

TetraLogic Pharmaceuticals (TLOG : US\$4.19)

TetraLogic Pharmaceuticals tumbles 20.8% in third quarter, underperforming 83% of the market

TetraLogic Pharmaceuticals Corporation, NASDAQ's 22nd largest biotechnology company by market cap, tumbled US\$1.10 (or 20.8%) in the quarter ended September 30 to close at US\$4.19. This loss means the stock has underperformed 83% of NASDAQ-listed stocks in quarter ended September 30. The volume in the quarter was 0.5 times the average trading of 101,233 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price change of -24.6%. In the third quarter the market cap declined US\$18.9 million.

Introduction

We are currently bearish on this stock, both in the short-term based on technical indicators, as well as in the long-term based on fundamental metrics

What makes us most bearish on the stock is the following:

- Its Moving Average Convergence Divergence indicators are falling, with its 12-day EMA lower than its 26-day EMA.
- The price to 200-day MAP ratio is 0.55, a bearish indicator.
- In the last three months the number of falls outnumbered rises 28:19 or 1.47:1.

However, there are some reasons why some in the market are more bullish on the stock:

- The Price to Book of 1.8 lower than average of 5.9 for the Biotechnology sector and 6.6 for the Total NASDAQ Market.

Stock Summary

Sector	Biotechnology
Market Cap	US\$93.3 million
Shares Outstanding	22,275,194
ISIN	US88165U1097
Relative Strength (3 mo)	17

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Pretax (USD)	-	-	(18.92M)
Net (USD)	(23.2003M)	(19.6529M)	(22.19M)
EPS (USD)	(10.11)	(20.26)	(1.15)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	4.2	93.3 million

Analysis

Bearish Signals

- Falls to Rises: In the last three months the number of falls outnumbered rises 28:19 or 1.47:1.
- In the last 12 trading sessions there has been a net decline of 5.84%; the stock has retreated twelve times and the biggest one day decline was 5% on Sep 16.
- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 7 indicating it is trailing 93.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 4.18 minus the 26-day EMA of 4.31 is negative suggesting a bearish signal.
- The Price/MAP of 0.55 for TLOG is lower than the Price/MAP for the NASDAQ-100 Index of 0.6.
- The price to 200-day MAP ratio is 0.55, a bearish indicator. In the past 200 days this ratio has been under 0.55 just four times suggesting a support level. The 200-day MAP has decreased to US\$7.68. A decrease is another bearish indicator.
- The current short volume is 1.4 times its own historical average of 0.1%.

Other Bearish Signals:

The stock has a score of merely 1 out of 9 set by Joseph Piotroski [pass mark >=5]:

Improvement in current ratio from 1.5 to 11.2.

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
MCap	US\$93.3 million	In Bottom Quartile
Price Change %	-2.1	In Bottom Quartile
Relative Strength (6M)	7	In Bottom 6%
Price/MAP200	0.55	In Bottom 5%
Price/MAP50	0.36	In Bottom 1%

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$14.5 million	In 3rd Quartile

Bullish Signals:

- The price is at a discount of 4.5% to the 1-month volume weighted average price of US\$4.39, which may appeal as a value proposition.

Undervaluation:

- The Price to Book of 1.8 lower than average of 5.9 for the Biotechnology sector and 6.6 for the Total NASDAQ Market.
- The company is cash rich with Cash to Market Capitalisation at 59.1%.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 1.7. Compared with the rest of the market the stock is undervalued.

Other Bullish Signals:

- Return on Assets is negative but improving in recent years.

Annual Trend:

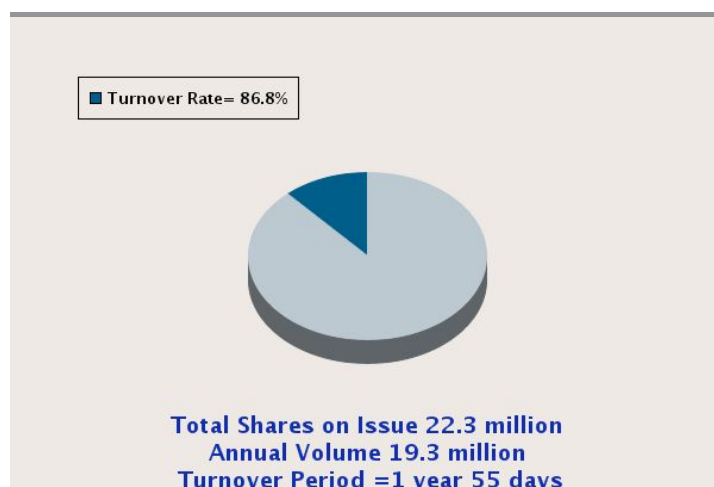
[Year ended, all figures in %]:

Year	ROE	ROA
Dec 13	-45.9	-41.8
Dec 12	-	-402.2

Also, the following criteria set by Benjamin Graham:

- "A stock price down to at least two-thirds of tangible book value per share"; the price is 0.19 times tangible book value per share of \$US22.02.
- "Current ratio of two or more"; current assets are 11.2 times current liabilities.

Turnover Rate & Turnover Period

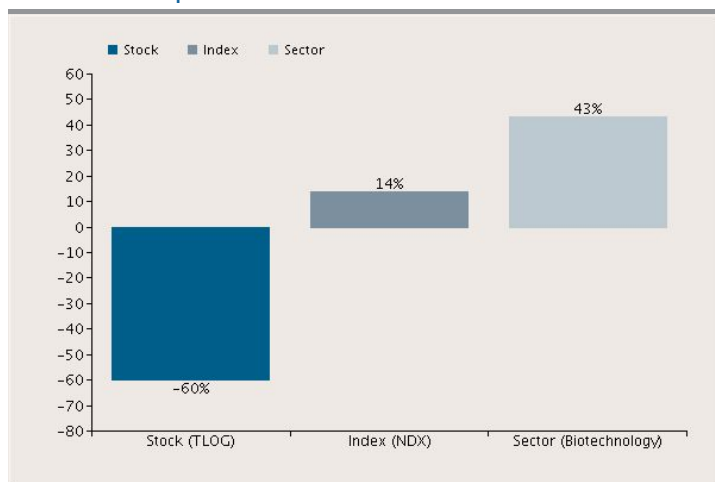


Analysis (continued)

