

## Kindred Biosciences (KIN : US\$9.32)

### Kindred Biosciences continues downtrend, now plummets 50.5% in third quarter ending

Kindred Biosciences Inc, NASDAQ's 16th largest biotechnology company by market cap, plummeted US\$9.52 (or 50.5%) in the quarter ended September 30 to close at US\$9.32. This loss means the stock is amongst the bottom 2% of NASDAQ-listed stocks in quarter ended September 30. The volume in the quarter was 1.2 times the average trading of 136,441 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price change of -54.4%. In the third quarter the market cap declined US\$184.7 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 Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 2.8. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.
- The price to 200-day MAP ratio is 0.5, a bearish indicator.
- In the last three months the number of falls outnumbered rises 29:19 or 1.53:1.

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

- The stock is oversold according to the Williams % R indicator of -95.4.
- The Price to Book of 2.9 lower than average of 5.9 for the Biotechnology sector and 6.6 for the Total NASDAQ Market.

### Stock Summary

<b>Sector</b>	Biotechnology
<b>Market Cap</b>	US\$183.3 million
<b>Shares Outstanding</b>	19,677,120
<b>ISIN</b>	US4945771099
<b>Relative Strength (3 mo)</b>	2

### MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	9.3	183.3 million

# Analysis

## Bearish Signals

- Falls to Rises: In the last three months the number of falls outnumbered rises 29:19 or 1.53:1.
- In the last 15 trading sessions there has been a net decline of 11.79%; the stock has retreated twelve times and the biggest one day decline was 7% on Sep 23.
- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 4 indicating it is trailing 96.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 9.92 minus the 26-day EMA of 10.73 is negative suggesting a bearish signal. Both the 12-day EMA as well as the 26-day EMA are falling, another bearish signal.
- The Price/MAP of 0.5 for KIN is lower than the Price/MAP for the NASDAQ-100 Index of 0.6.
- The 200-day MAP has decreased to US\$18.66. A decrease is another bearish indicator.
- The price to 200-day MAP ratio is 0.5, a bearish indicator.
- The current short volume is 2.4 times its own historical average of 0.2%. It jumped 9.5% from the previous day, soared 23.5% from a week ago and soared 18.1% from a month ago, a significant bearish indicator.

### Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 2.8. 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 1 out of 9 set by Joseph Piotroski [pass mark  $\geq 5$ ]:

Reduction in total shares on issue.

### Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Volatility %	5.7	In Bottom Quartile
Price Change %	-3.5	In Bottom 7%
Price/MAP200	0.5	In Bottom 3%
Relative Strength (6M)	4	In Bottom 3%
Price/MAP50	0.38	In Bottom 1%

## Note

### Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$124 million	In 3rd Quartile
MCap	US\$183.3 million	In 3rd Quartile

### Bullish Signals:

- The price is at a discount of 10.6% to the 1-month volume weighted average price of US\$10.42, which may appeal as a value proposition.
- The stock is oversold according to the Williams % R indicator of -95.4.

### Undervaluation:

- The Price to Book of 2.9 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 35.6%.

### Other Bullish Signals:

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 0.55 times tangible book value per share of \$US16.96.

### Bullish Indicators and Rank in Market:

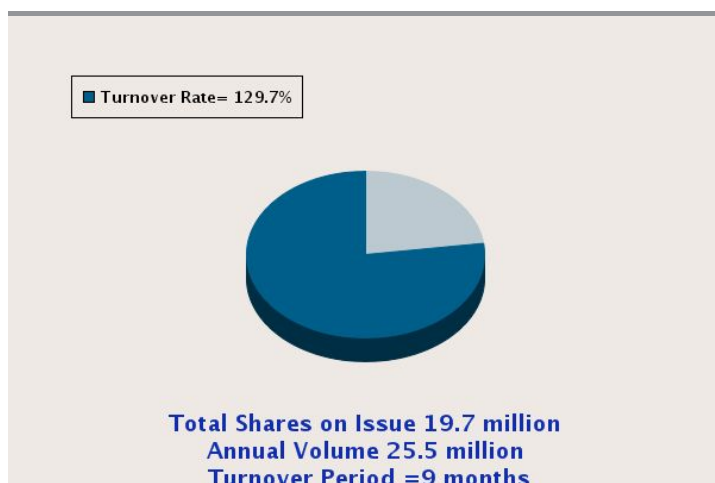
Description	Value	Rank In Market
Cash to MCap %	35.6	In Top 8%

