

Kindred Biosciences (KIN : US\$7.10)

Kindred Biosciences tumbles 35% in 2014, underperforming 83% of the market

Kindred Biosciences Inc, NASDAQ's 14th largest biotechnology company by market cap, has now tumbled US\$3.85 (or 35.2%) year to date in 2014 to close at US\$7.10. This loss means the stock has underperformed 83% of NASDAQ-listed stocks in 2014. The volume YTD has been 0.9 times average trading of 136,254 shares. Compared with the NASDAQ-100 Index which has risen 20.2% YTD, this represents a relative price change of -55.3%. In 2014 the market cap has declined US\$5.6 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 2.1. Compared with the rest of the market the stock is overvalued.
- The stock is overbought according to the Williams % R indicator of -19.8.
- The price to 200-day MAP ratio is 0.44, a bearish indicator.

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

- The Price to Book of 2.2 lower than average of 9.6 for the Biotechnology sector and 7.0 for the Total NASDAQ Market.

Stock Summary

52-Week Range	US\$5.98-US\$26.99
Sector	Biotechnology
Market Cap	US\$140 million
Shares Outstanding	19,714,482
ISIN	US4945771099
Relative Strength (3 mo)	12

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	7.1	140 million
1 Year ago	11.6	154.4 million

Analysis

Bullish Signals

Undervaluation:

- The Price to Book of 2.2 lower than average of 9.6 for the Biotechnology sector and 7.0 for the Total NASDAQ Market.
- The company is cash rich with Cash to Market Capitalisation at 46.7%.

Other Bullish Signals:

Also, the following criteria set by Benjamin Graham:

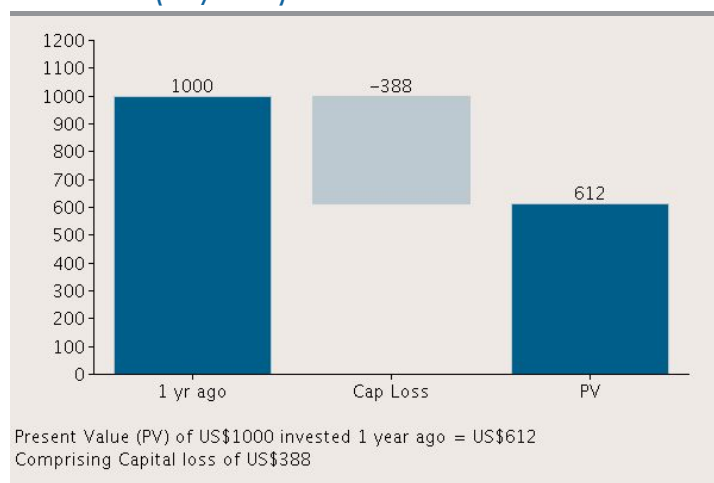
- "A stock price down to at least two-thirds of tangible book value per share"; the price is 0.42 times tangible book value per share of \$US16.96.

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Cash to MCap %	46.7	In Top 2%
Price Change %	2.9	In Top 8%

- The stock is overbought according to the Williams % R indicator of -19.8.
- The present value of US\$1,000 (PV1000) invested one year ago in Kindred Biosciences is US\$612, for a capital loss of US\$388.

PV1000 (1 year)



- The current short volume is 1.2 times its own historical average of 0.2%.

Bearish Signals

- The price is at a premium of 2.3% to the 1-month volume weighted average price (VWP) of US\$6.94. Given that this premium has been under 2.3% one hundred sixty-three times and over 2.3% seventy-five times in the last year, the downside:upside probability is estimated at 163:75 or 2.2:1.
- Falls to Rises: In the last three months the number of falls outnumbered rises 32:31 or 1.03:1.
- In the last 18 trading sessions there has been a net decline of 22.49%; the stock has retreated nine times and the biggest one day decline was 34.1% on Dec 04.
- In the NASDAQ market of 2,417 stocks traded today, the stock has a 6-month relative strength of 3 indicating it is trailing 97.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 6.96 minus the 26-day EMA of 7.41 is negative suggesting a bearish signal.
- The Price/MAP of 0.44 for KIN is lower than the Price/MAP for the NASDAQ-100 Index of 1.1.
- The price to 200-day MAP ratio is 0.44, a bearish indicator. In the past 200 days this ratio has been under 0.44 17 times suggesting further downside. The 200-day MAP has decreased to US\$16.24. A decrease is another bearish indicator.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 2.1. Compared with the rest of the market the stock is overvalued.