Trailing 3 months

Turnover	US\$14.5 million
Volume	3,063,427
Volume Index (1 is avg)	0.5

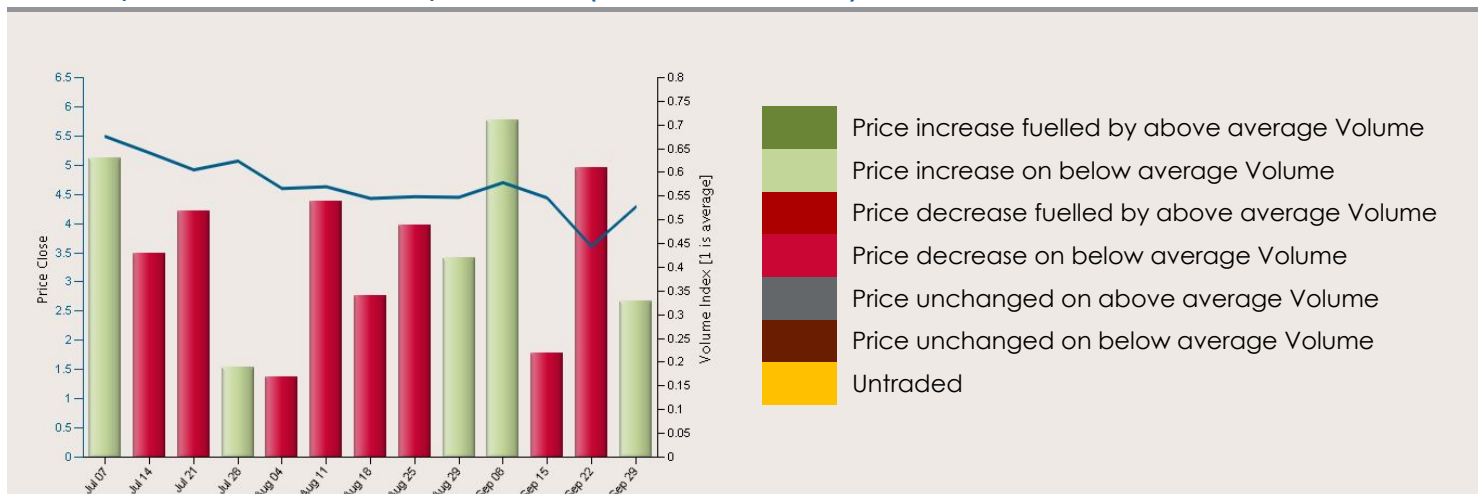
YTD Comparison Stock Sector Index



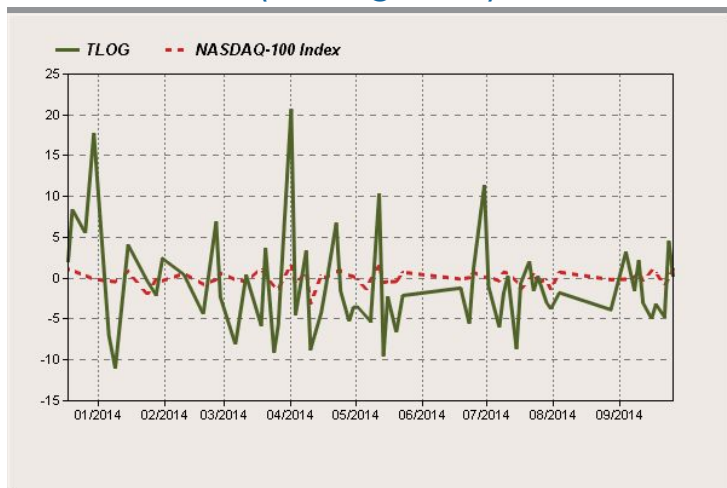
Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Stock v Index (Trailing Year)



Price/Moving Average Price [P/MAP]



Company Overview

Regulatory Announcements

To view Recent Company Headlines, [click here](#)

August 27: TetraLogic Pharmaceuticals to Present Data From Pre-Clinical Studies With Hepatitis B at the 2014 International Meeting on Molecular Biology of Hepatitis B Viruses

June 24: TetraLogic Announces Closing of \$47 Million

Convertible Senior Notes Offering

June 17: TetraLogic Announces Pricing of \$47 Million Offering of Convertible Notes

June 13: TetraLogic Pharmaceuticals Announces Conference Call With Dr. Marc Pellegrini of the Walter and Eliza Hall Institute of Medical Research to Discuss TetraLogic Infectious Disease Program

May 28: TetraLogic Pharmaceuticals to Present Data From Its Clinical Investigation of SHAPE at the Annual American Society of Clinical Oncology Meeting

April 30: TetraLogic to Present at the Deutsche Bank 39th Annual Healthcare Conference

April 09: TetraLogic Pharmaceuticals Announces Publication of Structural Characterization of Birinapant

To view 8-K people news for TetraLogic-

Pharmaceuticals, [click here](#)

January 29: John M. Gill - TetraLogic Pharmaceuticals director resigns

January 29: Brenda Gavin - TetraLogic Pharmaceuticals director resigns

To view 8-K other news for TetraLogic-Pharmaceuticals,

[click here](#)

June 23: TetraLogic Pharmaceuticals: Entry into a Material Definitive Agreement

June 18: TetraLogic Pharmaceuticals: Regulation FD Disclosure

June 18: TetraLogic Pharmaceuticals: Other Events

April 14: TetraLogic Pharmaceuticals: Completion of Acquisition or Disposition of Assets