## Analysis (continued)

### Insider Trades



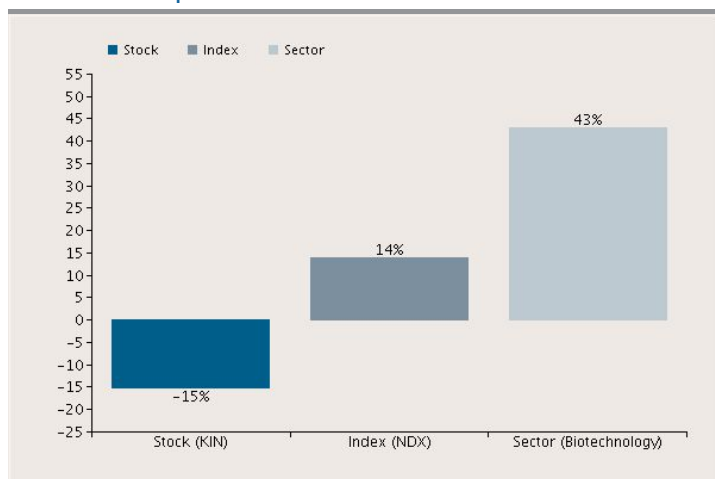
### Turnover Rate & Turnover Period



### Trailing 3 months

Turnover	US\$124 million
Volume	10,632,169
Volume Index (1 is avg)	1.2

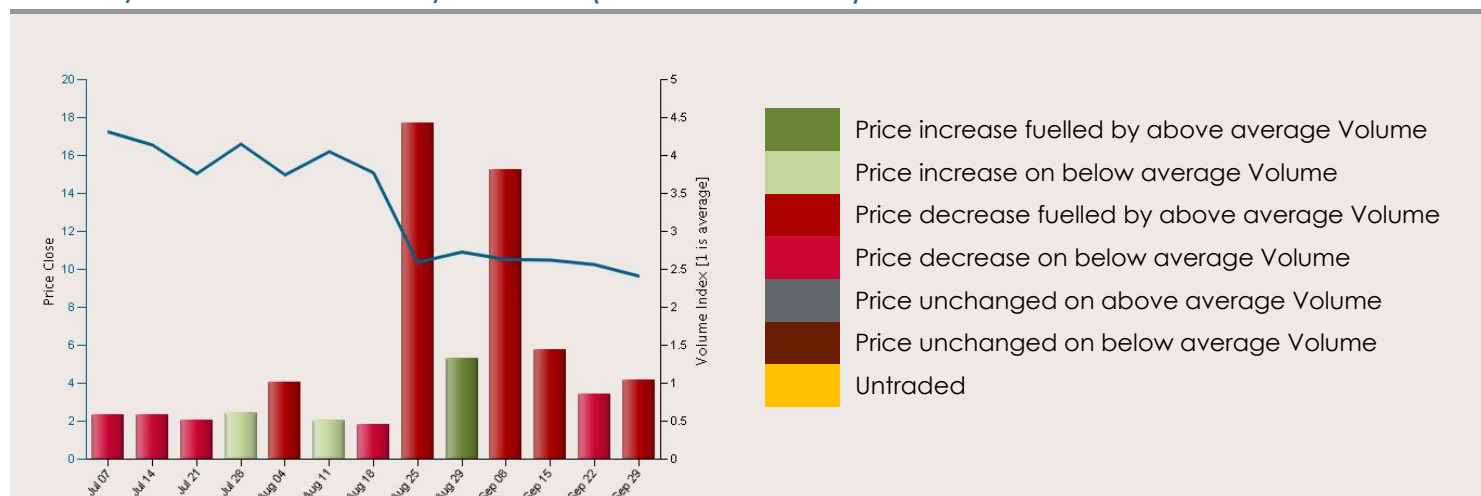
### YTD Comparison Stock Sector Index



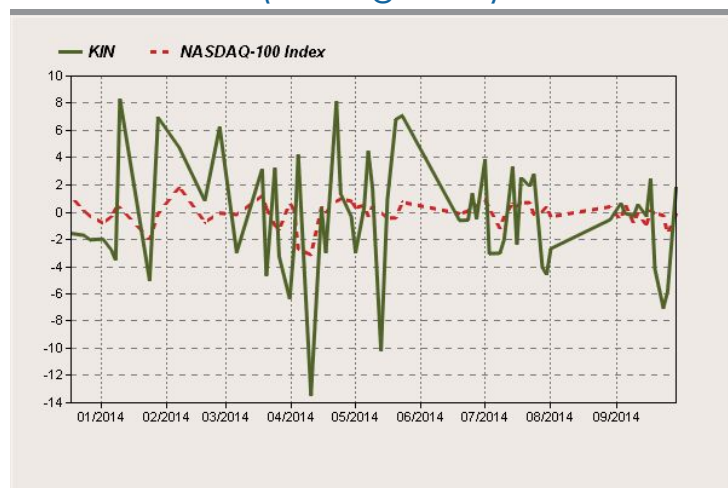
## Price Volume Trend: Trailing Quarter



## Weekly Price Volume Dynamics (Last 12 Weeks)



## Stock v Index (Trailing Year)



## Price/Moving Average Price [P/MAP]



## Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
21-Aug-2014	BMO Capital Markets	Lower Price Target	-	-	30	19
21-Aug-2014	Leerink Swann	Lower Price Target	-	-	29	11.25
21-Aug-2014	Roth Capital	Lower Price Target	-	-	-	11.5

## Reported Buying Selling by Insiders

Insider	Date	Transaction Type	No. of Shares	Price, US\$	Value, US\$
Nodelman Oleg	Sep 29, 2014	Bought	100,000	9.56	956,000
Mario Ernest	Sep 03, 2014	Bought	10,000	10.55	105,500
Nodelman Oleg	Aug 27, 2014	Bought	22,000	10.7	235,400
Nodelman Oleg	Aug 28, 2014	Bought	25,000	10.98	274,500
Nodelman Oleg	Aug 26, 2014	Bought	34,344	10.51	360,955
Nodelman Oleg	Aug 25, 2014	Bought	50,900	10.49	533,941

# Company Overview

## Regulatory Announcements

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

September 30: Kindred Biosciences insider buys  
September 03: Kindred Biosciences insider buys; shares at an eight-day low  
August 29: Kindred Biosciences insider buys; shares at a seven-day high  
August 20: Kindred Biosciences Announces Top-Line Results from Pivotal Study of CereKin in Dogs with Osteoarthritis  
June 11: Kindred Bio to Host Investor Breakfast on June 13 in New York City  
May 21: Kindred Bio to Present at Craig-Hallum, Stifel, and Jefferies Conferences  
May 12: Kindred Biosciences Announces First Quarter 2014 Financial Results and Completion of Enrollment in CereKin Pivotal Study

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

August 13: Kindred Biosciences CFO Stephen S. Galliker to retire 14 August 2014

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

September 24: Kindred Biosciences: Regulation FD Disclosure  
April 03: Kindred Biosciences: Entry into a Material Definitive Agreement  
March 18: Kindred Biosciences: Other Events  
March 10: Kindred Biosciences: Results of Operations and Financial Condition

