

Oncomed Pharmaceuticals (OMED : US\$21.18)

Oncomed Pharmaceuticals tumbles 28% in 2014, in bottom 11% of the market

Oncomed Pharmaceuticals Inc, NASDAQ's 6th largest biotechnology company by market cap, has now tumbled US\$8.14 (or 27.7%) year to date in 2014 to close at US\$21.18. This loss means the stock has underperformed 89% of NASDAQ-listed stocks in 2014. The volume YTD has been 0.9 times average trading of 209,659 shares. Compared with the NASDAQ-100 Index which has risen 6.0% YTD, this represents a relative price change of -33.7%. In 2014 the market cap has declined US\$191.4 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 Price to Book of 5.3 higher than average of 5.1 for the Biotechnology sector.
- Amongst stocks that are shorted, it was in the top quartile as a percentage of stock shorted, suggesting that there are many confident bears of the stock.
- The price to 200-day MAP ratio is 0.71, a bearish indicator.

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

- "Current ratio of two or more"; current assets are 5.1 times current liabilities.

Stock Summary

Sector	Biotechnology
Market Cap	US\$624.5 million
Shares Outstanding	29,480,494
ISIN	US68234X1028
Relative Strength (3 mo)	6

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	21.2	624.5 million

Analysis

Bearish Signals

- Falls to Rises: In the last three months the number of falls outnumbered rises 34:31 or 1.1:1.
- In the last 7 trading sessions there has been a net decline of 5.85%; the stock has retreated nine times and the biggest one day decline was 14.9% on Jun 13.
- In the NASDAQ market of 2,339 stocks traded today, the stock has a 6-month relative strength of 23 indicating it is trailing 77.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 23.38 minus the 26-day EMA of 23.69 is negative suggesting a bearish signal. Both the 12-day EMA as well as the 26-day EMA are falling, another bearish signal.
- The 200-day MAP has decreased to US\$29.75. A decrease is another bearish indicator.
- The price to 200-day MAP ratio is 0.71, a bearish indicator.
- The stock traded at a nine-month low of US\$18.75 today. The bears are maintaining control with price open, high, low and close being below yesterday's levels.
- In the NASDAQ Short Selling market of 2406 stocks, short selling as a % of issued shares ranked 514th and within the top quartile of stocks. This means it was higher than market average of 0.52%, a bearish indicator.
- The current short volume is 1.2 times its own historical average of 0.5%. It increased 1.2% from the previous day, increased 1.3% from a week ago, a bearish indicator.

Overvaluation:

- The Price to Book of 5.3 higher than average of 5.1 for the Biotechnology sector.

Other Bearish Signals:

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

Positive operating cashflow; improvement in current ratio from 3.5 to 5.1.

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price to Book Value	5.3	In Bottom Quartile
Relative Strength (6M)	23	In Bottom Quartile
Annual Revenue	US\$37.8 million	In Bottom Quartile
Price/MAP200	0.71	In Bottom 9%
Price/MAP50	0.58	In Bottom 6%
Volatility %	16.4	In Bottom 2%
Price to Sales	16.5	In Bottom 1%
Price Change %	-14.9	In Bottom 1%

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$290.9 million	In 2nd Quartile
MCap	US\$624.5 million	In 2nd Quartile

Bullish Signals:

- The price is at a discount of 7.6% to the 1-month volume weighted average price of US\$22.92, which may appeal as a value proposition.
- The Price/MAP of 0.71 for OMED is higher than the Price/MAP for the NASDAQ-100 Index of 0.6.

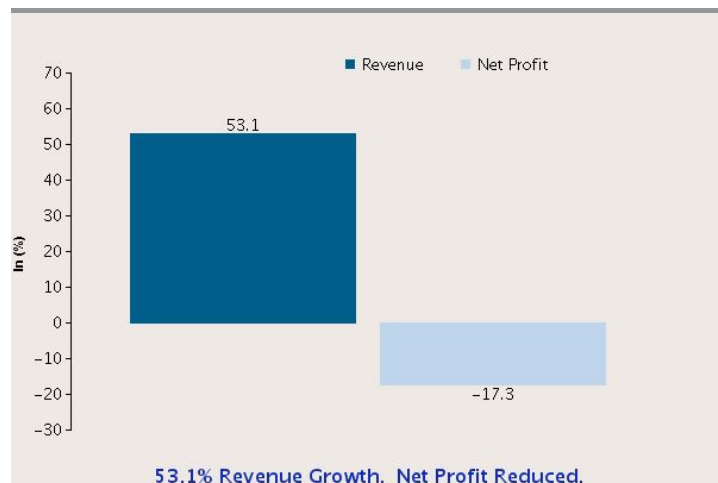
Undervaluation:

- The company is cash rich with Cash to Market Capitalisation at 33.5%.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 1.9. Compared with the rest of the market the stock is undervalued.

