

Relypsa (RLYP : US\$24.39)

Relypsa increases 5% in 2014, but lagging Healthcare-Products sector

Relypsa, Inc., NASDAQ's 4th largest healthcare-products company by market cap, has now increased US\$1.25 (or 5.4%) year to date in 2014 to close at US\$24.39. This gain makes the stock the lowest rising one in the Healthcare-Products sector which is up 181.2% in 2014. The volume YTD has been 0.9 times average trading of 221,250 shares. Compared with the NASDAQ-100 Index which has risen 7.9% YTD, this represents a relative price change of -2.5%. In 2014 the market cap has jumped US\$162.3 million.

Introduction

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

What makes us bearish on the stock is the following:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 7.8. Compared with the rest of the market the stock is overvalued and ranks in the bottom 4% of stocks by value of Q Ratio.

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

- Its Moving Average Convergence Divergence indicators are rising, with its 12-day EMA higher than its 26-day EMA.
- The stock is overbought according to the Williams % R indicator of -18.6.
- In the last three months the number of falls outnumbered rises 37:25 or 1.48:1.

Stock Summary

Sector	Healthcare-Products
Market Cap	US\$825.6 million
Shares Outstanding	33,845,329
ISIN	US7595311066
Relative Strength (3 mo)	4

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Pretax (USDm)	-	-	(25.8)
Net (USDm)	(73.8)	(43.7)	(25.8)
EPS (USD)	(22.42)	(205.45)	(1.18)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	24.4	825.6 million

Analysis

Bullish Signals

- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 23.78 minus the 26-day EMA of 23.33 is positive suggesting a bullish signal. Both the 12-day EMA as well as the 26-day EMA are rising, another bullish signal.

Undervaluation:

- The company is cash rich with Cash to Market Capitalisation at 11.5%.

Other Bullish Signals:

Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 5.4 times current liabilities.

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	1.8	In Top Quartile

Bearish Signals

- The price is at a premium of 3.1% to the 1-month volume weighted average price of US\$23.65. Given that this premium has exceeded 3.1% eighty times and been under 3.1% sixty times in the last year, the upside:downside probability is estimated at 80:60 or 1.3:1.
- In the last 20 trading sessions there has been a net decline of 2.97%; the stock has retreated twelve times and the biggest one day decline was 6.5% on May 30.
- In the NASDAQ market of 2,388 stocks traded today, the stock has a 6-month relative strength of 42 which means it has underperformed 58.0% of the market.
- The stock is overbought according to the Williams % R indicator of -18.6.
- The current short volume is 1.5 times its own historical average of 0.1%. It increased 1.6% from the previous day, a bearish indicator.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 7.8. Compared with the rest of the market the stock is overvalued and ranks in the bottom 4% of stocks by value of Q Ratio.

Other Bearish Signals:

- Return on Assets has seen consecutive falls and seems to be on a slippery slope in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	ROE	ROA
Dec 13	-98.7	-69.6
Dec 12	-	-68.2

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

Improvement in current ratio from 1.9 to 5.4.

Bearish Indicators and Rank in Market:

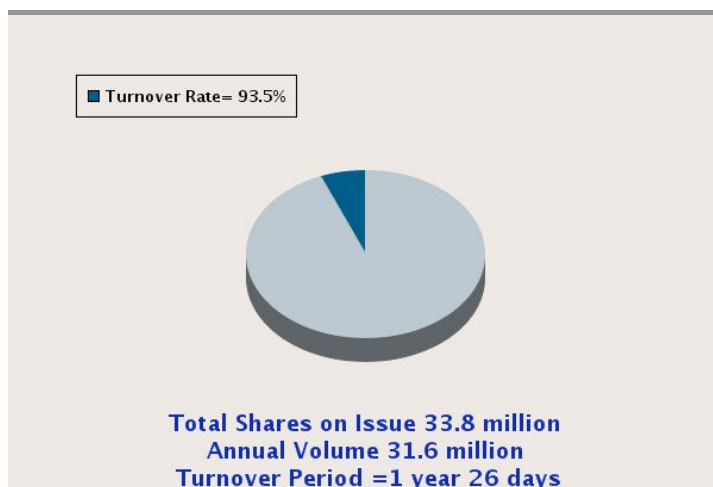
Description	Value	Rank In Market
Price to Book Value	11	In Bottom 9%
Price/MAP50	0.59	In Bottom 6%

