

MacroGenics (MGNX : US\$20.99)

MacroGenics tumbles 27% in 2014, underperforming 82% of the market

MacroGenics Inc, NASDAQ's 19th largest medical company by market cap, has now tumbled US\$7.84 (or 27.2%) year to date in 2014 to close at US\$20.99. This loss means the stock has underperformed 82% of NASDAQ-listed stocks in 2014. The volume YTD has been 1 times average trading of 195,879 shares. Compared with the NASDAQ-100 Index which has risen 13.6% YTD, this represents a relative price change of -40.8%. In 2014 the market cap has declined US\$144.7 million.

Introduction

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

There are some reasons why we remain bearish on the stock for the long-term:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 4.6. Compared with the rest of the market the stock is overvalued and ranks in the bottom 10% of stocks by value of Q Ratio.

Stock Summary

Sector	Medical
Market Cap	US\$576.6 million
Shares Outstanding	27,471,329
ISIN	US5560991094
Relative Strength (3 mo)	48

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USD)	57.4079M	63.9825M	57.21M
Pretax (USD)	-	-	6.72M
Net (USD)	(260,835)	8.3618M	6.72M
EPS (USD)	(0.04)	-	6.55

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	21.0	576.6 million

Analysis

Bullish Signals

- In the last 14 trading sessions there has been a net rise of 0.72%; the stock has advanced ten times and the biggest one day rise was 5.4% on Sep 08.
- The Price/MAP of 0.7 for MGNX is higher than the Price/MAP for the NASDAQ-100 Index of 0.3.
- The Stochastic indicator of 16.3 has broken through the oversold line of 20.

Undervaluation:

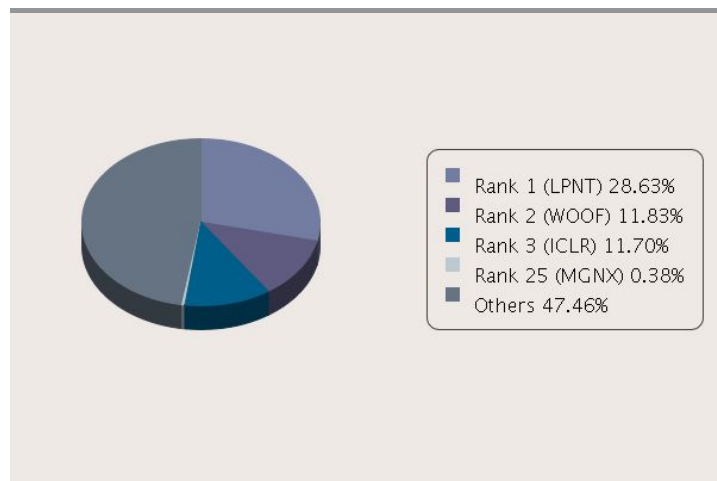
- The Price to Book of 7.3 lower than average of 7.9 for the Medical sector.
- The company is cash rich with Cash to Market Capitalisation at 20.2%.

Other Bullish Signals:

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	4.9	In Top 4%

Revenue Share Medical



Bearish Signals

- Falls to Rises: In the last three months the number of falls outnumbered rises 26:21 or 1.24:1.
- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 18 indicating it is trailing 82.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 20.57 minus the 26-day EMA of 20.8 is negative suggesting a bearish signal.

- The price to 200-day MAP ratio is 0.7, a bearish indicator. In the past 200 days this ratio has been under 0.7 37 times suggesting further downside.
- The current short volume is 1.8 times its own historical average of 0.2%. It soared 17.6% from the previous day, a bearish indicator.

Overvaluation:

- Price/Sales of 9.76 versus sector average of 2.5 and market average of 2.3. We estimate the shares are trading at a current year Price/Sales of 7.2 and a forward year Price/Sales of 5.2.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 4.6. Compared with the rest of the market the stock is overvalued and ranks in the bottom 10% of stocks by value of Q Ratio.