Analysis (continued)

Other Bullish Signals:

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



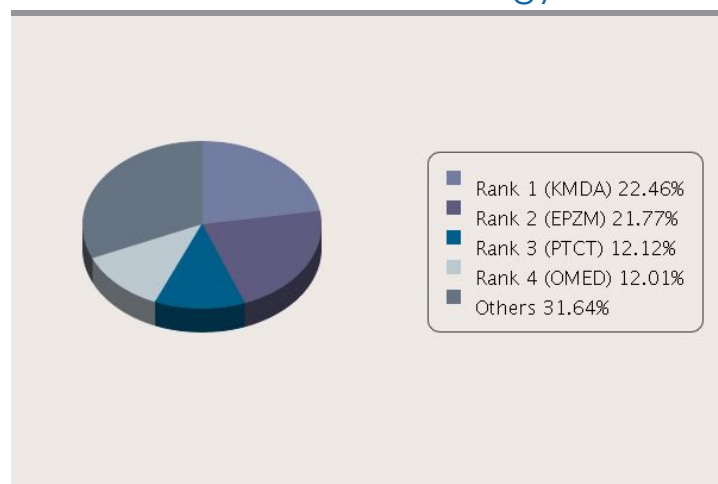
Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 5.1 times current liabilities.

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Cash to MCap %	33.5	In Top 10%

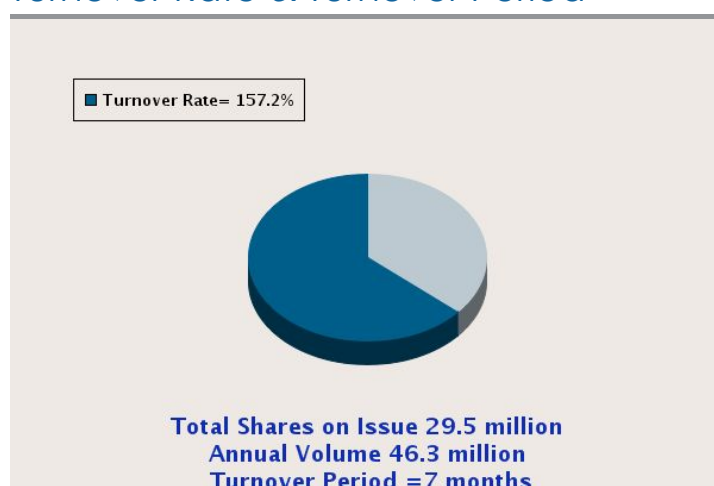
Revenue Share Biotechnology



Insider Trades



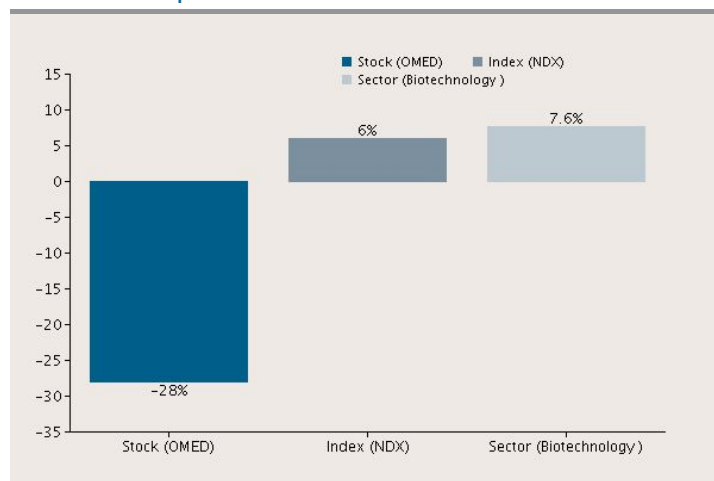
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$290.9 million
Volume	10,649,213
Volume Index (1 is avg)	0.8