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
MCap	US\$825.6 million	In 2nd Quartile
Turnover in Quarter	US\$385.4 million	In 2nd Quartile

Turnover Rate & Turnover Period

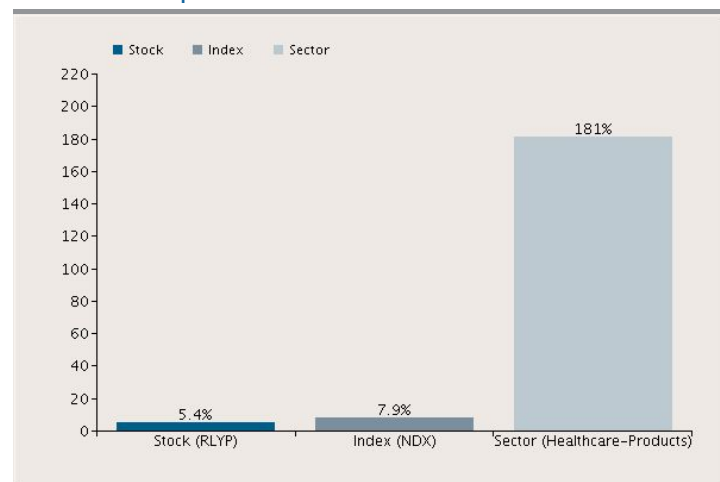


Analysis (continued)