April 11: TetraLogic Pharmaceuticals: Entry into a Material Definitive Agreement

April 08: TetraLogic Pharmaceuticals: Regulation FD Disclosure

Issued Capital

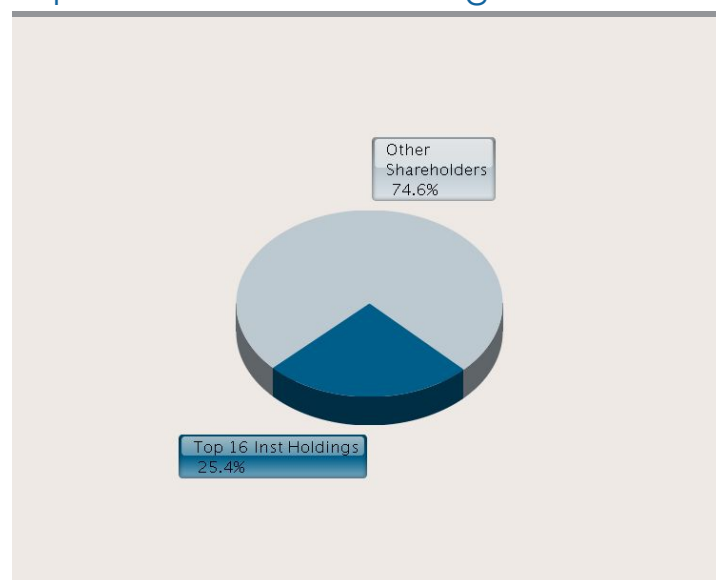
Based on 22,275,194 issued equity shares the market capitalisation is US\$93.3 million.

The top sixteen shareholders hold 25.4% of the issued capital leaving a float of 74.6%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Clarus Ventures Llc	4,644,705	20.85
Sphera Funds Management Ltd.	200,000	0.9
Nicholas Investment Partners Lp	178,166	0.8
Pine River Capital Management L.P.	166,800	0.75
First Eagle Investment Management Llc	152,800	0.69
Alyeska Investment Group L.P.	75,659	0.34
Goldman Sachs Group Inc	52,066	0.23
Bank Of New York Mellon Corp	36,604	0.16
Geode Capital Management Llc	34,164	0.15
California Public Employees Retirement System	30,282	0.14
Total	5,571,246	25.01

Top 16 Institutional Holdings



Board and Management

J. Kevin Buchi CEO & President

Mr. J. Kevin Buchi is President, Chief Executive Officer, Director of Tetralogic Pharmaceuticals Corp. He joined us in August 2013 as President, Chief Executive Officer and Director. Prior to joining us, from May 2012 through August 2013, Mr. Buchi served as a member of the board of directors on the companies referenced below. Mr. Buchi was Corporate Vice President, Global Branded Products at Teva Pharmaceutical Industries, or Teva, from October 2011 to May 2012 and Chief Executive Officer of Cephalon, Inc., or Cephalon, from December 2010 through October 2011 prior to Teva's acquisition of Cephalon in October 2011. Mr. Buchi joined Cephalon in 1991 and also held the positions of Chief Financial Officer from 1996 through December 2009 and Chief Operating Officer from January 2010 through December 2010. His previous experience includes supervising the accounting organization in the Medical Products Department at E.I. Du Pont de Nemours and Company as Accounting Manager.

Andrew L. Pecora Independent Chairman

Dr. Andrew L. Pecora, M.D., is Independent Chairman of the Board of Tetralogic Pharmaceuticals Corp. He has served as Independent chairman of our board of directors since March 2013 and as a member of our board of directors since 2007. Dr. Pecora has been Vice President of Cancer Services and Chief Innovations Officer of the John Theurer Cancer Center at Hackensack University Medical Center, or HUMC, and co-Managing Partner of the Northern New Jersey Cancer Center, which is a private physicians' practice group affiliated with HUMC, since 1992. Dr. Pecora currently serves on the board of directors of Neostem, Inc., or Neostem (NASDAQ: NBS) (2011 to present) and Cancer Genetics, Inc. (NASDAQ: CGIX) (2004 to present). From 1999 through January 2011, Dr. Pecora was the Chairman and Chief Executive Officer of Progenitor Cell Therapy, LLC, a client-based cell therapy services company supporting the development and commercialization of cellular therapies. He was also the co-Founder and Chief Scientific Officer of Amorcyte, Inc., or Amorcyte, a privately funded biotechnology company developing cell therapy products to treat cardiovascular disease, which was founded in 2004 and was merged with Neostem in 2010. He served as Chairman of the Board of Directors of Amorcyte from 2005 until 2010. Dr. Pecora is a Professor of Medicine at New Jersey Medical School (formerly, the University of Medicine and Dentistry of New Jersey). He has authored or co-authored numerous articles, abstracts, books, chapters and monographs and is a frequent lecturer in the field of cancer treatment. He received his B.S. in biology from Seton Hall University in 1979 and his M.D. from the University of Medicine and Dentistry of New Jersey in 1983. He completed both his postdoctoral internship in internal medicine as well as his residency in the Department of Internal Medicine at The New York Hospital, and completed a fellowship in hematology-oncology at Memorial Sloan-Kettering Cancer Center.