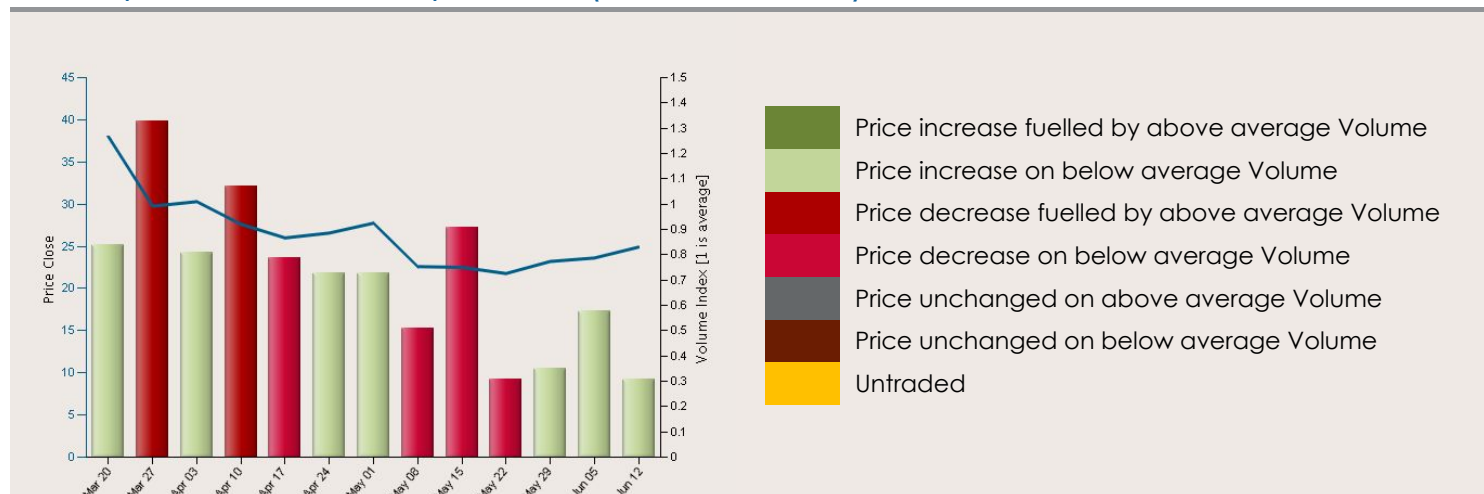
YTD Comparison Stock Sector Index



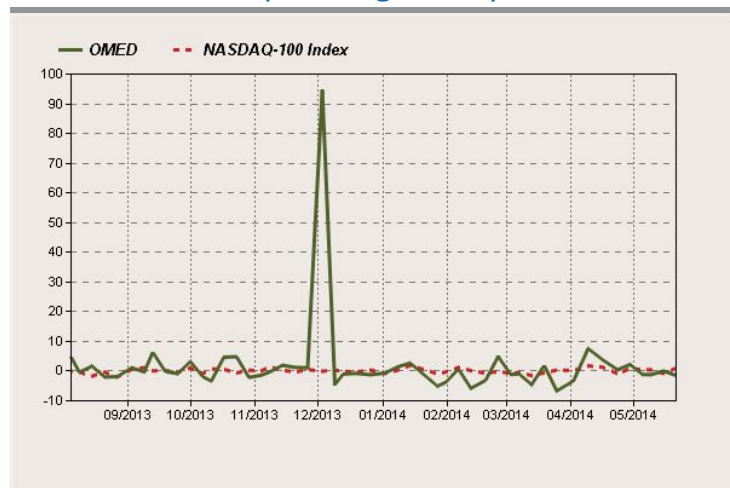
Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Stock v Index (Trailing Year)



Price/Moving Average Price [P/MAP]



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)
PTC Therapeutics	25.08	93	754	-	38	-66	152
Oncomed Pharmaceuticals	21.18	23	625	-	38	-26	334
Zeltiq Aesthetics	15.56	21	579	2,762	-	-	-
Aratana Therapeutics	14.29	11	421	-	1	-4	116

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
13-Jun-2014	Mizuho	Reiterated Rating	-	Buy	-	-
13-May-2014	Zacks	Upgrade	Underperform	Neutral	-	23.1
09-May-2014	Jefferies Group	Lower Price Target	-	-	50	48
25-Mar-2014	Zacks	Downgrade	Neutral	Underperform	-	31.6

Reported Buying Selling by Insiders

Insider	Date	Transaction Type	No. of Shares	Price, US\$	Value, US\$
Root Jonathan D	Jun 10, 2014	Sold	4,800	24.48	117,504
Root Jonathan D	Jun 09, 2014	Sold	8,252	24.62	203,164
Hoey Timothy	May 05, 2014	Sold	2,500	26.41	66,025

Company Overview

Activities

OncoMed Pharmaceuticals Inc. provides biotechnology research and development. The Company synthesizes oncogenic mutations in stem cells that allows the cells to grow without normal limitations in attempts to exploit therapies that selectively target tumor initiating cells. OncoMed serves the healthcare industry and cancer therapy patients.