Trailing 3 months

Turnover	US\$385.4 million
Volume	16,128,063
Volume Index (1 is avg)	1.1

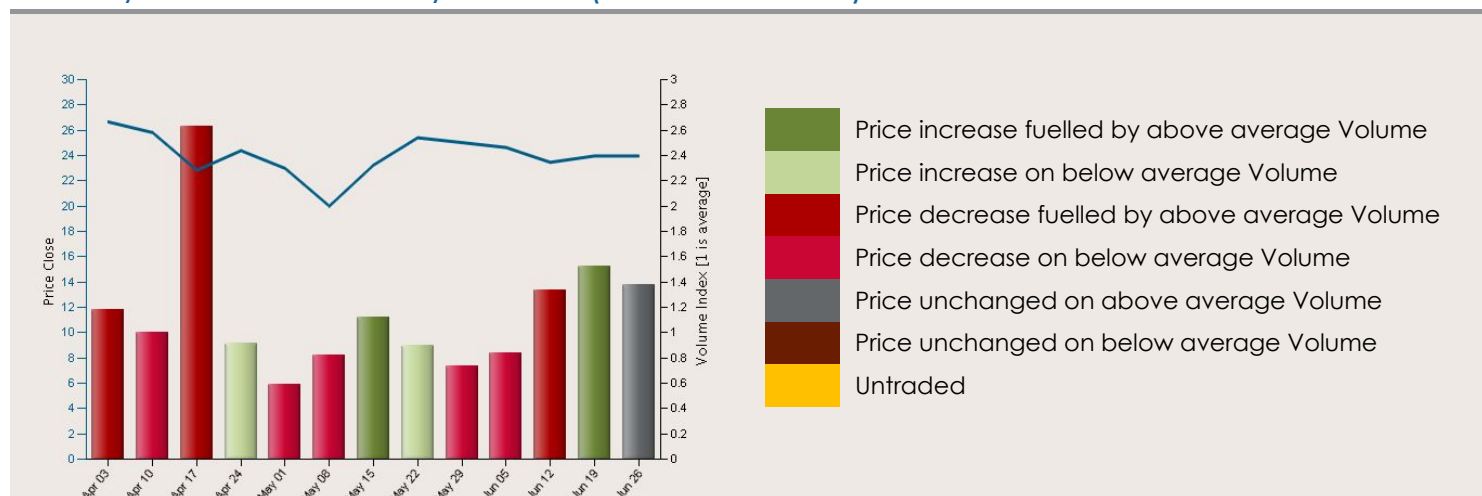
YTD Comparison Stock Sector Index



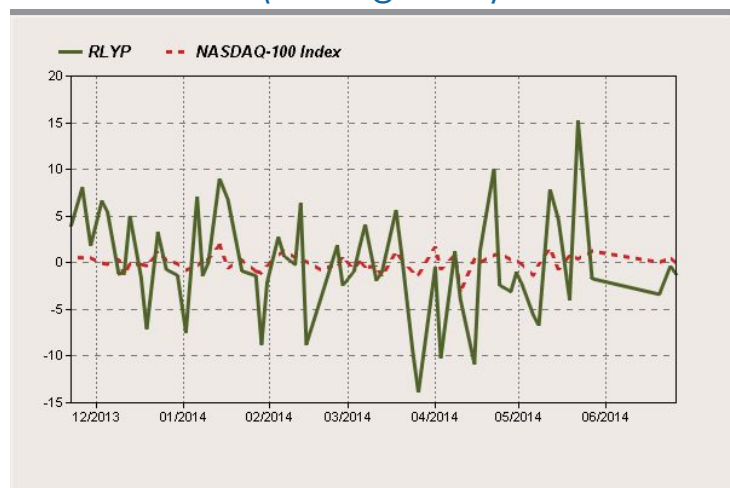
Price Volume Trend: Trailing Quarter



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)
Agios Pharmaceuticals	45.9	98	1,557	-	26	-44	201
Ultragenyx Pharmaceutical	44.75	-	1,344	-	-	-50	60
Relypsa	24.39	42	826	-	-	-74	106
Versartis	28.55	-	691	-	-	-18	15

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
13-May-2014	Wedbush	Boost Price Target	-	Outperform	56	57
08-May-2014	Stifel Nicolaus	Reiterated Rating	-	Buy	49	45

Company Overview

Activities

Relypsa, Inc. manufactures pharmaceuticals. The Company focuses on the development and commercialization of non-absorbed polymeric drugs to treat disorders in the areas of renal, cardiovascular and metabolic diseases.

Further details can be found at www.relypsa.com.

Regulatory Announcements

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

June 24: Relypsa: Submission of Matters to a Vote of Security Holders

June 23: Relypsa appoints Director

June 19: Relypsa appoints Director

June 02: Relypsa Secures Loan Facility of Up to \$35 Million

May 20: Relypsa Announces Commercial Manufacturing Agreement With DSM Fine Chemicals

May 12: Relypsa Announces Topline Results From Patiromer Phase 1 Onset-of-Action Study

May 06: Relypsa to Present at Bank of America Merrill Lynch 2014 Health Care Conference

