

## Conatus Pharmaceuticals (CNAT : US\$7.84)

Conatus Pharmaceuticals jumps 25% in 2014, outperforming 87% of the market

Conatus Pharmaceuticals Inc, NASDAQ's 5th largest healthcare-products company by market cap, has now jumped US\$1.58 (or 25.2%) year to date in 2014 to close at US\$7.84. This gain means the stock has outperformed 87% of NASDAQ-listed stocks in 2014. The volume YTD has been 1.7 times average trading of 333,778 shares. Compared with the NASDAQ-100 Index which has risen 6.0% YTD, this represents a relative price increase of 19.3%. In 2014 the market cap has jumped US\$24.8 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**

**What makes us most bullish on the stock is the following:**

- Its Moving Average Convergence Divergence indicators are rising, with its 12-day EMA higher than its 26-day EMA.
- It is beating 87% of the market the past 6 months.
- The price to 50-day EMAP ratio is 1.2, a bullish indicator. The 50-day EMAP has increased to US\$6.77.

**However, 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 2.2. Compared with the rest of the market the stock is overvalued.

### Stock Summary

<b>Sector</b>	Healthcare-Products
<b>Market Cap</b>	US\$122.5 million
<b>Shares Outstanding</b>	15,619,879
<b>ISIN</b>	US20600T1088
<b>Relative Strength (3 mo)</b>	6

### MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	7.8	122.5 million

# Analysis

## Bullish Signals

- The price is at a discount of 3.0% to the 1-month volume weighted average price of US\$8.08, which may appeal as a value proposition.
- In the last 10 trading sessions there has been a net rise of 35.41%; the stock has advanced twelve times and the biggest one day rise was 56.7% on Jun 11.
- In the NASDAQ market of 2,339 stocks traded today, the stock has a 6-month relative strength of 87 which means it is beating 87% of the market.
- A price rise combined with a high relative strength is a bullish signal.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 6.79 minus the 26-day EMA of 6.45 is positive suggesting a bullish signal. Both the 12-day EMA as well as the 26-day EMA are rising, another bullish signal.
- The Price/MAP of 0.75 for CNAT is higher than the Price/MAP for the NASDAQ-100 Index of 0.3.

## Undervaluation:

- The Price to Book of 2.3 lower than average of 9.6 for the Healthcare-Products sector and 6.1 for the Total NASDAQ Market.

## Other Bullish Signals:

Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 20.2 times current liabilities.

## Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	1.7	In Top Quartile
Relative Strength (6M)	87	In Top Quartile

## Bearish Signals

- Falls to Rises: In the last three months the number of falls outnumbered rises 40:25 or 1.6:1.
- The price to 200-day MAP ratio is 0.75, a bearish indicator. In the past 200 days this ratio has been under 0.75 43 times suggesting further downside. The stock is trading below both its MAPs at US\$10.41 for the 200-day MAP and US\$12.51 for the 50-day MAP, a bearish indicator. The 200-day MAP has decreased to US\$10.41. A decrease is another bearish indicator.

- In the NASDAQ Short Selling market of 2406 stocks, short selling as a % of issued shares ranked 294th 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 1.9 times its own historical average of 0.5%. It increased 0.5% from the previous day, a bearish indicator.

## Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 2.2. 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  $\geq 5$ ]:

Improvement in current ratio from 5.7 to 20.2.

## Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price/MAP200	0.75	In Bottom Quartile
Price/MAP50	0.63	In Bottom 8%
Volatility %	10.1	In Bottom 3%

## Note

## Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$289 million	In 2nd Quartile
MCap	US\$122.5 million	In 3rd Quartile

## Turnover Rate & Turnover Period

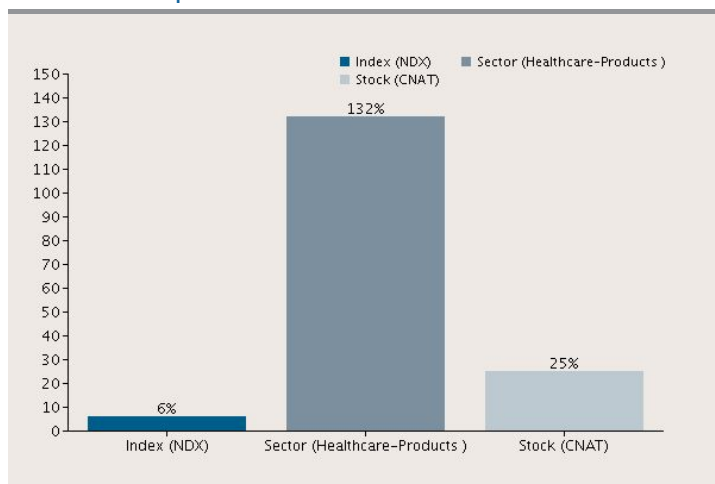


## Analysis (continued)

### Trailing 3 months

<b>Turnover</b>	US\$289 million
<b>Volume</b>	36,425,198
<b>Volume Index (1 is avg)</b>	1.7