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

Regulatory Announcements

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

June 11: Oncomed Pharmaceuticals substantial shareholder sells

June 11: Oncomed Pharmaceuticals substantial shareholder sells; shares at a two-month high

June 11: Oncomed Pharmaceuticals insider sells; shares at a two-month high

May 28: OncoMed Pharmaceuticals to Present at the Jefferies 2014 Global Healthcare Conference

May 08: OncoMed Pharmaceuticals Announces First Quarter 2014 Financial Results

May 02: OncoMed Receives Orphan Drug Designation From the FDA for Demcizumab in Pancreatic Cancer

April 23: OncoMed Announces Abstracts Accepted at the 2014 ASCO Annual Meeting

To view 8-K people news for Oncomed-

Pharmaceuticals, [click here](#)

March 17: William Waddill - Oncomed Pharmaceuticals CFO resigns

March 17: William Waddill - Oncomed Pharmaceuticals senior vice president resigns

Issued Capital

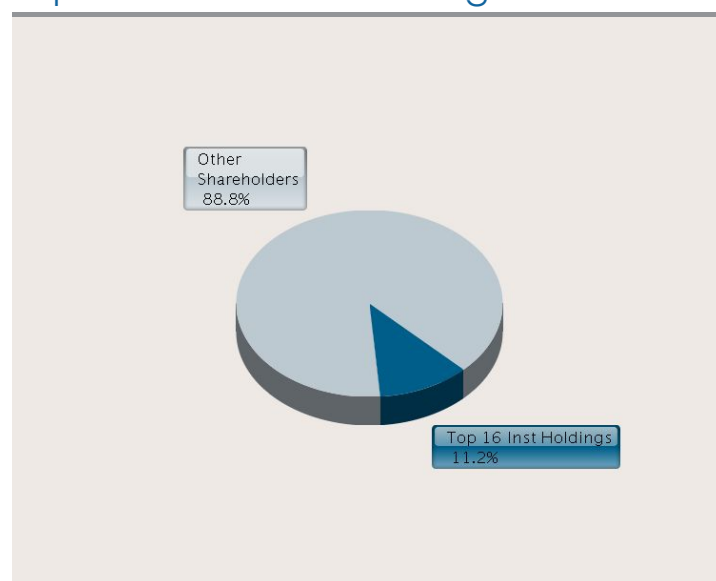
Based on 29,480,494 issued equity shares the market capitalisation is US\$624.5 million. It is NASDAQ's 4th largest Biotechnology company by total revenue.

The top sixteen shareholders hold 11.2% of the issued capital leaving a float of 88.8%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Sectoral Asset Management Inc	1,347,642	4.57
Columbus Circle Investors	696,550	2.36
Primecap Management Co/Ca/	340,700	1.16
Franklin Resources Inc	236,800	0.8
Vanguard Group Inc	150,548	0.51
Bank Of America Corp /De/	93,172	0.32
Barclays Global Investors Uk Holdings Ltd	76,150	0.26
State Street Corp	72,285	0.25
Deutsche Bank Ag\	67,773	0.23
Eventide Asset Management Llc	52,800	0.18
Total	3,134,420	10.63

Top 16 Institutional Holdings



Board and Management

Paul J. Hastings
CEO & Chairman



Mr. Hastings is the President and CEO of OncoMed Pharmaceuticals. 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 Axys 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, Genzyme 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 2010), and served on the boards of ViaCell (sold to Perkin-Elmer in 2007). He is currently on the boards of Pacira Pharmaceuticals and Relypsa and 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.

Sunil Patel
CFO & Senior Vice President

Mr. Patel, age 42, has served as our Senior Vice President, Chief Business Officer since December 2012 and previously served as our Senior Vice President, Corporate Development since July 2009. From September 2008 to June 2009, Mr. Patel served as the Vice President of Corporate Development & Marketing at BiPar Sciences Inc., a privately-held biotechnology company that focused on the development of cancer therapies and was acquired by Sanofi-Aventis S.A. in 2009. From May 2007 to August 2008, Mr. Patel served as the Vice President of Corporate Development at Allos Therapeutics, Inc., a publicly-traded biopharmaceutical company focused on the development and commercialization of cancer therapeutics. Prior to that time, Mr. Patel held corporate development, marketing, and strategy positions with Connetics Corporation, Abgenix, Inc. and Gilead Sciences, Inc. Mr. Patel also previously worked as a consultant with McKinsey & Company from 1998 to 2003. Since October 2010, Mr. Patel has served on the board of directors of Ligand Pharmaceuticals, Inc., a publicly-traded biotechnology company. Mr. Patel received a B.S. in Chemistry from the University of California Berkeley and an M.S. in Molecular Bioengineering/Biotechnology from the University of Washington.