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

June 24: Relypsa Elects 2 Directors

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

June 02: Relypsa: Entry into a Material Definitive Agreement

May 20: Relypsa: Entry into a Material Definitive Agreement

May 12: Relypsa: Other Events

April 16: Relypsa: Other Events

March 17: Relypsa: Results of Operations and Financial Condition

January 13: Relypsa: Entry into a Material Definitive Agreement

Issued Capital

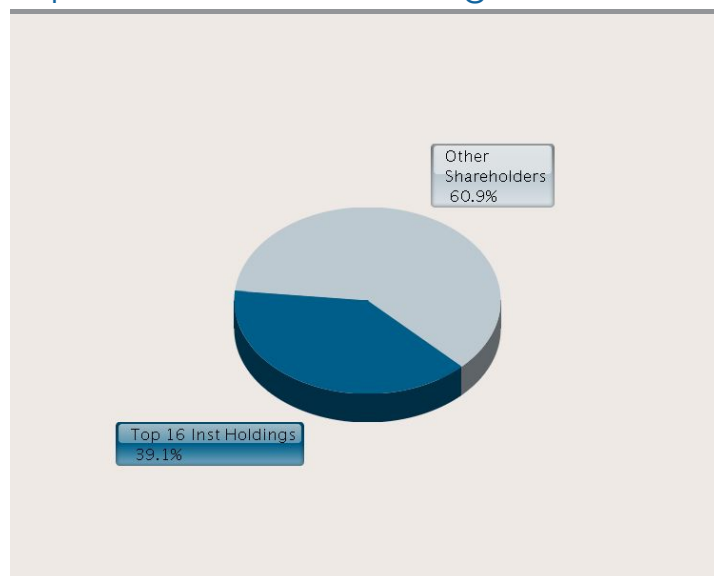
Based on 33,845,329 issued equity shares the market capitalisation is US\$825.6 million.

The top sixteen shareholders hold 39.1% of the issued capital leaving a float of 60.9%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Orbimed Advisors Llc	9,941,551	29.37
Fmr Llc	1,322,874	3.91
Janus Capital Management Llc	784,971	2.32
Ubs Global Asset Management Americas Inc	249,300	0.74
Sac Capital Advisors Lp	198,753	0.59
Blackrock Fund Advisors	172,349	0.51
Principal Financial Group Inc	121,243	0.36
Barclays Global Investors Uk Holdings Ltd	85,568	0.25
Northern Trust Corp	76,672	0.23
Knott David M	73,500	0.22
Total	13,026,781	38.49

Top 16 Institutional Holdings



Board and Management

John Orwin CEO & President & Director

John joined Relypsa in June of 2013 bringing nearly 25 years of experience in the biotechnology and pharmaceutical industries. Prior to Relypsa, Mr. Orwin served as chief executive officer and a member of Affymax's board of directors starting in February 2011. From April 2010 to January 2011, he served as president and chief operating officer of Affymax. From 2005 to 2010, Mr. Orwin served as vice president and then senior vice president, BioOncology Business Unit, at Genentech, where he was responsible for all marketing, sales, business unit operations and pipeline brand management for Genentech's oncology portfolio in the United States. From 2001 to 2005, Mr. Orwin served in various executive-level positions at Johnson & Johnson, overseeing oncology therapeutic commercial and portfolio expansion efforts in the US. He has also held senior marketing and sales positions at Alza Pharmaceuticals, Sangstat Medical Corporation, Rhone-Poulenc Rorer Pharmaceuticals and Schering-Plough Corporation. Mr. Orwin holds an M.B.A. from New York University and a B.A. from Rutgers University.

Kristine M. Ball CFO

Kristine joined Relypsa in November 2012 bringing almost 20 years' experience in the life sciences industry in both in-house and public accounting roles. Prior to Relypsa, Ms. Ball was senior vice president of finance and administration and chief financial officer of KAI Pharmaceuticals, Inc., a venture backed drug discovery company acquired by Amgen, Inc. for \$315 million. At KAI she was responsible for finance, administration and strategic planning, led a \$35 million round of venture financing and was a key member of the deal teams responsible for two pharmaceutical partnerships and the Amgen acquisition. Prior to KAI, Ms. Ball served as vice president of finance at Exelixis, Inc., a publicly traded biotechnology company, where she was involved in four acquisitions and in raising over \$360 million through the company's initial public offering and other financings. Prior to Exelixis, Ms. Ball was a senior manager in Ernst & Young's life sciences audit practice. Ms. Ball is a certified public accountant and holds a BS in accounting from Babson College.

