which means that he will not be required to disclose his transactions when he eventually chooses to sell.
Duggan's commitment	Duggan was expected to make a short term play and then seek to exit without further involvement	But actually... in 2017, Duggan assumed the position of Chairman of Pulse. More importantly, 3 out of 4 of Pulse's newly appointed directors (aside from Duggan) were then selected specifically from Pharmacyclics - the company which Duggan turned around and sold for over \$20 billion to AbbVie.

Separate note: the only visible regulatory issue I see for Pulse is an SEC subpoena over possible trading by certain individuals. I see **zero chance** that this has any material impact on the share price of the company.

In contrast to stocks like WINS and LFIN, I also see no other activity with Pulse which would indicate any likelihood of issues with securities regulators.

Low float and high short interest will amplify price spike

The likelihood of a near term press release should become quite obvious. Short interest in Pulse just hit a new all time high. The 40% short interest and the low float will sharply amplify any upward move and then keep the stock elevated for an extended time.

I view Pulse squarely in the context of other MDB deals like Energous (WATT), Unipixel (UNXL), Resonant (RESN), Second Sight (EYES) and others. There are common themes across these stocks: high short interest, tight float and explosive press releases.

Energous (WATT) had spent nearly all of 2017 at prices of \$15 or below. Then in December 2017, a single press [announcement](#) of an FCC certification for the company's WattUp transmitter shot that stock to over \$30. That was now almost six months ago and the stock is just now grinding back to around \$18 (i.e. still higher than the highest levels previously seen throughout 2017). In the meantime, anyone wishing to stay short WATT must continue to pay a cost of stock borrow at over 100% per year.

Likewise, starting in late March, several announcements from Pulse saw the stock nearly double from \$13 to as high as \$25 in after hours trade. Despite multiple expose articles by short sellers challenging the parties and the technology behind Pulse, it was still quite easy to generate a spike of nearly 100%.

Voracious motivation + explosive stock potential. Recent moves by Duggan and MDB indicate clearly that they are highly motivated. And now Pulse has the potential for a uniquely explosive move upwards. The most recent short interest data was released on April 13th, showing that **short interest in Pulse had reached a new all-time high at just under 2.1 million shares**. As per Bloomberg, this would equate to just under 40% of the free float.

But what is the REAL short interest vs. float ? A recently published short report caused Pulse to briefly drop by around 25% before sharply rebounding. Short interest may now be well above 40%. In any event, even on the surface the short interest is very high.

Furthermore, in many past MDB deals, the **true float has often seemed far tighter than what is shown on Bloomberg**. Friendly players in MDB deals have simultaneously remained resolute during certain periods, refusing to sell. The net effect of such "stickiness" is equivalent to having a locked up float.

PLSE US Equity		97) Output to Excel		Short Interest	
Exchange Reported	Market Securities Finance - Daily	S3 BLACKLIGHT	Market Composite Rate		
Date	05/05/17 - 05/05/18	Sector Analysis	SIA	Market SI Score	2
Short Interest	2,064,499	Short Interest Ratio	6.63	% Float	39.65
Change in Short Interest	48,628	Change in SI Ratio	-2.44	Change in % Float	-0.81
				S3 Rate Temp	100
				Currency	USD
				Chart	Table
Date	Short Interest	Closing Price	Average Daily Volume	Short Interest Ratio	
04/13/2018	2,064,499	20.10	311,349	6.631	
03/29/2018	2,015,871	13.53	222,330	9.067	
03/15/2018	1,622,389	14.51	141,776	11.443	
02/28/2018	1,498,277	18.50	52,517	28.529	
02/15/2018	1,515,464	18.98	109,085	13.893	
01/31/2018	1,483,035	20.28	98,850	15.003	
01/12/2018	1,461,151	23.07	71,243	20.509	
12/29/2017	1,547,205	23.60	128,370	12.053	
12/15/2017	1,604,000	24.78	122,118	13.135	
11/30/2017	1,625,328	21.59	202,189	8.039	
11/15/2017	1,684,261	27.22	264,943	6.357	
10/31/2017	1,768,222	24.21	128,616	13.748	
10/13/2017	1,743,656	24.44	130,636	13.347	
09/29/2017	1,880,946	18.61	407,721	4.613	
09/15/2017	1,647,566	15.73	726,617	2.267	
08/31/2017	1,920,021	20.03	114,199	16.813	
08/15/2017	1,883,332	22.23	243,475	7.735	
07/31/2017	1,771,877	19.43	212,125	8.353	
07/14/2017	1,813,653	30.53	258,585	7.014	
06/30/2017	1,734,558	34.53	372,672	4.654	
06/15/2017	1,414,795	33.55	152,843	9.257	

Looking at Duggan's involvement in Pulse

Bob Duggan's approach with Pulse is conspicuously similar to his turnaround at Pharmacyclics which made him a billionaire in 2014. Regardless of whether one personally believes in Pulse or in Duggan, a cult-like following among certain investors means that upward spikes in the share price come fast and run high while downward moves remain small and emerge only over long periods of time. This effect further magnifies the impact of the high short interest and low float.