Other Bearish Signals:

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

Reduction in total shares on issue.

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Volatility %	7.2	In Bottom Quartile
Price/MAP200	0.44	In Bottom 4%
Relative Strength (6M)	3	In Bottom 2%
Price/MAP50	0.34	In Bottom 1%

Note

- It is at a discount of 73.7% to the 12-month high of US\$26.99 on 14 Mar, 2014. It is also at a premium of 18.7% to the 12-month low of US\$5.98 on 04 Dec, 2014.

Analysis (continued)

Beta & Standard Deviation (SD)

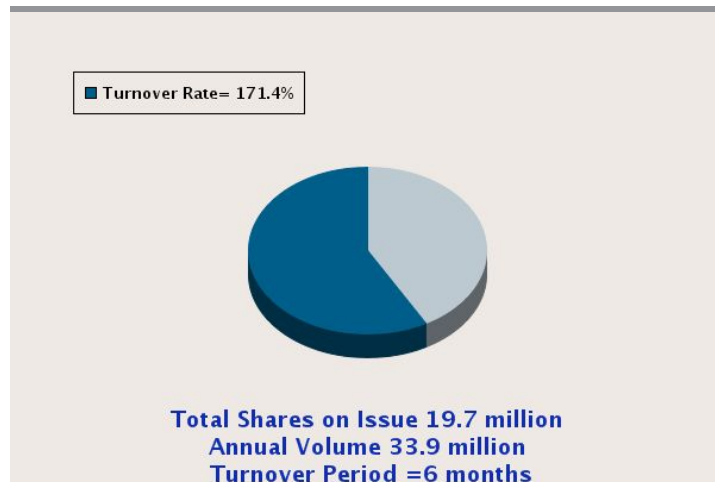
The Beta of this stock is 1.3. A Beta greater than 1 suggests this is a high risk, high return stock with volatility greater than that of the market.

SD is a statistical measure of deviation from the mean. The SD of 5.3% gives it a percentile rank of 93 meaning that 93% of stocks in the NASDAQ market are less volatile than this stock.

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$69.4 million	In 3rd Quartile
MCap	US\$140 million	In 3rd Quartile

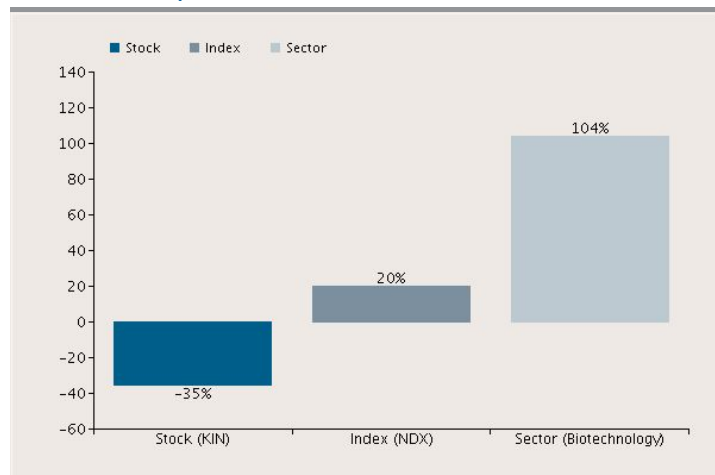
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$69.4 million
Volume	8,938,718
Volume Index (1 is avg)	1.0