Other Bearish Signals:

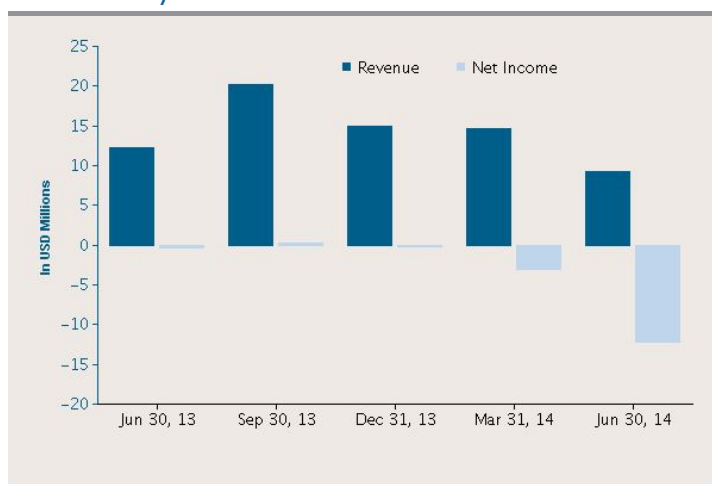
- Net Profit margin has shown signs of deterioration in recent quarters.

Quarterly Trend:

[Quarter ended, all figures in %]:

Qtr	Revenue Growth	Net Profit Margin
Jun 14	-37.4	-133
Mar 14	-	-21.1
Dec 13	-	-1.7
Sep 13	-	1

Quarterly Revenue & Net Income



- Net Profit margin has shown signs of deterioration in recent years.

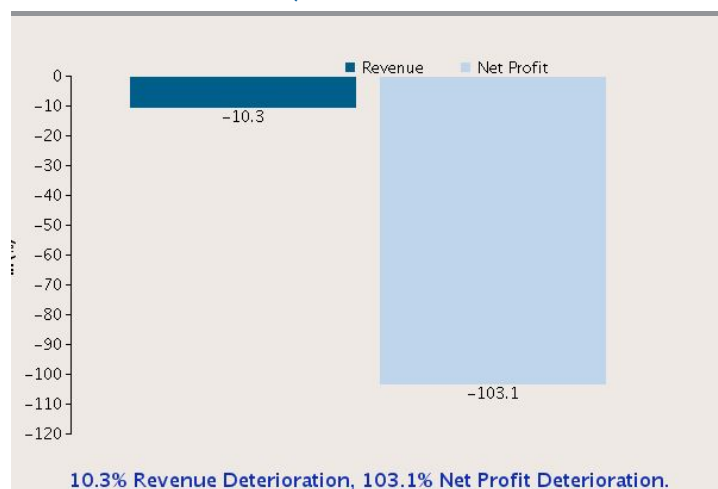
Analysis (continued)

Annual Trend:

[Year ended, all figures in %]:

Year	Net Profit Margin
Dec 13	-0.5
Dec 12	13.1

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



Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Relative Strength (6M)	18	In Bottom Quartile
Price to Book Value	7.3	In Bottom Quartile
Volatility %	5.5	In Bottom Quartile
Price/MAP200	0.7	In Bottom Quartile
Price to Sales	9.8	In Bottom 6%
Price/MAP50	0.49	In Bottom 3%

Note

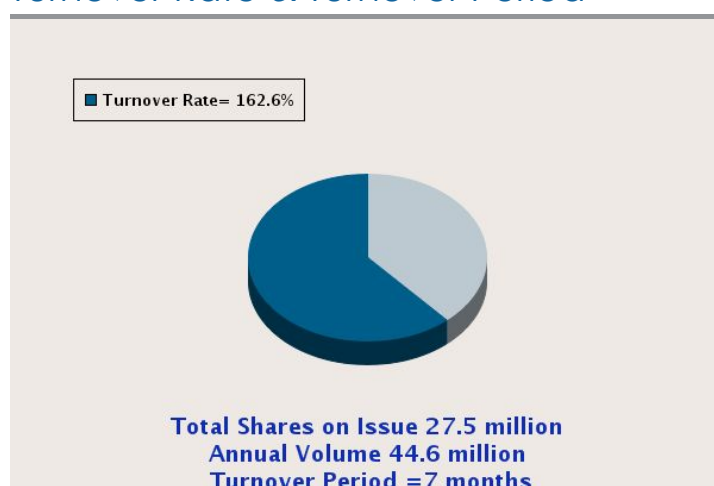
Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$233.6 million	In 2nd Quartile
MCap	US\$576.6 million	In 2nd Quartile

