

## Xencor (XNCR : US\$10.81)

### Xencor jumps 22% in 2014, outperforming 85% of the market

Xencor Inc, NASDAQ's 27th largest medical company by market cap, has now jumped US\$1.93 (or 21.7%) year to date in 2014 to close at US\$10.81. This gain means the stock has outperformed 85% of NASDAQ-listed stocks in 2014. The volume YTD has been 0.9 times average trading of 102,579 shares. Compared with the NASDAQ-100 Index which has risen 9.8% YTD, this represents a relative price increase of 11.9%.

### Introduction

**We are currently bullish on this stock in the short-term based on technical indicators, but are neutral in the long-term based on fundamental metrics**

**What makes us bullish on the stock is the following:**

- It is beating 87% of the market the past 6 months.

**However, there are some reasons why we remain neutral on the stock for the long-term:**

- The Price to Book of 5.2 lower than average of 7.0 for the Medical sector and 6.1 for the Total NASDAQ Market.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 3.9. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.
- "An earnings-to-price yield of at least twice the triple-A bond"; the stock's earning yield of 24.9% is 8.6 times the triple-A bond yield of 2.9%.

### Stock Summary

<b>Sector</b>	Medical
<b>Market Cap</b>	US\$339 million
<b>Shares Outstanding</b>	31,361,444
<b>ISIN</b>	US98401F1057
<b>Relative Strength (3 mo)</b>	82

### Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USDm)	10.2	9.6	6.8
Pretax (USDm)	-	-	(11.2)
Net (USDm)	84.5	(8.6)	(11.2)
EPS (USD)	(3.85)	(118.86)	(0.41)

### MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	10.8	339 million

## Analysis

### Bullish Signals

- In the NASDAQ market of 2,403 stocks traded today, the stock has a 6-month relative strength of 87 which means it is beating 87% of the market.
- A price rise combined with a high relative strength is a bullish signal.

### Undervaluation:

- The earnings yield of 24.9% is 8.6 times the 10-year bond yield of 2.9%.
- The Price to Book of 5.2 lower than average of 7.0 for the Medical sector and 6.1 for the Total NASDAQ Market.
- The P/E of 4 multiplied by the P/NTA of 5.2 is 21.0. Being less than the Benjamin Graham benchmark of 22.5 the stock appears undervalued.
- The company is cash rich with Cash to Market Capitalisation at 23.0%.

### Other Bullish Signals:

- Return on Assets has shown signs of recovery in recent years.

### Annual Trend:

[Year ended, all figures in %]:

Year	ROE	ROA
Dec 13	114.9	96.8
Dec 12	-	-73.7

### % Growth Y.O.Y, Revenue & Net Profit



Also, the following criteria set by Benjamin Graham:

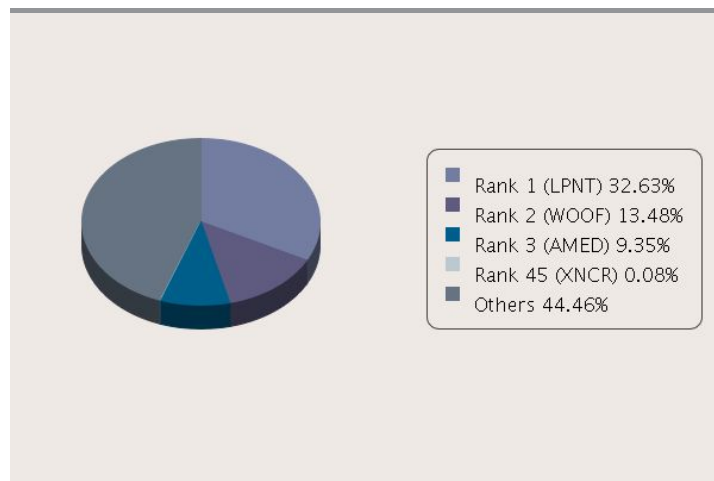
- "An earnings-to-price yield of at least twice the triple-A bond"; the stock's earning yield of 24.9% is 8.6 times the triple-A bond yield of 2.9%.