Creation of shareholder value in Oncomed Pharmaceuticals:

Since appointment as CFO: The present value of USD1,000 invested on the appointment date of March 18, 2014 at close price of US\$34.92 is US\$607, for a capital loss of US\$393.

Michael Wyzga
Director

Mr. Wyzga is currently President and Chief Executive Officer of Radius Health, Inc. Prior to joining Radius, Mr. Wyzga was Executive Vice President, Finance and Chief Financial Officer of Genzyme Corporation until its acquisition by Sanofi in April 2011. Mr. Wyzga joined Genzyme in 1998 and held primary responsibility for the company's financial management worldwide. He provided key leadership in the successful \$20.1 billion sale of Genzyme to Sanofi, which was the second-largest acquisition in biotechnology history. Prior to joining Genzyme, Mr. Wyzga was Chief Financial Officer of Sovereign Hill Software. He previously served as Vice President of Finance and Chief Financial Officer of CacheLink Corporation, a client/service software company. Mr. Wyzga also held management positions at Lotus Development Corporation and Digital Equipment Corporation. He received an MBA from Providence College and a BS from Suffolk University.

Creation of shareholder value in Oncomed Pharmaceuticals:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of October 17, 2013 at close price of US\$14.56 is US\$1,455, for a capital gain of US\$455.

Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-03-31	2013-03-31	Change %
Revenue:			
Collaboration revenue related party		493	
Collaboration revenue	6,015	2,439	Up 146.6
Total revenue	6,015	2,932	Up 105.2
Operating expenses:			
Research and development	16,709	9,576	Up 74.5
General and administrative	3,213	1,985	Up 61.9
Total operating expenses	19,922	11,561	Up 72.3
Loss from operations	-13,907	-8,629	Deterioration 61.2
Interest and other income, net	36	31	Up 16.1
Net loss	-13,871	-8,598	Deterioration 61.3
Net loss per common share, basic and diluted	-47.0c	-792.0c	Reduced 94.1
Shares used to compute net loss per common share, basic and diluted	29,443,230	1,084,944	Up 2,613.8

BALANCE SHEET

Currency in Thousand of USD	2014-03-31	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	25,950	208,931	Down 87.6
Short-term investments	257,963	107,263	Up 140.5
Receivables - related parties	23	23	Steady
Prepaid and other current assets	2,502	2,527	Down 1.0
Total current assets	286,438	318,744	Down 10.1
Property and equipment, net	4,962	4,641	Up 6.9
Other assets	10,486	10,300	Up 1.8
Total assets	301,886	333,685	Down 9.5
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	2,935	5,706	Down 48.6
Income tax payable		10,758	
Accrued liabilities	10,064	9,860	Up 2.1
Current portion of deferred revenue	35,059	35,059	Steady
Current portion of deferred rent	637	624	Up 2.1
Liability for shares issued with repurchase rights	10	10	Steady
Total current liabilities	48,705	62,017	Down 21.5
Deferred revenue, less current portion	142,856	148,871	Down 4.0
Deferred rent, less current portion	2,980	3,146	Down 5.3
Non-current income tax payable	1,517	1,515	Up 0.1
Liability for shares issued with repurchase rights, less current portion	11	14	Down 21.4
Total liabilities	196,069	215,563	Down 9.0
Commitments and contingencies			

Financial Results (Quarterly) (continued)

31 March, 2014

Stockholders' equity:

Preferred stock, 0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding at March 31, 2014 and December 31, 2013

Common stock, 0.001 par value; 145,000,000 shares authorized at 30 March 31, 2014 and December 31, 2013; 29,538,650 shares and 29,397,964 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	29	Up 3.4
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Additional paid-in capital	294,113	292,505	Up 0.5
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Accumulated other comprehensive income (loss)	-29	14	Deterioration
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Accumulated deficit	-188,297	-174,426	Deterioration 8.0
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Total stockholders' equity	105,817	118,122	Down 10.4
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Total liabilities and stockholders' equity	301,886	333,685	Down 9.5
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