Robert "Bob" Duggan is a California based entrepreneur who briefly attended UCLA. Duggan is a well-known Scientologist who is best known for the sale of Pharmacyclics to AbbVie for \$21 billion, which yielded him a personal fortune of \$3.4 billion. ([LINK](#)).

Duggan first began acquiring shares of Pulse in early 2017. The news of his initial involvement sent the stock soaring by more than 600% from \$6.00 to nearly \$40.

Here is why investors in Pulse are betting on Bob Duggan:

Pharmacyclics was a struggling turnaround play for Duggan. He began acquiring the stock at around \$10 beginning in 2004 and continued accumulating at lower prices until he owned 24% of the outstanding stock. In 2008, Duggan was appointed CEO of Pharmacyclics at a time **when the market cap was a mere \$15 million and was "on a collision to disaster"** according to Duggan. At one time the stock had fallen to as low as \$3.00. Rather than abandon his position, Duggan increased the size of his position as well as his level of involvement in the company.

Within just six years of his appointment as CEO, the share price has soared due to Duggan's turnaround efforts making his personal stake alone worth over \$1 billion. In 2015, Pharmacyclics was acquired by AbbVie for \$21 billion at a share price of over \$200.

Here is the point: regardless of what you think about Pulse or about Duggan, the combo has now attracted a cult-like following such that many shareholders will simply refuse to sell.

Similar to Tesla (TSLA), the cult-like following of Duggan at Pulse means that upward spikes in the share price tend to be faster and sharper while downward moves tend to be much smaller and take much longer.

It is certainly not lost on investors that just like Pharmacyclics, Duggan has been sharply increasing his stake in Pulse even at higher and higher prices. He has also been installing board members and increasing his own personal involvement in Pulse.



Billionaire Duggan now “stacking the board” at Pulse

During the course of 2017, Duggan effected a number of key changes to Pulse’s board.

Change #1. *Duggan himself assumes the role of Chairman.*

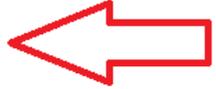
Change #2. *Duggan installs onto Pulse’s board three of his lieutenants from Pharmacyclics.*

It is important to note that their roles from Pharmacyclics are **not readily apparent** just from looking at Pulse’s SEC filings. As a result, many investors may have missed the significance of these appointments.

Manmeet Soni was previously CFO and treasurer of Pharmacyclics. Kenneth Clark was a Pharmacyclics board member. Maky Zanganeh was Chief of Staff /Chief Business Officer for Pharmacyclics.

The table below is taken from Pulse’s most recent **proxy statement**. From this it is clear why many investors may not be aware that these new board members are all legacy members of Duggan’s Pharmacyclics team.

Name	Age	Position	Director Since
Darrin R. Uecker	52	Chief Executive Officer, Pulse Biosciences, Inc.	2015
Robert W. Duggan	73	Chairman, Pulse Biosciences, Inc.	2017
Thomas Fogarty, M.D.	83	Founder, Fogarty Institute for Innovation	2017
Manmeet Soni	40	Chief Financial Officer, Alnylam Pharmaceuticals, Inc.	2017
Kenneth Clark	59	Member, Wilson Sonsini Goodrich & Rosati, P.C.	2017
Maky Zanganeh, D.D.S.	47	President, Zanganeh and Associates	2017

Complete changeover in 2017 

Change #3. *Directors associated with MDB Capital no longer on Pulse’s board.*

When Duggan’s lieutenants were appointed in 2017, two directors associated with MDB Capital were then removed.

Robert Levande is a Sr. Managing Director with MDB who had been on Pulse’s board since 2014. Dr. Robert Greenberg had also been on Pulse’s board since 2015, but left along with Levande in 2017. Greenberg is President and CEO of Second Sight Medical (EYES) which was another MDB healthcare deal.

The replacement of MDB affiliated directors with his Duggan’s own people has two results. Duggan now has a freer hand to implement his own strategy with Pulse. And MDB et al are now free to sell, and therefore have a massive incentive to see the share price trade higher in the near term.

Insider ownership and significant buying activity

The table on the left below shows changes in share holdings by Pulse's top investors. Duggan's stake has nearly doubled to 5.876 million shares just since the 3Q 2017 reporting date. Only one of the top investors (Mark Strome) has shown any meaningful decline in share holdings over the past year.