## Issued Capital

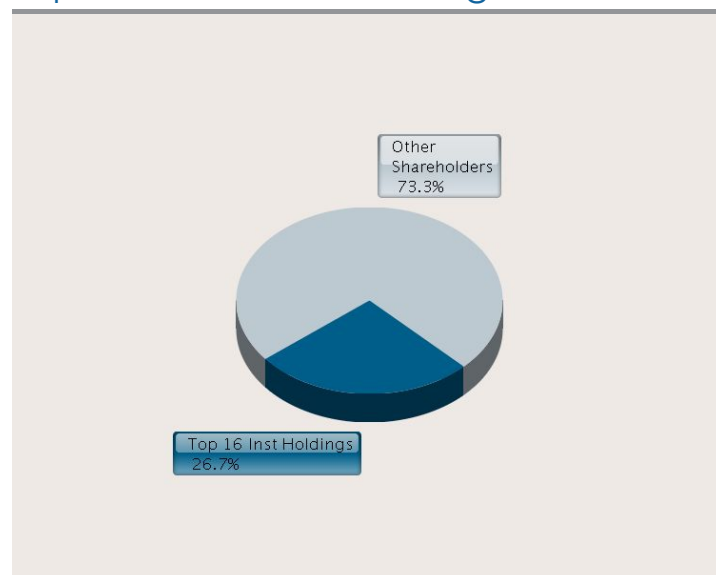
Based on 19,677,120 issued equity shares the market capitalisation is US\$183.3 million.

The top sixteen shareholders hold 26.7% of the issued capital leaving a float of 73.3%.

## Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Baupost Group Llc/Ma	2,763,848	14.05
Adage Capital Partners Gp Llc	1,046,372	5.32
Kingdon Capital Management L.L.C.	539,650	2.74
Park West Asset Management Llc	210,460	1.07
Putnam Investments Llc	150,400	0.76
Marxe Austin W & Greenhouse David M	131,090	0.67
Tcw Group Inc	98,363	0.5
Morgan Stanley	88,119	0.45
Barclays Global Investors Uk Holdings Ltd	83,622	0.42
Geode Capital Management Llc	46,942	0.24
<b>Total</b>	<b>5,158,866</b>	<b>26.22</b>

## Top 16 Institutional Holdings





## Board and Management

### Richard H. Chin CEO & President

Dr. Richard H. Chin, M.D. is the President, Chief Executive Officer, Director of Kindred Biosciences Inc. He is one of our co-founders and has served as our President and Chief Executive Officer since October 2012. From October 2008 until December 2011, he was Chief Executive Officer of OneWorld Health, a Bill and Melinda Gates Foundation-funded nonprofit organization engaged in developing drugs for neglected diseases. From July 2006 until October 2008, Dr. Chin was President and Chief Executive Officer of Oxigene, a biotechnology company. From June 2004 to July 2006, he served at Elan Pharmaceuticals, initially as Senior Vice President of Medical Affairs, and then as Senior Vice President of Global Development. From March 1999 to June 2004, Dr. Chin served in various roles at Genentech, Inc., now a Division of Roche Group, culminating in his last position as the Head of Clinical Research for Biotherapeutics Unit, overseeing clinical development of all Genentech products except for oncology products. Dr. Chin currently serves as an adjunct professor at the University of California at San Francisco. He also currently serves on the board of Galena Biopharma, Inc. and ImmunoCellular Therapeutics Ltd. Dr. Chin received his M.D. from Harvard University and also holds a law degree from Oxford University, where he studied as a Rhodes Scholar.

### Ernest Mario Director

Dr. Mario served as the CEO of Glaxo from 1989 to 1993, then the second-largest drug company in the world. After Glaxo, he became Chairman and CEO of ALZA Corporation, a drug delivery technology company acquired by Johnson & Johnson for \$10.5 Billion in 2001. Dr. Mario subsequently served as Chairman and CEO of Reliant Pharmaceuticals, which was acquired by GlaxoSmithKline. He currently is Chairman of Capnia, a private pharmaceutical company developing novel therapeutic products to treat migraine and allergic rhinitis. He is also a Venture Partner with Pappas Ventures and serves on a number of corporate boards. Dr. Mario earned a B.S. in pharmacy at Rutgers and his M.S. and Ph.D. in physical sciences at the University of Rhode Island. He holds honorary doctorates from URI and Rutgers, the latter of which in 2001 renamed its pharmacy school the Ernest Mario School of Pharmacy. In 2007 he was awarded the Remington Medal by the American Pharmacists' Association, pharmacy's highest honor.