- "A stock price down to at least two-thirds of tangible book value per share"; the price is 0.4 times tangible book value per share of \$US26.2.
- "A stock price down to two-thirds of "net current asset value" or "net quick liquidation value"; the price is 0.3 times net current asset value of \$US31.6 per share.
- "Total debt less than tangible book value"; total debt of \$US10,000 is less than tangible book value of \$US64.7 Million.
- "Current ratio of two or more"; current assets are 10.4 times current liabilities.
- "Total debt equal or less than twice the net quick liquidation value"; total debt of \$US10,000 is 0 times the net liquidation value of \$US78.08 Million.

### Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Net Profit Margin %	828.3	In Top 1%
Price Earnings	4	In Top 4%
Relative Strength (6M)	87	In Top Quartile
Price Change %	0.7	In Top Quartile
Cash to MCap %	23.0	In Top Quartile

### Revenue Share Medical



### Bearish Signals

- In the last 19 trading sessions there has been a net decline of 5.59%; the stock has retreated eleven times and the biggest one day decline was 4.2% on Jul 01.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 10.79 minus the 26-day EMA of 10.89 is negative suggesting a bearish signal.

## Analysis (continued)

- The current short volume is 1.1 times its own historical average of 0.2%.

### Overvaluation:

- Price/Sales of 33.23 versus sector average of 2.5 and market average of 2.2.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 3.9. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.

### Other Bearish Signals:

The stock has a score of merely 2 out of 9 set by Joseph Piotroski [pass mark  $\geq 5$ ]:

Positive net income; improvement in current ratio from 0.1 to 10.4.

### Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price to Book Value	5.2	In Bottom Quartile
%Prem To Vol Wtd Price	0.4	In Bottom Quartile
Price/MAP50	0.62	In Bottom Quartile
Annual Revenue	US\$10.2 million	In Bottom 6%

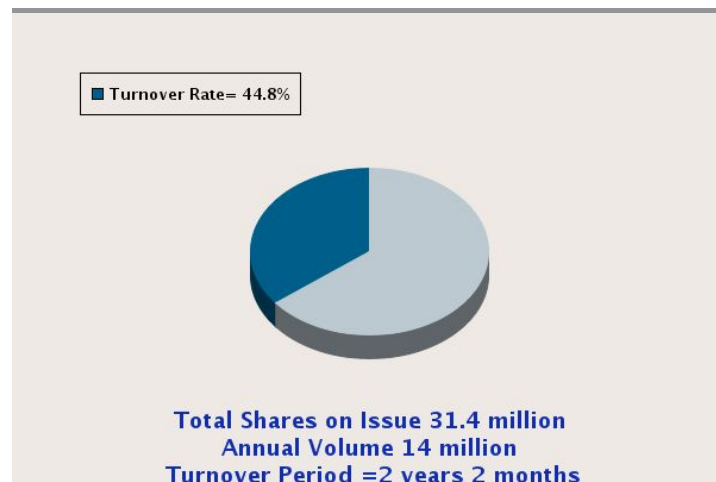
### Note

- The price is equal to its 1-month volume weighted average price of US\$10.77.

### Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
MCap	US\$339 million	In 3rd Quartile
Turnover in Quarter	US\$38 million	In 3rd Quartile