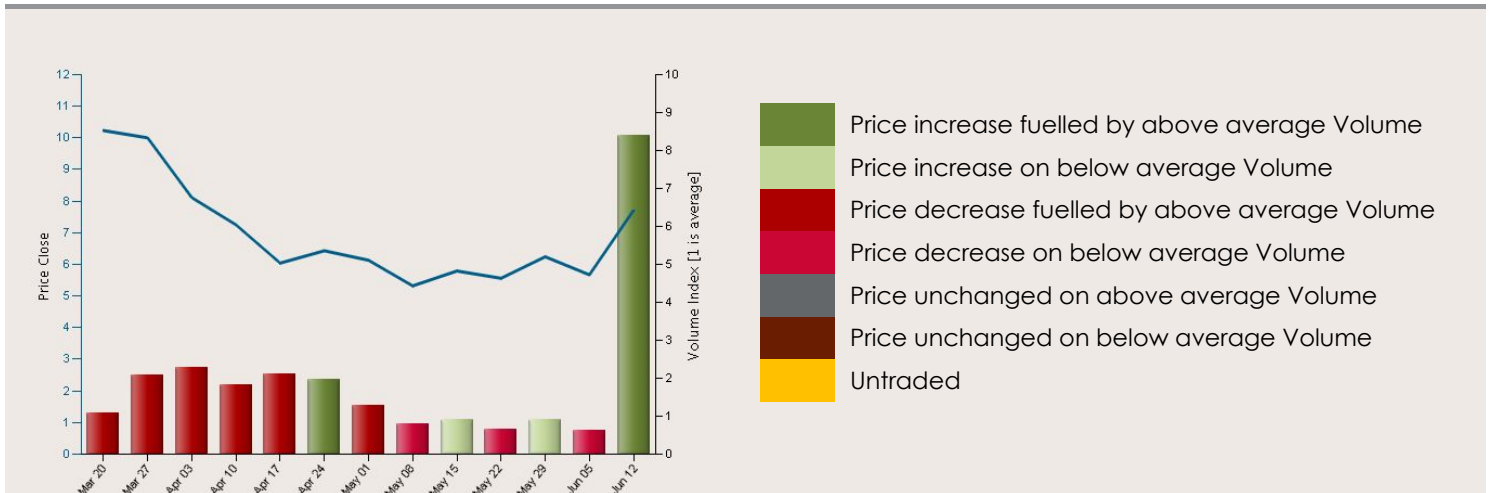
### YTD Comparison Stock Sector Index



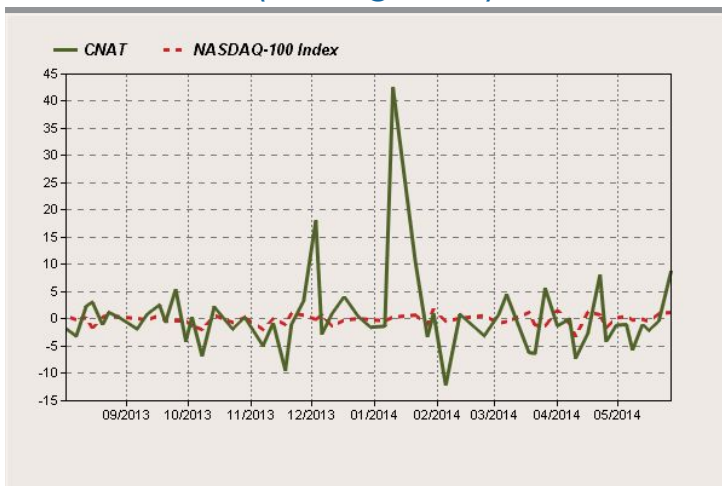
## Price Volume Trend: Trailing Quarter



## 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)
Agios Pharmaceuticals	47.35	99	1,606	-	26	-44	201
Relypsa	23.41	27	792	-	-	-74	106
Oxford Immunotec Global	17.16	38	282	-	39	-9	93
Nanostring Technologies	15.0	29	271	-	31	-34	64
Conatus Pharmaceuticals	7.84	87	122	-	-	-5	57
Karyopharm Therapeutics	35.75	97	-	-	0	-34	158

## Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
13-Jun-2014	Roth Capital	Initiated Coverage	-	Buy	-	19
28-Mar-2014	Stifel Nicolaus	Lower Price Target	-	-	16	14

## Company Overview

### Activities

Conatus Pharmaceuticals, Inc. develops therapeutics to treat liver disease. The Company offers drugs to control programmed cell death that contribute to a range of liver diseases and cancer. Conatus provides its products in the United States.