The table on the right below shows that Duggan has been steadily increasing his holdings even as the share price rose to as high as \$28.24. The table reflects all insider transactions over the past year and shows that there have been no insider sales in nearly a year. In aggregate, those sales from last year amounted to less than \$1 million.

Holder Name	Portfolio Name	2017 Q2	2017 Q3	2017 Q4	2018 Q1	Position
1. DUGGAN ROBERT W		3,145,244	5,832,612	5,876,069	5,876,069	5,876,069
2. OLD DOMINION ...		1,328,483	1,328,483	1,328,483	1,328,483	1,328,483
3. APPEL PETER A		1,225,000	1,225,000	1,225,000	1,225,000	1,000,000
4. MARLETT CHRIST...		795,408	795,408	795,408	810,075	810,075
5. NEWBEM CORP						680,194
6. BLACKROCK		455,459	497,060	493,546	493,546	493,546
7. ZANGANEH MAHK...		364,409	422,974	469,074	469,074	469,074
8. STROME MARK		1,164,829	1,164,829	440,103	440,103	440,103
9. CITADEL ADVISO...	CITADEL ADVI...			337,906	337,906	337,906

Trade Date	No. Part	Participants	Net Sell (Shares)	Net Buy (Shares)	Close Price	Volume
12/13/2017	2	DUGGAN ROBERT W, Z...		21,656	24.0100	123,526
12/12/2017	1	ZANGANEH MAHKAM		1,000	23.9800	203,911
12/11/2017	1	ZANGANEH MAHKAM		3,000	23.9300	105,092
10/19/2017	1	DUGGAN ROBERT W		22,901	23.6600	157,792
09/22/2017	1	DUGGAN ROBERT W		2MLN	15.0200	212,007
09/18/2017	2	DUGGAN ROBERT W, Z...		38,975	14.5200	456,521
09/15/2017	1	DUGGAN ROBERT W		197,098	15.7300	1.082MLN
09/14/2017	3	DUGGAN ROBERT W, Z...		207,455	14.9700	2.692MLN
08/03/2017	2	DUGGAN ROBERT W, Z...		89,464	23.7800	320,294
08/02/2017	2	DUGGAN ROBERT W, Z...		61,290	25.3300	366,833
08/01/2017	1	DUGGAN ROBERT W		155,486	23.8900	811,412
05/23/2017	1	DUGGAN ROBERT W		49,200	28.2400	337,148
05/22/2017	1	DUGGAN ROBERT W		34,728	27.2300	163,121
05/12/2017	1	THAURE THIERRY BER...	-10,000		26.2600	497,495
05/11/2017	2	ZANGANEH MAHKAM, D...		32,600	21.8100	178,320
05/10/2017	2	GREENBERG ROBERT J...	-20,000		20.9800	295,799
05/09/2017	2	ZANGANEH MAHKAM, D...		59,549	22.0400	1.441MLN
05/08/2017	1	THAURE THIERRY BER...	-15,000		23.0700	262,761
05/02/2017	1	DUGGAN ROBERT W		5,000	23.9700	151,673
05/01/2017	1	DUGGAN ROBERT W		19,348	23.6200	155,441
04/28/2017	1	DUGGAN ROBERT W		60,000	24.1200	203,308

Conclusion: Regardless of anything said by me or anyone else, and whether you like the company or not, Pulse is headed sharply higher...soon

Again, I have nothing positive to say about the fundamentals, the technology or the various parties associated with Pulse. But it is becoming obvious that all of the elements are now in place to see Pulse head sharply higher.

Each of the key elements of the short theses (as pertaining to the share price) have now unfolded directly opposite to what was required. These elements now strongly support a long thesis in Pulse.

Rather than selling, Billionaire Bob Duggan has instead nearly doubled his position to 35% of Pulse.

Rather than stepping aside from Pulse, Duggan has assumed the role of Chairman and has installed three of his lieutenants from Pharmacyclics onto the board.

Individuals associated with MDB Capital still own considerable stakes in Pulse, but now that they have stepped off of the board, they are free to sell into any sudden spike. Their incentive to see such a spike is now higher than ever.

The short interest in Pulse has recently spiked to a new all time high of 2.1 million shares. Now 40% of the float is sold short. Such elevated levels of short interest sharply amplify any upward moves in share prices which result from new announcements.

Pulse's call today is just one in a series of potential dates where Pulse can be expected to make certain strategic announcements which I expect to have an explosive effect on the share price.

The chart below shows each of Duggan's purchases since he began buying Pulse in 2017.