Insider Trades



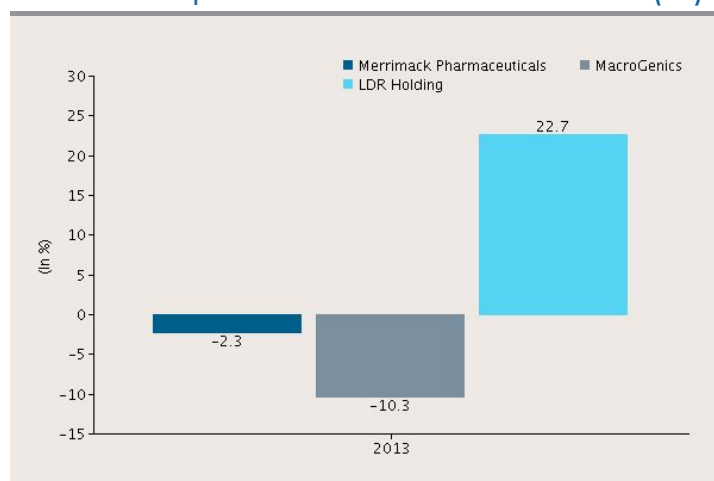
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$233.6 million
Volume	11,302,948
Volume Index (1 is avg)	0.9

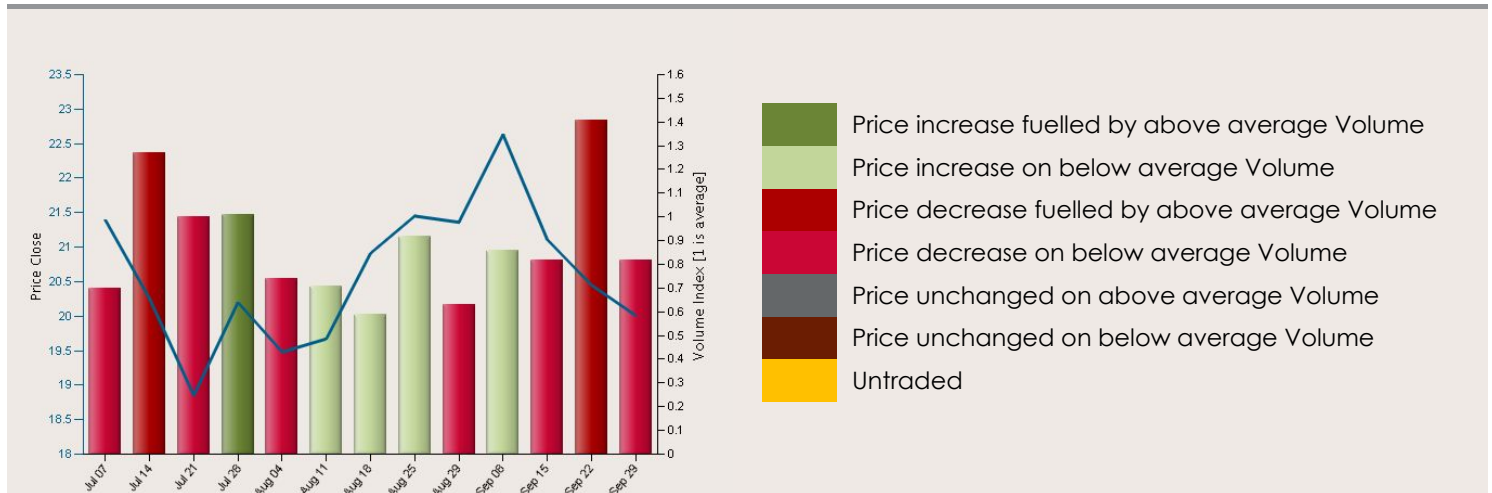
Peer Comparison Revenue Growth (%)