Further details can be found at [www.conatuspharma.com](http://www.conatuspharma.com).

### Regulatory Announcements

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

May 27: Conatus Pharmaceuticals to Present at Upcoming Investor Conferences

May 13: Conatus Pharmaceuticals Reports First Quarter 2014 Financial Results and Program Updates

May 13: Conatus Pharmaceuticals' (CNAT) CEO Steven Mento on Q1 2014 Results - Earnings Call Transcript

May 06: Conatus Pharmaceuticals to Report First Quarter 2014 Financial Results

April 30: Conatus Pharmaceuticals to Present at Deutsche Bank Health Care Conference

March 27: Conatus Pharmaceuticals Reports 2013 Financial Results and Program Updates

March 20: Conatus Pharmaceuticals to Report Fourth Quarter and Full Year 2013 Financial Results

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

April 28: Paul Klingenstein - Conatus Pharmaceuticals director resigns 28 April 2014

February 07: Conatus Pharmaceuticals appoints Daniel L. Kisner as director

February 07: Conatus Pharmaceuticals appoints Preston S. Klassen as director

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

March 27: Conatus Pharmaceuticals: Results of Operations and Financial Condition

### Issued Capital

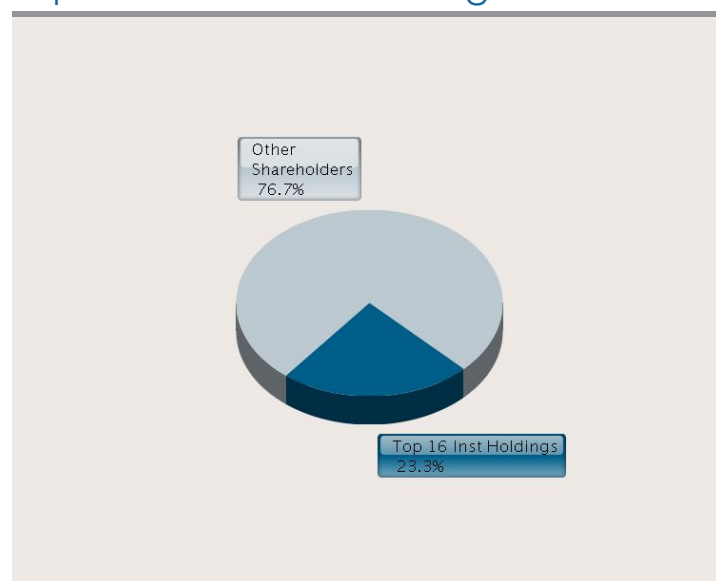
Based on 15,619,879 issued equity shares the market capitalisation is US\$122.5 million.

The top sixteen shareholders hold 23.3% of the issued capital leaving a float of 76.7%.

### Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Mpm Asset Management Llc	1,192,080	7.63
Jennison Associates Llc	849,881	5.44
Janus Capital Management Llc	515,605	3.3
Ghost Tree Capital Llc	219,977	1.41
Blackrock Fund Advisors	164,931	1.06
Jbf Capital Inc.	148,178	0.95
Millennium Management Llc	100,000	0.64
Northern Trust Corp	86,375	0.55
Morgan Stanley	84,488	0.54
Bank Of New York Mellon Corp	71,676	0.46
<b>Total</b>	<b>3,433,191</b>	<b>21.98</b>

### Top 16 Institutional Holdings





## Board and Management

### Steven J. Mento CEO & President & Director



Steven J. Mento, Ph.D. is one of our co-founders and has served as our President and Chief Executive Officer and as a member of our board of directors since July 2005. From July 2005 until December 2012, Dr. Mento also served as chairman of our board of directors. Dr. Mento has over 30 years of combined experience in the biotechnology and pharmaceutical industries. From 1997 to 2005, Dr. Mento was President, Chief Executive Officer and a member of the Board of Directors of Idun Pharmaceuticals, Inc. Dr. Mento guided Idun during its transition from a discovery focused organization to a drug development company with multiple products in or near human clinical testing. In April 2005, Idun was sold to Pfizer Inc. Previously, Dr. Mento served as President of Chiron Viagene, Inc. (subsequently Chiron Technologies, Center for Gene Therapy), and Vice President of Chiron Corporation from 1995 to 1997. Dr. Mento was Vice President of R&D at Viagene from 1992 to 1995. Prior to Viagene, Dr. Mento held various positions at American Cyanamid Company from 1982 to 1992. His last position was Director of Viral Vaccine Research and Development at Lederle-Praxis Biologicals, a business unit of American Cyanamid. Dr. Mento currently serves on the boards of directors of BIOCOM, the Biotechnology Industry Organization (BIO), BIO Emerging Company Section Governing Body, BIO Health Section Governing Body, Sangamo Biosciences, Inc., and various academic and charitable organizations. Dr. Mento holds a B.A. in Microbiology from Rutgers College, and an M.S. and Ph.D. both in Microbiology from Rutgers University. Dr. Mento's extensive knowledge of our business, as well as his over 30 years of experience in the biotechnology and pharmaceutical industries, including executive leadership in several pharmaceutical companies, contributed to our board of directors' conclusion that he should serve as a director of our company.