Pete A. Meyers CFO

Mr. Pete A. Meyers is Chief Financial Officer, Treasurer of Tetralogic Pharmaceuticals Corp. He joined us in August 2013 as Chief Financial Officer and was appointed as Treasurer in September 2013. Prior to joining us, Mr. Meyers worked in health care investment banking for 18 years, most recently as Managing Director/Co-Head of Global Health Care Investment Banking at Deutsche Bank Securities Inc., or Deutsche Bank Securities, where he worked in various roles from March 2005 to January 2013. From February 2013 to July 2013, Mr. Meyers took time off to pursue opportunities outside of the investment banking industry. Prior to joining Deutsche Bank Securities in 2005, Mr. Meyers held the position of Managing Director, Health Care Investment Banking, at Credit Suisse LLC. Among other experience, he also served as Vice President, HealthCare Mergers and Acquisitions at Dillon, Read & Co. (and successor firms). Mr. Meyers graduated from Boston College with a B.S. in finance in 1991 and received an MBA from Columbia Business School in 1995.

Board and Management (continued)

Paul J. Schmitt Independent Director

Mr. Paul J. Schmitt is Independent Director of Tetralogic Pharmaceuticals Corp. He served as a member of our board of directors since 2003, and has been a Managing Director of Novitas Capital, or Novitas, in Wayne, Pennsylvania since 1999. As Managing Director, he oversees Novitas's interests in early stage life sciences companies. Most recently, Mr. Schmitt assumed an additional role of Acting Chief Executive Officer of Amorcyte, a former Novitas portfolio company, developing cell therapies for acute myocardial infarction. Amorcyte was merged into Neostem in November 2010. Prior to Novitas, Mr. Schmitt was most recently Chairman, President and Chief Executive Officer of Chrysalis International Corporation (formerly known as DNX Corporation), or Chrysalis (1995 to 1999). Prior to his work at Chrysalis, Mr. Schmitt was President of Bioelectron, Inc. from 1986 through 1988, which developed therapeutic devices for treating a variety of debilitating orthopedic disorders. He also has eight years of experience with the BOC Health Care Group where he served as Vice President, General Manager of Ohmeda and as Corporate Manager of Strategic Planning and Corporate Group Finance Manager from 1979 through 1988. Mr. Schmitt currently serves on the board of trustees of the Wistar Institute. Mr. Schmitt currently serves on the boards of directors of three Novitas Capital portfolio companies: Cernostics (June 2013 to present), GelMed (2000 to present) and Logical Therapeutics (2009 to present). Mr. Schmitt also serves on the board of managers of JBS United Animal Health II LLC (August 2013 to present) and previously served on the board of directors of Amorcyte (2005 to 2010). Mr. Schmitt received his B.S. in Finance from Lehigh University in 1974, and his MBA from Rutgers University in 1979.

Lesley Russell Cooper Chief Operating Officer

Ms. Lesley Russell Cooper, M.B.Ch.B., M.R.C.P., is Chief Operating Officer of Tetralogic Pharmaceuticals Corp. She joined us in August 2013 as Chief Operating Officer. Prior to joining us, from June 2012 through August 2013, Dr. Russell was a consultant to a number of pharmaceutical companies. She served as Senior Vice President and Head of Research and Development for Global Branded Products at Teva from October 2011 to June 2012. Prior to this position, she was Executive Vice President and Chief Medical Officer at Cephalon from September 2006 to October 2011. Dr. Russell joined Cephalon in 2000 and held various positions of increasing responsibility, including Head of Clinical Research and Medical Affairs, prior to becoming Cephalon's Chief Medical Officer in September 2006. Before joining Cephalon in 2000, Dr. Russell held positions of increasing responsibility at Amgen Limited (U.K.), Lilly Industries Limited (U.K.) and U.S. Bioscience (acquired by MedImmune, LLC, or MedImmune, now a part of AstraZeneca). Dr. Russell currently serves on the board of directors of Amag Pharmaceuticals, Inc. (NASDAQ: AMAG) (December 2010 to present) and Endocyte (NASDAQ: ECTY) (January 2013 to present). Dr. Russell received a M.B.Ch.B. from the University of Edinburgh, Scotland, U.K. in 1984 and obtained her post-graduate qualification, M.R.C.P., as a Member of the Royal College of Physicians in 1987.