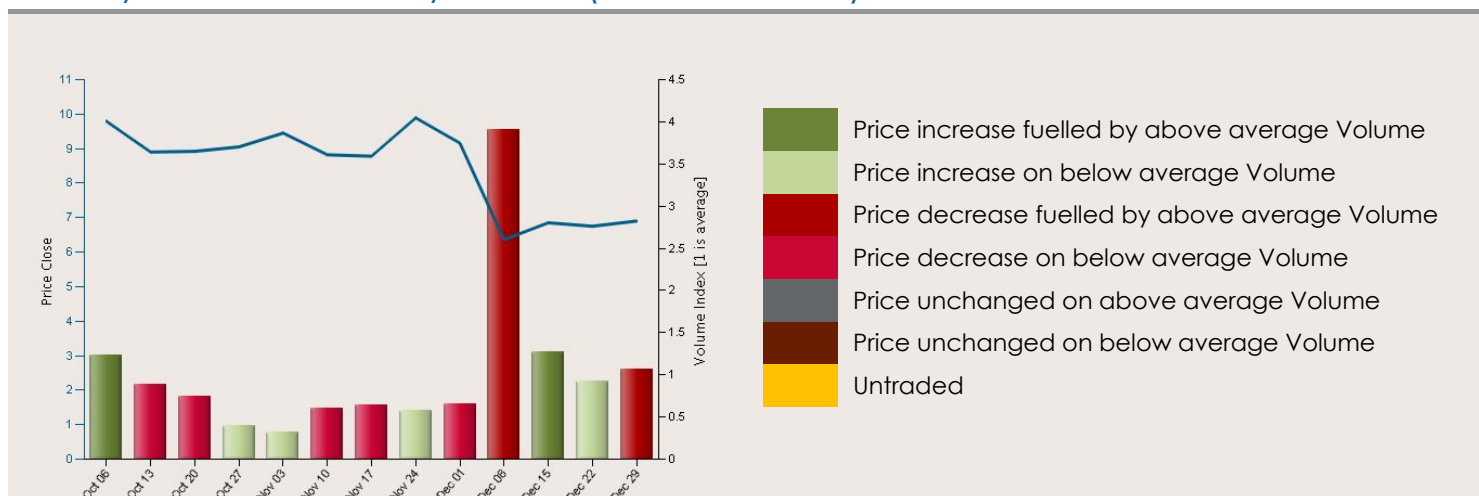
YTD Comparison Stock Sector Index



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
04-Dec-2014	BMO Capital Markets	Reiterated Rating	-	Outperform	19	14
04-Dec-2014	Craig Hallum	Downgrade	Buy	Hold	-	-
04-Dec-2014	Leerink Swann	Downgrade	Outperform	Market Perform	11.25	6
18-Nov-2014	Zacks	Upgrade	Neutral	Outperform	-	11.3

Company Overview

Activities

Kindred Biosciences, Inc. is a clinical-stage biopharmaceutical company focused on saving and improving the lives of pets. The Company's core strategy is to identify compounds and targets that have already demonstrated safety and efficacy in humans and to develop therapeutics based on these validated compounds and targets for pets, primarily dogs, cats and horses.

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

Economic Sector	Healthcare
Business Sector	Pharmaceuticals & Medical Research
Industry Group	Biotechnology & Medical Research
Industry	Biotechnology & Medical Research

Regulatory Announcements

December 03 2014: KindredBio Announces Update on AtoKin and Atopic Dermatitis Program

[News Story] SAN FRANCISCO, Dec. 3, 2014 /PRNewswire/ -- Kindred Biosciences, Inc. (NASDAQ:KIN), a biopharmaceutical company focused on saving and improving the lives of pets, today announced that it has re-assessed its atopic dermatitis program and the atopic dermatitis market and has decided to discontinue its AtoKin study in favor of directing resources toward other programs in its portfolio.

"While the market for atopic dermatitis is large, the space has recently undergone a major transition.