### Daniel L. Kisner Director

#### **Creation of shareholder value in Conatus Pharmaceuticals:**

Since appointment as Director: The present value of USD1,000 invested on the appointment date of February 07, 2014 at close price of US\$9.26 is US\$847, for a capital loss of US\$153.

### Preston S. Klassen Director

#### **Creation of shareholder value in Conatus Pharmaceuticals:**

Since appointment as Director: The present value of USD1,000 invested on the appointment date of February 07, 2014 at close price of US\$9.26 is US\$847, for a capital loss of US\$153.

# Financial Results (Quarterly)

31 March, 2014

## INCOME STATEMENT

Currency in USD	2014-03-31	2013-03-31	Change %
Operating expenses:			
Research and development	3,650,598	967,778	Up 277.2
General and administrative	1,595,247	748,796	Up 113.0
Total operating expenses	5,245,845	1,716,574	Up 205.6
Other income (expense):			
Interest income	20,773	132	Up 15,637.1
Interest expense	17,500	17,500	Steady
Other (expense) income	-784	-15,677	Reduced 95.0
Other financing expense		-547,164	
Total other income (expense)	2,489	-580,209	Recovery
Net loss	-5,243,356	-2,296,783	Deterioration 128.3
Other comprehensive loss:			
Net unrealized losses on marketable securities	-13,371	-551	Deterioration 2,326.7
Comprehensive loss	-5,256,727	-2,297,334	Deterioration 128.8
Reconciliation of net loss to net loss applicable to common stockholders:			
Net loss	-5,243,356	-2,296,783	Deterioration 128.3
Gain on extinguishment of convertible preferred stock			
Deemed distribution from promissory note issuance			
Net loss applicable to common stockholders, basic and diluted	-5,243,356	-2,296,783	Deterioration 128.3
Net loss per share applicable to common stockholders, basic and diluted	-34.0c	-217.0c	Reduced 84.3
Weighted average shares outstanding used in computing net loss per share applicable to common stockholders, basic and diluted	15,412,498	1,060,533	Up 1,353.3

## BALANCE SHEET

Currency in USD	2014-03-31	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	2,485,662	4,158,953	Down 40.2
Marketable securities	48,596,378	52,194,034	Down 6.9
Prepaid and other current assets	687,164	545,504	Up 26.0
Total current assets	51,769,204	56,898,491	Down 9.0
Property and equipment, net	32,630	23,068	Up 41.5
Other assets	77,376	14,395	Up 437.5
Total assets	51,879,210	56,935,954	Down 8.9
Liabilities and stockholders' equity			



# Financial Results (Quarterly) (continued)

31 March, 2014

Current liabilities:			
Accounts payable and accrued expenses	2,160,063	1,494,435	Up 44.5
Accrued compensation	456,456	1,322,569	Down 65.5
Total current liabilities	2,616,519	2,817,004	Down 7.1
Note payable	1,000,000	1,000,000	Steady
Stockholders' equity:			
Preferred stock, 0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding			
Common stock, 0.0001 par value; 200,000,000 shares authorized; 1,542 15,632,000 shares issued and 15,424,320 shares outstanding, excluding 207,680 shares subject to repurchase, at March 31, 2014; 15,619,879 shares issued and 15,386,542 shares outstanding, excluding 233,337 shares subject to repurchase, at December 31, 2013			
	1,542	1,539	Up 0.2
Additional paid-in capital	127,936,873	127,536,408	Up 0.3
Accumulated other comprehensive (loss) income	-1,874	11,497	Deterioration
Deficit accumulated during the development stage	-79,673,850	-74,430,494	Deterioration 7.0
Total stockholders' equity	48,262,691	53,118,950	Down 9.1
Total liabilities and stockholders' equity	51,879,210	56,935,954	Down 8.9

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