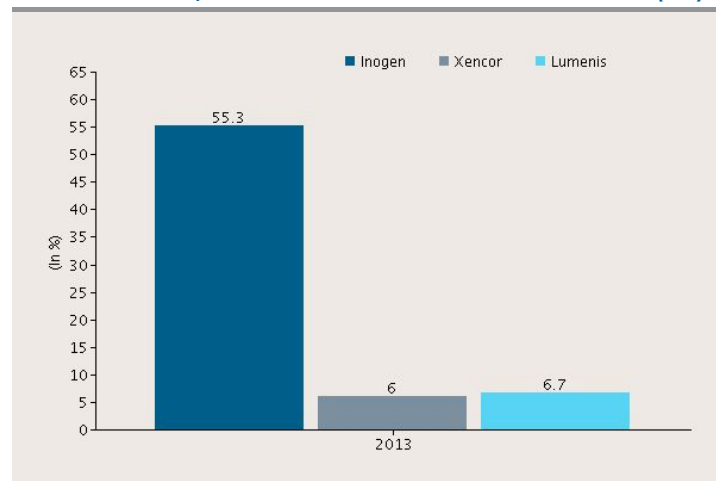
### Turnover Rate & Turnover Period



### Trailing 3 months

Turnover	US\$38 million
Volume	3,801,735
Volume Index (1 is avg)	0.6

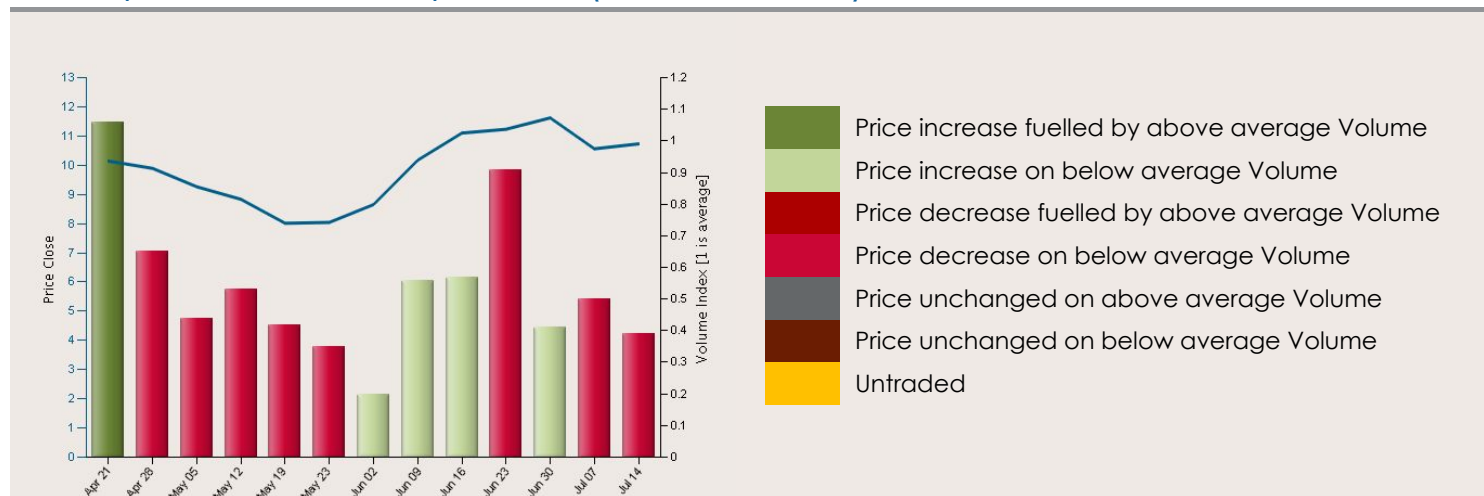
### Peer Comparison Revenue Growth (%)



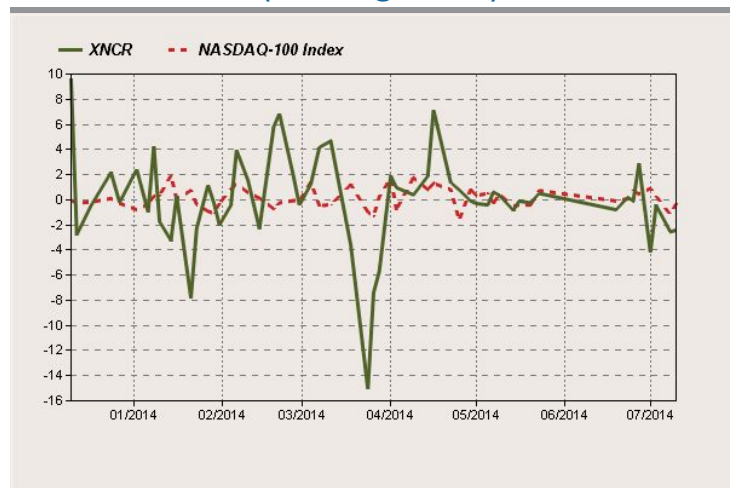
## Price Volume Trend: Trailing Quarter



## Weekly Price Volume Dynamics (Last 12 Weeks)



## Stock v Index (Trailing Year)



## Peer Group Analysis

[Sector sorting](#)