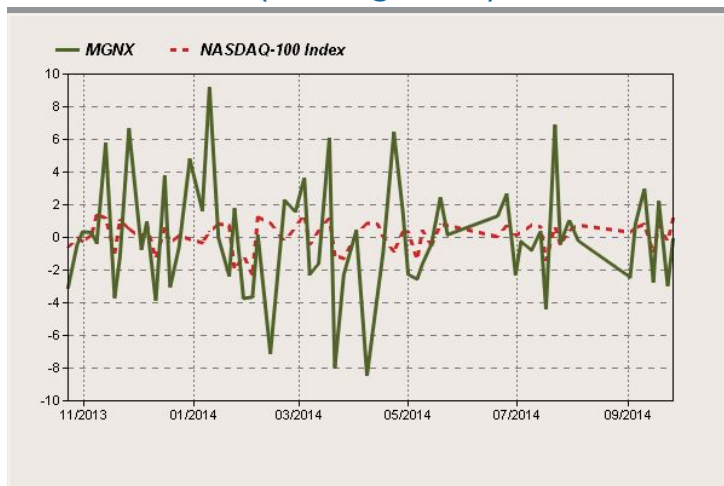
Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Stock v Index (Trailing Year)



Price/Moving Average Price [P/MAP]



Peer Group Analysis

[Sector sorting](#)

Name	Last Price	Relative strength (6-months)	MCap ()	PV \$1000 (1 yr)	Revenue ()	Net Profit ()	Total Assets ()
MacroGenics	21.0	18	576.6M	0	59.1M	-15,427,335	125.8M

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
10-Jul-2014	Oppenheimer	Initiated Coverage	-	Outperform	-	48

Company Overview

Regulatory Announcements

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

September 29: MacroGenics and Takeda Enter Second Strategic Alliance to Develop Multiple Additional DART Therapeutics
 August 19: MacroGenics insider sells
 August 06: MacroGenics to Present at the Wedbush 2014 Life Sciences Management Access Conference
 July 29: MacroGenics Announces Date of Second Quarter 2014 Financial Results Conference Call
 July 24: MacroGenics' DART Candidate IND for Colorectal Cancer, MGD007, Cleared to Start Enrolling Patients
 July 01: MacroGenics insider sells
 June 19: MacroGenics Initiates Phase 1 Study of MGD006 for the Treatment of Acute Myeloid Leukemia

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

June 11: MacroGenics Elects 2 Directors

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

August 05: MacroGenics: Results of Operations and Financial Condition
 July 25: MacroGenics: Other Events
 May 29: MacroGenics: Entry into a Material Definitive Agreement
 March 20: MacroGenics: Results of Operations and Financial Condition

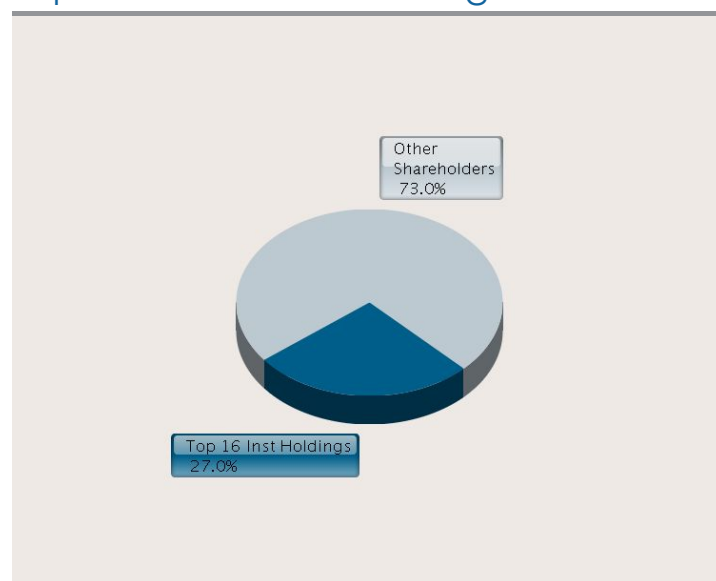
Issued Capital

Based on 27,471,329 issued equity shares the market capitalisation is US\$576.6 million. It is NASDAQ's 25th largest Medical company by total revenue.
 The top sixteen shareholders hold 27.0% of the issued capital leaving a float of 73.0%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Fmr Llc	1,959,742	7.13
Mpm Asset Management Llc	1,780,955	6.48
Blue Ridge Capital L.L.C.	900,000	3.28
Orbimed Advisors Llc	491,897	1.79
Perceptive Advisors Llc	448,945	1.63
Pointstate Capital Lp	375,000	1.37
Vanguard Group Inc	242,084	0.88
Emerald Advisers Inc/Pa	226,919	0.83
Partner Fund Management L.P.	209,212	0.76
Ra Capital Management Llc	199,398	0.73
Total	6,834,152	24.88