Klaus Veitinger Director

Klaus Veitinger, M.D., Ph.D., is currently a Venture Partner with OrbiMed. During his prior 16-year pharmaceutical career, Dr. Veitinger held senior management positions in drug development, licensing and business development, strategic planning and M&A, as well as general management. Most recently Dr. Veitinger was a Member of the Executive Board of Schwarz Pharma AG and the Chief Executive Officer of Schwarz Pharma Inc. with responsibility for the U.S. and Asia businesses culminating in the ultimate sale of the Schwarz Group. Dr. Veitinger has served and currently serves on the boards of several private and public companies in the life sciences sector. For seven years he was a Director of PhRMA.

Dr. Veitinger received his medical degree and his doctorate (Ph.D.) from the University of Heidelberg. He earned his M.B.A. at INSEAD in France.

Jonathan T. Silverstein Director

Mr. Silverstein is a General Partner and the co-head of global private equity at OrbiMed, one of the world's largest healthcare asset management firms. Mr. Silverstein joined OrbiMed in 1999 to focus on private equity and structured transactions in small capitalization public biotechnology and medical device companies. Mr. Silverstein was previously a Director of Life Sciences in the Investment Banking Department at Sumitomo Bank. Prior to Mr. Silverstein's tenure at Sumitomo Bank, he was an associate at Hambro Resource Development.

Mr. Silverstein has a J.D. and an M.B.A. from the University of San Diego, and a B.A. in Economics from Denison University.

Board and Management (continued)

Paul J. Hastings Director

Mr. Hastings is Chairman and CEO of OncoMed Pharmaceuticals (NASDAQ: OMED). Prior to joining OncoMed in 2006, Mr. Hastings was President and Chief Executive Officer of QLT, Inc. Previous to that, Mr. Hastings served as President and Chief Executive Officer of Alys Pharmaceuticals, which was acquired by Celera Corporation in 2001. From 1999 to 2001, Mr. Hastings served as the President of Chiron BioPharmaceuticals, a division of Chiron Corporation. Prior to that, he was President and Chief Executive Officer of LXR Biotechnology. Mr. Hastings also held a series of management positions of increasing responsibility at Genzyme Corporation, including serving as President of Genzyme Therapeutics Europe as well as President of Worldwide Therapeutics. Mr. Hastings also served as Vice President, Marketing and Sales and General Manager, Europe for Synergen, Inc., and previously held a series of marketing and sales management positions with Hoffmann-La Roche.

Mr. Hastings was recently Chairman of the Board of Proteolix (sold to Onyx Pharmaceuticals in 2009), and served on the boards of ViaCell (sold to Perkin-Elmer in 2008), and Cerimon Pharmaceuticals. He is currently Lead Director and member of board of Pacira Pharmaceuticals, serves as Chairman of the Emerging Companies Section of the Biotechnology Industry Organization, and was Chairman of the Bay Area Biosciences Association (BayBio).

Mr. Hastings received a Bachelor of Science degree in pharmacy from the University of Rhode Island.

Ronald M. Hunt Director

Mr. Hunt is a Managing Director at New Leaf Venture Partners and focuses on investments in biopharmaceuticals and laboratory infrastructure companies. Ron joined the Sprout Group in January 1998, and was part of the team that spun out of Sprout in 2005 to form New Leaf. Prior to joining Sprout, he was a consultant with Coopers & Lybrand Consulting and then with The Health Care Group (a division of the Interpublic Group of companies) for a combined 4 years. His consulting work focused on strategic and operational engagements for clients in the pharmaceutical and medical device industries. Prior to entering the consulting field, Ron held a number of sales and marketing positions for a combined 8 years with Johnson & Johnson and SmithKline Beecham Pharmaceuticals. Ron is currently on the boards of Durata Therapeutics (Nasdaq: DRTX), Illuminoss Medical, and SpineWave.

Mr. Hunt holds a B.S. from Cornell University and an M.B.A. from the Wharton School of the University of Pennsylvania.