Name	Last Price	Relative strength (6-months)	MCap (Millions)	PV \$1000 (1 yr)	Revenue (Millions)	Net Profit (Millions)	Total Assets (Millions)
Northwest Biotherapeutics	6.28	95	359	1,820	2	-5	19
Synergy Pharmaceuticals	3.84	11	358	871	-	-60	73
Xencor	10.81	87	339	-	10	85	87
Lumenis	9.45	-	333	-	265	17	206
Antares Pharma	2.44	3	317	537	21	-21	89
Five Prime Therapeutics	14.5	-	310	-	14	-30	82

## Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
10-Jul-2014	Oppenheimer	Initiated Coverage	-	Outperform	-	-

## Company Overview

### Activities

Xencor, Inc. develops antibody and protein therapeutics to treat cancer and autoimmune inflammation. The Company markets its products to healthcare providers and facilities throughout the United States and internationally.

Further details can be found at  
[www.xencor.com](http://www.xencor.com).

### Regulatory Announcements

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

June 18: Xencor: Submission of Matters to a Vote of Security Holders  
May 28: Xencor Initiates Phase 1 Study of XmAb7195 for Asthma  
May 22: Xencor to Present at Jefferies 2014 Global Healthcare Conference  
May 15: Xencor Presents Study Comparing XmAb7195 to Omalizumab at the American Thoracic Society 2014 International Conference  
May 14: Xencor Reports First Quarter 2014 Financial Results  
May 07: Xencor to Host First Quarter 2014 Financial Results Webcast and Conference Call  
April 29: Xencor, Inc. to Present at Deutsche Bank 39th Annual Health Care Conference

To view 8-K people news for Xencor, [click here](#)

June 18: Xencor Elects 4 Directors  
March 20: Harold R. Werner - Xencor director resigns  
January 17: Atul Saran - Xencor director resigns

To view 8-K other news for Xencor, [click here](#)

March 19: Xencor: Results of Operations and Financial Condition

### Issued Capital

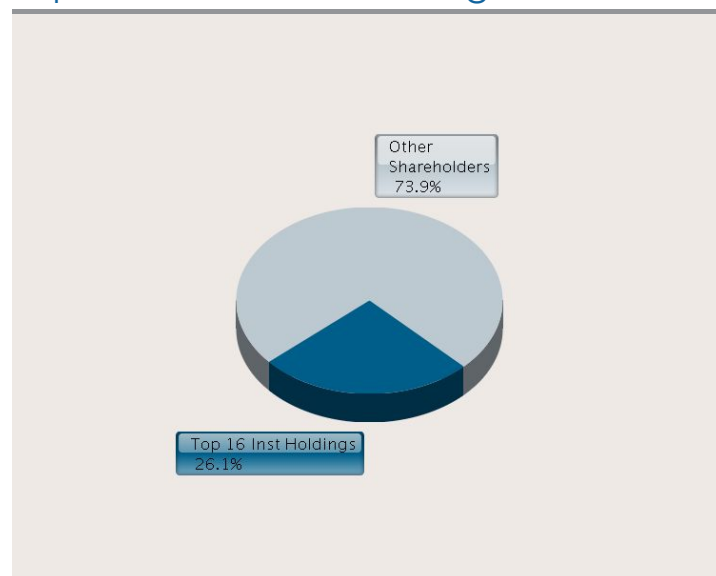
Based on 31,361,444 issued equity shares the market capitalisation is US\$339 million. It is NASDAQ's 45th largest Medical company by total revenue.

The top sixteen shareholders hold 26.1% of the issued capital leaving a float of 73.9%.

### Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Ra Capital Management Llc	2,725,000	8.69
Primecap Management Co/Ca/	1,767,500	5.64
Adage Capital Partners Gp Llc	920,000	2.93
Orbimed Advisors Llc	801,700	2.56
Broadfin Capital Llc	774,881	2.47
Blackrock Fund Advisors	401,042	1.28
Jpmorgan Chase & Co	196,050	0.63
Barclays Global Investors Uk Holdings Ltd	132,103	0.42
State Street Corp	104,935	0.33
Vhcp Management Llc	88,400	0.28
<b>Total</b>	<b>7,911,611</b>	<b>25.23</b>

### Top 16 Institutional Holdings





## Board and Management

### **Bassil I. Dahiyat** **CEO & President**

Dr. Bassil I. Dahiyat, Ph.D., is the President, Chief Executive Officer, Founder, and Director of Xencor, Inc. Dr. Dahiyat co-founded Xencor in 1997 and, from 1997 to 2003, served as our Chief Executive Officer and, from 2003 to 2005, served as our Chief Scientific Officer. In 2005, Dr. Dahiyat was recognized as a technology pioneer by the World Economic Forum. Additionally, Dr. Dahiyat was named one of 2003's Top 100 Young Innovators by MIT's Technology Review magazine for his work on protein design and its development for therapeutic applications and has received awards from the American Chemical Society, the Controlled Release Society and the California Institute of Technology. Dr. Dahiyat holds a Ph.D. in Chemistry from the California Institute of Technology and B.S. and M.S.E. degrees in Biomedical Engineering from Johns Hopkins University.

### **Bruce L. A. Carter** **Independent Chairman**

Dr. Bruce L.A. Carter, Ph.D., is Independent Chairman of the Board of Xencor, Inc. Since June 2012, Dr. Carter has served as a director of Regulus Therapeutics Inc., a publicly-held biopharmaceutical company. Since November 2013, Dr. Carter has served as a director of Enanta Pharmaceuticals, Inc., a publicly-held biopharmaceutical company. From November 2009 until May 2011, Dr. Carter served as Executive Chairman of the Board of Directors of Immune Design Corp., a privately-held biotechnology company, and as Chairman of its Board of Directors until February 2012, and continues to serve as an independent director. Since June 2008, he has served as a director of Dr. Reddy's Laboratories Limited, a publicly-held pharmaceutical company. From April 1998 to January 2009, Dr. Carter served as Chief Executive Officer of ZymoGenetics, Inc., a publicly-held biotechnology company (acquired by Bristol-Myers Squibb in October 2010). Dr. Carter holds a Ph.D. in Microbiology from Queen Elizabeth College, University of London and a B.Sc. with Honors in Botany from the University of Nottingham, England.

### **Robert F. Baltera** **Independent Director**

Mr. Robert F. Baltera, Jr., is Independent Director of Xencor, Inc. since November 2013. Most recently, Mr. Baltera was the Chief Executive Officer of Amira Pharmaceuticals, Inc., a private pharmaceutical development company, a position he held from July 2007 through September 2011. Amira was sold to Bristol-Myers Squibb in September 2011. Before becoming Amira's Chief Executive Officer, he held a number of senior management positions at Amgen Inc., a publicly-held biopharmaceutical company, the last being Vice President of Corporate and Contract Manufacturing. He served as Amgen's team leader responsible for the approval of Kineret(Registered) in rheumatoid arthritis. Mr. Baltera currently serves on the board of directors of Organovo Holdings, Inc., a publicly-held biotechnology development company, and the following private companies: Panmira Pharmaceuticals, LLC, FLAP, LLC, Synovex Corporation and Ruga Corporation, as well as an industry group, the San Diego Venture Group. Mr. Baltera holds an M.B.A. from the Anderson School at the University of California, Los Angeles and earned a B.S. in Microbiology and an M.S. in Genetics from The Pennsylvania State University. Mr. Baltera attended the Director Education and Certification program at the University of California, Los Angeles.