Top 16 Institutional Holdings



Board and Management

Scott Koenig
CEO

Matthew Fust
Director

Creation of shareholder value in MacroGenics:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of March 06, 2014 at close price of US\$33.99 is US\$618, for a capital loss of US\$382.

Eric Risser
Vice President- Business
Development

Mr. Risser joined us as Vice President, Business Development in May 2009. Prior to joining us, Mr. Risser held the position of Senior Director, Business Development in the pharmaceutical group at Johnson & Johnson, where he worked from 2003 to 2009. Before Johnson & Johnson, Mr. Risser started and built a consulting practice that provided counsel to emerging life science companies in the United States and Europe. Earlier in his career, Mr. Risser held venture capital and investment banking positions with BA Venture Partners and Lehman Brothers Holdings Inc., respectively. Mr. Risser holds an M.B.A. from Stanford University and a B.A. from Yale University.

Financial Results (Half Year)

30 June, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
Revenues:			
Revenue from collaborative research	23,603	21,905	Up 7.8
Grant revenue	336	991	Down 66.1
Total revenues	23,939	22,896	Up 4.6
Costs and expenses: Research and development			
General and administrative	7,403	5,336	Up 38.7
Total costs and expenses	39,307	26,482	Up 48.4
Loss from operations	-15,368	-3,586	Deterioration 328.6
Other income (expense)	1	-74	Recovery
Net comprehensive loss	-15,367	-3,660	Deterioration 319.9
Basic and diluted net loss per common share	-57.0c	-300.0c	Reduced 81.0
Weighted average common shares outstanding, basic and diluted	26,960,664	1,184,507	Up 2,176.1

BALANCE SHEET

Currency in Thousand of USD	2014-06-30	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	194,014	116,481	Up 66.6
Accounts receivable	2,645	2,004	Up 32.0
Prepaid expenses	2,100	972	Up 116.0
Total current assets	198,759	119,457	Up 66.4
Restricted cash	405	405	Steady
Property and equipment, net	5,442	5,035	Up 8.1
Other assets	1,114	885	Up 25.9
Total assets	205,720	125,782	Up 63.6
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	3,977	3,169	Up 25.5
Accrued expenses	3,310	3,584	Down 7.6
Lease exit liability - current	1,538	1,439	Up 6.9
Deferred revenue - current	20,684	20,267	Up 2.1
Other liabilities - current	363	363	Steady
Total current liabilities	29,872	28,822	Up 3.6
Lease exit liability, net of current portion	7,204	8,006	Down 10.0
Deferred rent liability	2,753	2,904	Down 5.2
Deferred revenue, net of current portion	23,912	7,136	Up 235.1
Total liabilities	63,741	46,868	Up 36.0

Financial Results (Half Year) (continued)

30 June, 2014

Stockholders' equity:

Common stock, 0.01 par value - 125,000,000 shares authorized, 277 27,724,454 and 25,177,597 shares outstanding at June 30, 2014 and December 31, 2013, respectively	252	Up 9.9
Treasury stock, at cost; no shares at June 30, 2014 and 14,381 shares at December 31,	-58	
Additional paid-in capital	332,802	254,454 Up 30.8
Accumulated deficit	-191,100	-175,733 Deterioration 8.7
Total stockholders' equity	141,979	78,914 Up 79.9
Total liabilities and stockholders' equity	205,720	125,782 Up 63.6

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-10.82	-4.64	Deterioration 133.4
Return on Assets(%)	-7.47	-2.91	Deterioration 156.7

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-57.0c	-300.0c	Reduced 81.0

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