[For more details click here.](#)

Conferences/Exhibitions

November 17 2014: KindredBio to Present at Jefferies 2014 Global London Healthcare Conference

[News Story] Kindred Biosciences, Inc. (NASDAQ:KIN), a biopharmaceutical company focused on saving and improving the lives of pets, today announced that it will be presenting at the 2014 Jefferies Global Healthcare Conference in London on Thursday, November 20, 2014 at 5:00 PM GMT.

The presentation will be webcast live over the Internet and can be accessed through the Investors/Events section of KindredBio's website at www.kindredbio.com.

[For more details click here.](#)

August 20 2014: Kindred Biosciences Announces Top-Line Results from Pivotal Study of CereKin in Dogs with Osteoarthritis

[Company Release] SAN FRANCISCO, Aug. 20, 2014 Kindred Biosciences, Inc. (KindredBio, NASDAQ:KIN), a biopharmaceutical company focused on saving and improving the lives of pets, announced today that its pivotal field study (KB010) of CereKin, an interleukin-1 inhibitor for the control of pain and inflammation associated with osteoarthritis in dogs, did not meet its primary endpoint.

June 11 2014: Kindred Bio to Host Investor Breakfast on June 13 in New York City

[Company Release] SAN FRANCISCO, June 11, 2014 Kindred Biosciences, Inc. (NASDAQ:KIN), a biopharmaceutical company focused on saving and improving the lives of pets, today announced that it will host an Investor Breakfast on Friday, June 13, 2014 in New York City. Kindred Bio's executive management team will provide an overview of the Company's strategies and Stephen Sundlof, D.V.M, Ph.D., will offer insights into the animal health business from an FDA perspective.

Dr.

Conferences/Exhibitions

May 21 2014: Kindred Bio to Present at Craig-Hallum, Stifel, and Jefferies Conferences

SAN FRANCISCO, May 21, 2014 Kindred Biosciences, Inc. (NASDAQ:KIN), a biopharmaceutical company focused on saving and improving the lives of pets, today announced that it will participate in the 11th Annual Craig-Hallum Institutional Investor Conference in Minneapolis on May 28th. Kindred Bio will present at the Stifel Dental and Veterinary Conference on May 28th and the Jefferies Global Healthcare Conference on June 2nd, both in New York City.

Financial Results

May 12 2014: Kindred Biosciences Announces First Quarter 2014 Financial Results and Completion of Enrollment in CereKin Pivotal Study

SAN FRANCISCO, May 12, 2014 Kindred Biosciences, Inc. (NASDAQ:KIN) today announced financial results for the quarter ended March 31, 2014. In addition, Kindred Bio announced that it has completed enrollment in KB010, its pivotal study for CereKin™ (diacerein).

<http://www.nasdaq.com/aspx/stockmarketnewsstoryprint.aspx?storyid=kindred-biosciences-announces-first-quarter-2014-financial-results-and-completion-of-enrollment-in-20140512-01108>

Source: NASDAQ Stock Exchange

May 06 2014: Kindred Bio to Announce First Quarter 2014 Financial Results on Monday, May 12th

[News Story] SAN FRANCISCO, May 6, 2014 Kindred Biosciences, Inc. (NASDAQ:KIN), a biopharmaceutical company focused on saving and improving the lives of pets, announced today that it will release its first quarter 2014 financial results on May 12, 2014 after the market close. The Company will host a conference call at 4:30 p.m.

Company Overview (continued)

8-K people news

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

Stephen S. Galliker will retire from Kindred Biosciences as CFO. The retirement will take effect from Aug 29, 2014.