Financial Results (Half Year)

30 June, 2014

INCOME STATEMENT

Currency in USD	2014-06-30	2013-06-30	Change %
Revenues			
Expenses:			
General and administrative	5,513,197	1,973,564	Up 179.4
Research and development	7,986,938	4,290,517	Up 86.2
Change in fair value of contingent consideration	918,000		
Total expenses	14,418,135	6,264,081	Up 130.2
Loss from operations	-14,418,135	-6,264,081	Deterioration 130.2
Change in fair value of derivative liabilities	-162,120	56,489	Deterioration
Interest and other income	31,196	12	Up 259,866.7
Interest expense	139,446	1,113,241	Down 87.5
Net loss	-14,688,505	-7,320,821	Deterioration 100.6
Cumulative preferred stock dividends		-1,712,514	
Net loss attributable to common shareholders	-14,688,505	-9,033,335	Deterioration 62.6
Per share information:			
Net loss per common share:			
Basic	-66.0c	-801.0c	Reduced 91.8
Diluted	-67.0c	-801.0c	Reduced 91.6
Weighted average shares outstanding:			
Basic	22,266,556	1,127,628	Up 1,874.6
Diluted	22,333,382	1,127,628	Up 1,880.6

BALANCE SHEET

Currency in USD	2014-06-30	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	40,242,102	55,135,508	Down 27.0
Short-term investments	29,758,608		
Deferred financing costs, short-term	375,808		
Prepaid expenses and other current assets	2,025,358	153,210	Up 1,221.9
Restricted cash		20,000	
Total current assets	72,401,876	55,308,718	Up 30.9
Property and equipment, net	466,395	139,577	Up 234.1
Long-term investments	3,033,840		
Intangible assets	35,230,516		
Goodwill	14,326,396		
Deferred financing costs, long-term	1,487,711		
Other assets	1,277,480	54,126	Up 2,260.2
Total assets	128,224,214	55,502,421	Up 131.0
Liabilities and stockholders' equity			

Financial Results (Half Year) (continued)

30 June, 2014

Current liabilities:			
Accounts payable	1,774,182	1,215,198	Up 46.0
Accrued expenses	3,926,456	2,921,458	Up 34.4
Derivative liabilities	427,144	793,744	Down 46.2
Total current liabilities	6,127,782	4,930,400	Up 24.3
Convertible notes payable, net of discount of 19,172,978	27,827,022		
Derivative liabilities	3,555,000		
Deferred taxes	14,303,589		
Contingent consideration and other liabilities	23,524,774	22,968	Up 102,324.1
Total liabilities	75,338,167	4,953,368	Up 1,420.9
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, 0.0001 par value; 25,000,000 shares authorized, none issued and outstanding			
Common stock, 0.0001 par value; 100,000,000 shares authorized, 2,231,221,99,256 and 22,307,138 shares issued and outstanding at December 31, 2013 and June 30, 2014, respectively		2,220	Up 0.5
Additional paid-in capital	157,443,941	140,419,071	Up 12.1
Cumulative unrealized loss on investments	-2,004		
Cumulative translation adjustment	2,622		
Accumulated deficit	-104,560,743	-89,872,238	Deterioration 16.3
Total stockholders' equity	52,886,047	50,549,053	Up 4.6
Total liabilities and stockholders' equity	128,224,214	55,502,421	Up 131.0

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-27.77	-17.87	Deterioration 55.4
Return on Assets(%)	-11.46	-16.28	Reduced 29.6

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-67.0c	-801.0c	Reduced 91.6

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