### Raymond Townsend Independent Director

Mr. Raymond Townsend, Pharm.D. is an Independent Director of Kindred Biosciences Inc., since November 11, 2013. He has served since 2001 as the President of Wasatch Health Outcomes, Inc., his personal consulting firm engaged in providing support for pharmaceutical product development, pricing and commercialization. From 1978 to 1988, Dr. Townsend was employed in various positions at the Upjohn Company, where he pioneered the first modern pharmacoeconomic research department within the pharmaceutical industry. Between 1988 and 1997, he served in various positions at Glaxo (now GlaxoSmithKline), culminating in the positions of Worldwide Director and Vice President, Outcomes, Epidemiology and Policy Research. Between 1998 and 2001, he was co-founder and Chief Executive Officer of Strategic Outcomes Services, Inc. From 2004 to 2009, he was Senior Vice President, Pharmacoeconomic & Epidemiology Outcomes Research, at Elan Pharmaceuticals, Inc. Dr. Townsend earned a B.A. in Economics at California State University and his Doctor of Pharmacy degree from the University of California, San Francisco.

## Board and Management (continued)

### **Denise Bevers Chief Operating Officer & Company Secretary**

Ms. Denise Bevers is the Chief Operating Officer, Corporate Secretary of Kindred Biosciences Inc. She is one of our co-founders and has served as our Chief Operating Officer since October 2012. On November 11, 2013, she was appointed as our corporate Secretary. Ms. Bevers co-founded and served as the President and Chief Executive Officer of SD Scientific, Inc., a privately held, full-service medical affairs and communications company, from August 2005 to June 2013. She has over 20 years of human pharmaceutical and research experience and is an expert in clinical operations, medical affairs, and scientific communications. Ms. Bevers has managed dozens of human drug development programs from Phase I through Phase IV at pharmaceutical companies Elan Pharmaceuticals and Skyepharma, and at Quintiles, a contract research organization. She began her clinical research career in 1989 as the Division Lead of the Urology Department at Scripps Clinic and Research Foundation, a non-profit medical research foundation, where she was integral in implementing the policies and procedures for the organization's clinical research programs. Ms. Bevers earned an M.B.A. from Keller Graduate School of Management and a B.S. in Ecology, Behavior, and Evolution from the University of California San Diego, Revelle College.



# Financial Results (Quarterly)

30 June, 2014

## INCOME STATEMENT

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
Operating expenses:			
Research and development	5,639	300	Up 1,779.7
General and administrative	2,499	96	Up 2,503.1
Total operating expenses	8,138	396	Up 1,955.1
Loss from operations	-8,138	-396	Deterioration 1,955.1
Interest income	28		
Net loss	-8,110	-396	Deterioration 1,948.0
Change in unrealized gains or losses on available-for-sale securities	-14		
Comprehensive loss	-8,124	-396	Deterioration 1,951.5
Net loss per share, basic and diluted	-42.0c	-13.0c	Deterioration 223.1
Weighted-average common shares outstanding, basic and diluted	19,426,000	3,000,000	Up 547.5

## BALANCE SHEET

Currency in Thousand of USD	2014-06-30	2013-12-31	Change %
ASSETS			
Current assets:			
Cash and cash equivalents	9,338	65,329	Down 85.7
Short-term investments	103,100		
Prepaid expenses and other	532	148	Up 259.5
Total current assets	112,970	65,477	Up 72.5
Property and equipment, net	109	12	Up 808.3
Total assets	113,079	65,489	Up 72.7
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	1,711	689	Up 148.3
Accrued liabilities	1,684	1,521	Up 10.7
Total liabilities	3,395	2,210	Up 53.6
Commitments and contingencies			
Stockholders' equity:			
Common stock, 0.0001 par value; 100,000,000 shares authorized; 2 19,710,732 and 16,214,620 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively		2	Steady
Additional paid-in capital	128,307	67,610	Up 89.8
Accumulated other comprehensive loss	-14		
Accumulated deficit	-18,611	-4,333	Deterioration 329.5
Total stockholders' equity	109,684	63,279	Up 73.3
Total liabilities and stockholders' equity	113,079	65,489	Up 72.7

## Financial Results (Quarterly) (continued)

30 June, 2014

### PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-13.02	-0.98	
Return on Assets(%)	-12.63	-0.95	

### PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-80.0c	-21.0c	Deterioration 281.0

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