8-K other news

September 24: Kindred Biosciences: Regulation FD Disclosure

[News Story]

http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1561743_000156174314000043_0001561743-14-000043.txt

Source: 8-K United States Securities and Exchange Commission

April 03: Kindred Biosciences: Entry into a Material Definitive Agreement

[News Story] On April 2, 2014, Kindred Biosciences, Inc. ("we," "us," "our" or the "company") entered into an underwriting agreement with Leerink Partners LLC, BMO Capital Markets Corp and Guggenheim Securities, LLC, as representatives of the several underwriters, relating to our public offering of 3,000,000 shares of common stock at public offering price of \$18.00 per share of common stock. In addition, the underwriting agreement provides the underwriters a 30-day option to purchase up to an additional 450,000 shares of common stock from the company.

http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1561743_000156174314000025_0001561743-14-000025.txt

Source: 8-K United States Securities and Exchange Commission

March 18: Kindred Biosciences: Other Events

[News Story] On March 18, 2014, Kindred Biosciences, Inc. (the "Company") issued press release announcing a proposed follow-on public offering of its common stock. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1561743_000156174314000016_0001561743-14-000016.txt

Source: 8-K United States Securities and Exchange Commission

March 10: Kindred Biosciences: Results of Operations and Financial Condition

[News Story] On March 6, 2014, Kindred Biosciences, Inc. (the "Company") issued press release announcing information regarding the Company's financial results for the fiscal quarter and the fiscal year ending December 31, 2013. A copy of the press release is attached to this Form 8-K as Exhibit 99.1 and is incorporated herein by reference. The information furnished under this Item 2.02, including the accompanying Exhibit 99.1, shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liability of such section, nor shall such information be deemed to be incorporated by reference in any subsequent filing by the Company under the Securities Act of 1933 or the Exchange Act, regardless of the general incorporation language of such filing, except as specifically stated in such filing.

http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1561743_000156174314000008_0001561743-14-000008.txt

Source: 8-K United States Securities and Exchange Commission

Issued Capital

Based on 19,714,482 issued equity shares the market capitalisation is US\$140 million.

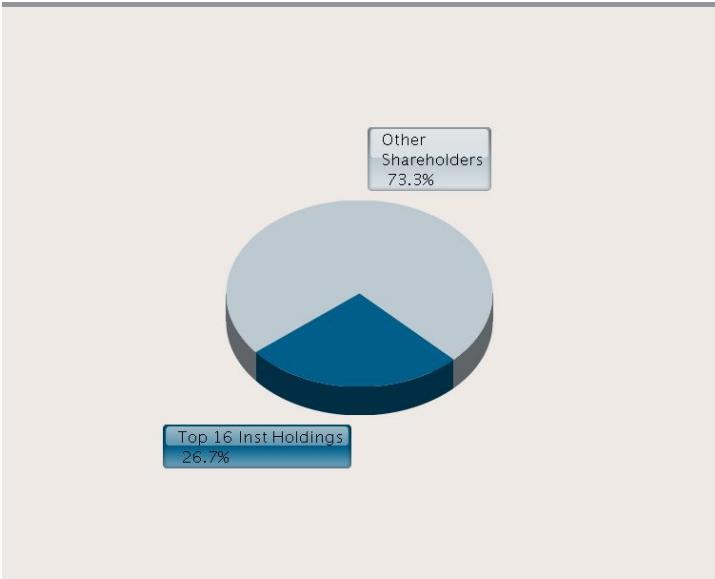
The top sixteen shareholders hold 26.7% of the issued capital leaving a float of 73.3%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Baupost Group LLC/Ma	2,763,848	14.02
Adage Capital Partners Gp LLC	1,046,372	5.31
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	0.66
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
Total	5,158,866	26.17

Company Overview (continued)

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 (Half Year)

30 June, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
Operating expenses:			
Research and development	10,137	441	Up 2,198.6
General and administrative	4,178	179	Up 2,234.1
Total operating expenses	14,315	620	Up 2,208.9
Loss from operations	-14,315	-620	Deterioration 2,208.9
Interest income	37		
Net loss	-14,278	-620	Deterioration 2,202.9
Change in unrealized gains or losses on available-for-sale securities	-14		
Comprehensive loss	-14,292	-620	Deterioration 2,205.2
Net loss per share, basic and diluted	-80.0c	-21.0c	Deterioration 281.0
Weighted-average common shares outstanding, basic and diluted	17,833,000	3,000,000	Up 494.4

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 (Half Year) (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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