David W. J. McGirr Director

David McGirr is Senior Advisor to the CEO at Cubist Pharmaceuticals, where from November 2002 to March 2013, he was Senior Vice President and CFO. Prior to joining Cubist in 2002, Mr. McGirr was the President and Chief Operating Officer of hippo inc, an internet technology, venture-financed company. Mr. McGirr served as a member of hippo's Board of Directors from 1999 to 2003. From 1996 to 1999, he was the President of GAB Robins North America, Inc., a risk management company, serving also as Chief Executive Officer from 1997 to 1999. Mr. McGirr was a private equity investor from 1995 to 1996. From 1978 to 1995, Mr. McGirr served in various positions within the S.G. Warburg Group, ultimately as Chief Financial Officer, Chief Administrative Officer and Managing Director of S.G. Warburg & Co., Inc., a position held from 1992 to 1995.

Mr. McGirr received a B.Sc. in Civil Engineering from the University of Glasgow and received an M.B.A. from The Wharton School at the University of Pennsylvania

Board and Management (continued)

John P. Butler Director

John P. Butler has served as a member of our board of directors since September 2013. Mr. Butler has served as the President and Chief Executive Officer of Akebia Therapeutics, Inc., a biopharmaceutical company, since September 2013. From October 2011 to April 2013, Mr. Butler served as the Chief Executive Officer of Inspiration Biopharmaceuticals, Inc. Prior to Inspiration, Mr. Butler held various positions at Genzyme Corporation (acquired by Sanofi-Aventis), a biotechnology company, from 1997 to July 2011, including President, Personalized Genetic Health, President, Cardiometabolic and Renal Division and President, General Manager Renal Business. Prior to Genzyme, Mr. Butler held various positions of increasing responsibility at Amgen, Inc., a biopharmaceutical company, including serving as a product manager from 1995 to 1997. Mr. Butler received a B.A. in Chemistry from Manhattan College and an M.B.A. from Baruch College. We believe that Mr. Butler is qualified to serve on our board of directors due to his industry experience in the biotechnology sector

Thomas J. Schuetz Director

Dr. Schuetz is a consultant with over 15 years of experience in both venture capital and clinical research. Dr. Schuetz was previously the Chief Medical Officer of Therion Biologics Corporation and was the Vice President of Clinical Affairs at Transkaryotic Therapies, where he lead the clinical development of Replagal(Registered) for the treatment of Fabry disease and initiated the development of Elaprase(Registered) for the treatment of Hunter Syndrome.

Dr. Schuetz holds an M.D. degree from Harvard Medical School, cum laude, and a Ph.D. in Genetics from Harvard University. He did an internal medicine residency at Massachusetts General Hospital, where he was also Chief Medical Resident, and a Medical Oncology fellowship at the Dana-Farber Cancer Institute, both in Boston. He is Board Certified in Medical Oncology.

Daniel K. Spiegelman Director

Mr. Spiegelman, age 55, is executive vice president and chief financial officer at BioMarin Pharmaceutical Inc., an international biopharmaceutical company with approximately 1,500 employees and sales in 40 countries. Prior to joining BioMarin in May 2012, Mr. Spiegelman served as a strategic and financial consultant to a portfolio of public and private life science companies from May 2009 to May 2012. From 1998 to 2009, Mr. Spiegelman served in various roles, most recently as senior vice president and chief financial officer, at CV Therapeutics, Inc., a biopharmaceutical company (acquired by Gilead Sciences, Inc.), where he was responsible for finance, accounting, investor relations, business development, and information systems. Earlier in his career, Mr. Spiegelman served in various roles at Genentech, Inc. (now a member of the Roche Group), a biotechnology company, most recently as Treasurer. Mr. Spiegelman also serves on the board of directors of Oncothyreon, Inc., a biotechnology company. Mr. Spiegelman received a B.A. from Stanford University and an M.B.A. from the Stanford Graduate School of Business.

Creation of shareholder value in Relypsa:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of June 19, 2014 at close price of US\$23.96 is US\$1,018, for a capital gain of US\$18.