## Board and Management (continued)

### Jonathan Fleming Independent Director

Mr. Jonathan Fleming is Independent Director of Xencor, Inc., since January 2013. Mr. Fleming is the Managing General Partner of Oxford Bioscience Partners, an international venture capital firm specializing in life science technology-based investments, a position which he has held since June 1999. He joined Oxford Bioscience Partners in August 1996 as a General Partner. Prior to joining Oxford Bioscience Partners, Mr. Fleming was a Founding General Partner of MVP Ventures in Boston from 1988 to 1996. He began his investment career with TVM Techno Venture Management in Munich, Germany in 1985. Mr. Fleming is also a co-founder of Medica Venture Partners, a venture capital investment firm specializing in early-stage healthcare and biotechnology companies in Israel. Mr. Fleming was on the board of directors of Asterand plc from September 2008 to September 2011, the board of directors of Memory Pharmaceuticals Corp. from January 1998 to May 2005 and from October 2006 to November 2008, the board of directors of IMCOR Pharmaceuticals Co. from June 2003 to March 2009, and is a director of several private companies including Leerink Swann LLC, an investment bank specializing in healthcare companies, since June 1998, Laboratory Partners, a clinical diagnostic testing company, since June 2006, and RailRunner, N.A., Inc., a rail products and services company, since June 1999. Mr. Fleming is a Trustee of the Museum of Science in Boston, a director of the New England Healthcare Institute, and a senior lecturer at the Massachusetts Institute of Technology Sloan School of Business. He holds an M.P.A from Princeton University and a B.A. from the University of California, Berkeley.



## Financial Results (Quarterly)

31 March, 2014

### INCOME STATEMENT

Currency in Thousand of USD	2014-03-31	2013-03-31	Change %
Revenue			
Collaborations, licenses and milestones	2,184	1,345	Up 62.4
Operating expenses			
Research and development	4,228	4,560	Down 7.3
General and administrative	1,723	746	Up 131.0
Total operating expenses	5,951	5,306	Up 12.2
Loss from operations	-3,767	-3,961	Reduced 4.9
Other income (expenses)			
Interest income	18	1	Up 1,700.0
Interest expense	2	661	Down 99.7
Other (expense) income		9	
Total other income (expense), net	16	-651	Recovery
Net loss	-3,751	-4,612	Reduced 18.7
Basic and diluted net loss per common share	-12.0c	-6,378.0c	Reduced 99.8
Weighted average shares used to compute basic and diluted net loss per common share	31,360,879	72,302	Up 43,274.8

### BALANCE SHEET

Currency in Thousand of USD	2014-03-31	2013-12-31	Change %
Assets			
Current assets			
Cash	72,536	77,975	Down 7.0
Accounts receivable	511	59	Up 766.1
Prepaid expenses and other current assets	159	60	Up 165.0
Total current assets	73,206	78,094	Down 6.3
Property and equipment			
Computers, software and equipment	3,580	3,514	Up 1.9
Furniture and fixtures	89	89	Steady
Leasehold improvements	3,081	3,081	Steady
Less accumulated depreciation and amortization	-6,410	-6,377	Deterioration 0.5
Property and equipment, net	340	307	Up 10.7
Other assets			
Patents, licenses, and other intangible assets, net	8,899	8,814	Up 1.0
Other assets	50	100	Down 50.0
Total other assets	8,949	8,914	Up 0.4
Total assets	82,495	87,315	Down 5.5
Liabilities and stockholders' equity			

## Financial Results (Quarterly) (continued)

31 March, 2014

Current liabilities			
Accounts payable	2,104	2,633	Down 20.1
Accrued expenses	1,465	1,393	Up 5.2
Current portion of deferred revenue	3,251	3,444	Down 5.6
Current portion of capital lease obligations	7	9	Down 22.2
Total current liabilities	6,827	7,479	Down 8.7
Deferred revenue, less current portion	5,603	6,302	Down 11.1
Capital lease obligations, less current portion		1	
Total liabilities	12,430	13,782	Down 9.8
Commitments and contingencies			
Stockholders' equity			
Common stock, 0.01 par value: 200,000,000 authorized shares at March 31, 2014 and December 31, 2013; 31,361,444 issued and outstanding at March 31, 2014 and 31,354,467 issued and outstanding shares at December 31, 2013	314	314	Steady
Additional paid-in capital	301,073	300,790	Up 0.1
Accumulated deficit	-231,322	-227,571	Deterioration 1.6
Total stockholders' equity	70,065	73,533	Down 4.7
Total liabilities and stockholders' equity	82,495	87,315	Down 5.5

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