Board and Management (continued)

Kenneth J. Hillan Director

Dr. Hillan, M.B., Ch.B., age 53, has served as president, chief executive officer and a member of the board of directors of Achaogen, Inc., a clinical-stage biopharmaceutical company, since October 2011, and as Chief Medical Officer of Achaogen since April 2011. Prior to Achaogen, Dr. Hillan served in key leadership positions at Genentech, Inc. from August 1994 to April 2011. Dr. Hillan was responsible for numerous successful drug approvals and led the medical and scientific strategies for its Immunology, Tissue Growth and Repair drug portfolio. Dr. Hillan served in a number of key leadership positions in research and development, including senior vice president Clinical Development, Inflammation, vice president Immunology, Tissue Growth and Repair, vice president Development Sciences and vice president Research Operations and Pathology. Dr. Hillan also previously served as senior vice president and head of Clinical Development and Product Development Strategy in Asia-Pacific for Roche in Shanghai, China. Dr. Hillan received an M.B. Ch.B. (Bachelor of Medicine and Surgery) degree from the Faculty of Medicine at the University of Glasgow, U.K. Dr. Hillan is a Fellow of the Royal College of Surgeons (FRCS), and a Fellow of the Royal College of Pathologists (FRCPath).

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Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-03-31	2013-03-31	Change %
Operating expenses:			
Research and development	10,909	22,604	Down 51.7
General and administrative	4,795	2,535	Up 89.2
Acquired in-process research and development			
Total operating expenses	15,704	25,139	Down 37.5
Loss from operations	-15,704	-25,139	Reduced 37.5
Interest and other income (expense), net	27	-864	Recovery
Interest expense	391	248	Up 57.7
Net loss	-16,068	-26,251	Reduced 38.8
Preferred stock extinguishment			
Deemed dividend to preferred stockholders			
Net loss attributable to common stockholders	-16,068	-26,251	Reduced 38.8
Net loss per share attributable to common stockholders, basic and diluted	-54.0c	-8,461.0c	Reduced 99.4
Weighted average common shares used to compute net loss per share attributable to common stockholders, basic and diluted	29,710,415	310,275	Up 9,475.5

BALANCE SHEET

Currency in Thousand of USD	2014-03-31	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	26,098	94,759	Down 72.5
Short-term investments	52,819		
Other receivables	861	241	Up 257.3
Prepaid expenses and other current assets	1,316	1,657	Down 20.6
Total current assets	81,094	96,657	Down 16.1
Property and equipment, net	6,182	5,624	Up 9.9
Intangible assets	10	14	Down 28.6
Other assets	3,970	3,736	Up 6.3
Total assets	91,256	106,031	Down 13.9
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	4,513	4,736	Down 4.7
Accrued payroll and related expenses	1,470	1,794	Down 18.1
Accrued liabilities	6,062	5,947	Up 1.9
Deferred rent, current portion	746	640	Up 16.6
Line of credit, current portion	414	408	Up 1.5
Capital loan, current portion	4,772	4,304	Up 10.9
Total current liabilities	17,977	17,829	Up 0.8

Financial Results (Quarterly) (continued)

31 March, 2014

Long-term liabilities:			
Deferred rent, long-term	4,734	4,394	Up 7.7
Line of credit	545	630	Down 13.5
Capital loan	7,211	8,328	Down 13.4
Total liabilities	30,467	31,181	Down 2.3
Commitments and contingencies			
Stockholders' equity:			
Preferred stock: 0,001 par value; 5,000 shares authorized at March 31, 2014 and December 2013; no shares issued and outstanding at March 31, 2014 and December 31, 2013			
Common stock: 0,001 par value; 300,000 shares authorized at March 31, 2014 and December 31, 2013; 29,711 and 29,710 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	30	30	Steady
Additional paid-in capital	302,663	300,660	Up 0.7
Accumulated other comprehensive income	4		
Deficit accumulated during the development stage	-241,908	-225,840	Deterioration 7.1
Total stockholders' equity	60,789	74,850	Down 18.8
Total liabilities and stockholders' equity	91,256	106,031	Down 13.9

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