

Cellular Dynamics International (ICEL : US\$12.0)

Cellular Dynamics International tumbles 28% in 2014, underperforming 87% of the market

Cellular Dynamics International, Inc., NASDAQ's 17th largest biotechnology company by market cap, has now tumbled US\$4.73 (or 28.3%) year to date in 2014 to close at US\$12.0. This loss means the stock has underperformed 87% of NASDAQ-listed stocks in 2014. The volume YTD has been 0.8 times average trading of 56,143 shares. Compared with the NASDAQ-100 Index which has risen 9.8% YTD, this represents a relative price change of -38.1%. In 2014 the market cap has declined US\$74.2 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 2.3. Compared with the rest of the market the stock is overvalued.
- The price to 200-day MAP ratio is 0.65, a bearish indicator.
- It is trailing 93.34% of the market the past 6 months.

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 -90.6.
- The Price to Book of 3.5 lower than average of 5.3 for the Biotechnology sector and 6.1 for the Total NASDAQ Market. We estimate the shares are trading at a current year Price to Book of 3 and a forward year Price to Book of 2.6.

Stock Summary

Sector	Biotechnology
Market Cap	US\$189.1 million
Shares Outstanding	15,757,613
ISIN	US15117V1098
Relative Strength (3 mo)	26

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USDm)	11.9	6.6	2.6
Pretax (USDm)	-	-	(21.3)
Net (USDm)	(25)	(22.3)	(21.3)
EPS (USD)	(3.17)	(12.89)	(12.47)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	12.0	189.1 million

Analysis

Bearish Signals

- In the last 6 trading sessions there has been a net decline of 12.41%; the stock has retreated nine times and the biggest one day decline was 6.9% on Jul 09.
- In the NASDAQ market of 2,403 stocks traded today, the stock has a 6-month relative strength of 7 indicating it is trailing 93.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 12.98 minus the 26-day EMA of 13.16 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 to 200-day MAP ratio is 0.65, a bearish indicator.
- The bears are maintaining control with price open, high, low and close being below yesterday's levels.
- The current short volume is 1.2 times its own historical average of 0.3%.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 2.3. Compared with the rest of the market the stock is overvalued.

Other Bearish Signals:

- Net Profit margin is negative in recent quarters.

Quarterly Trend:

[Quarter ended, all figures in %]:

Qtr	Revenue Growth	Net Profit Margin
Mar 14	-	-276.2
Dec 13	65.1	-161.3

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

Improvement in current ratio from 10.5 to 10.6; improvement in asset turnover [growth in revenue of 80.9% exceeded growth in assets of 61.9%].

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Volatility %	5.7	In Bottom Quartile
Price Change %	-3.8	In Bottom 9%
Annual Revenue	US\$11.9 million	In Bottom 7%
Price/MAP200	0.65	In Bottom 6%
Relative Strength (6M)	7	In Bottom 6%
Price/MAP50	0.54	In Bottom 5%
Price to Sales	15.9	In Bottom 1%

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$29.6 million	In 3rd Quartile
MCap	US\$189.1 million	In 3rd Quartile

Bullish Signals:

- The price is at a discount of 13.4% to the 1-month volume weighted average price of US\$13.86, which may appeal as a value proposition.
- The Price/MAP of 0.65 for ICEL is higher than the Price/MAP for the NASDAQ-100 Index of 0.4.
- The stock is oversold according to the Williams % R indicator of -90.6.

Undervaluation:

- The Price to Book of 3.5 lower than average of 5.3 for the Biotechnology sector and 6.1 for the Total NASDAQ Market. We estimate the shares are trading at a current year Price to Book of 3 and a forward year Price to Book of 2.6.
- The company is cash rich with Cash to Market Capitalisation at 32.8%.

Other Bullish Signals:

- Net Profit margin is negative but improving in recent years.

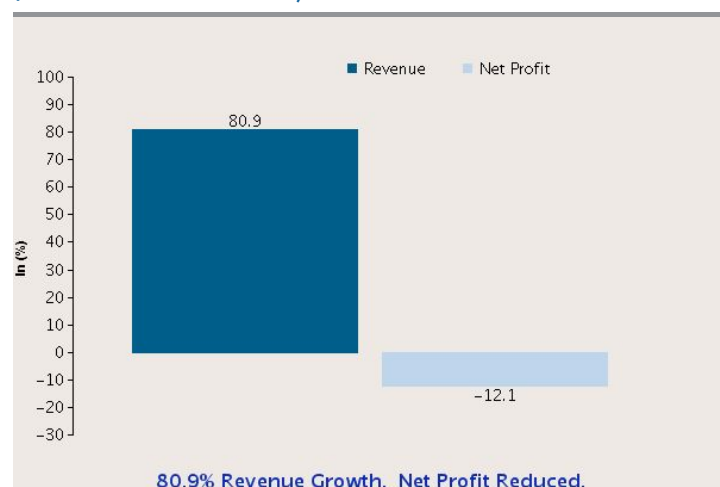
Annual Trend:

[Year ended, all figures in %]:

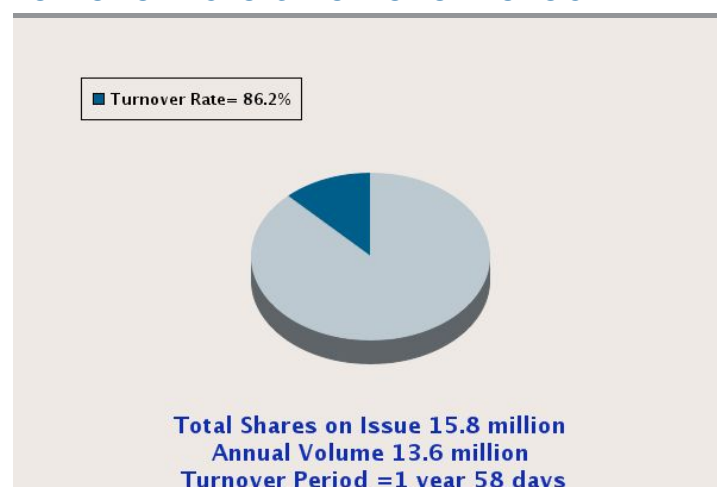
Year	Net Profit Margin
Dec 13	-209.6
Dec 12	-338.3

Analysis (continued)

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



Turnover Rate & Turnover Period



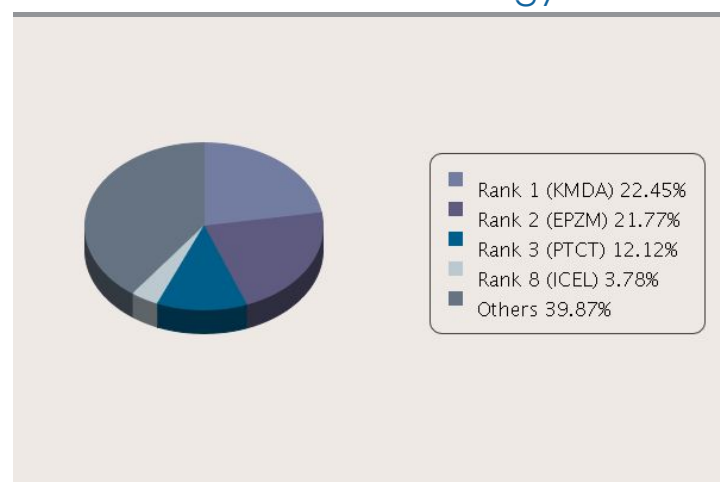
Also, the following criteria set by Benjamin Graham:

- "Total debt less than tangible book value"; total debt of \$US11.9 Million is less than tangible book value of \$US53.9 Million.
- "Current ratio of two or more"; current assets are 10.6 times current liabilities.
- "Total debt equal or less than twice the net quick liquidation value"; total debt of \$US11.9 Million is 0.2 times the net liquidation value of \$US58.3 Million.

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Cash to MCap %	32.8	In Top 10%

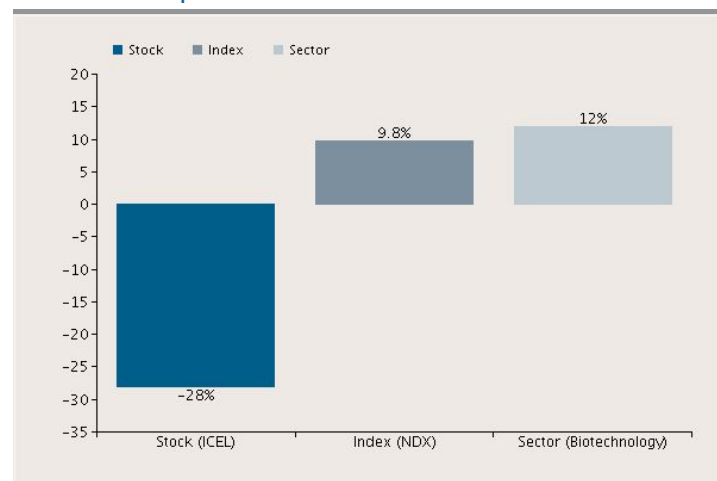
Revenue Share Biotechnology



Trailing 3 months

Turnover	US\$29.6 million
Volume	2,289,182
Volume Index (1 is avg)	0.7

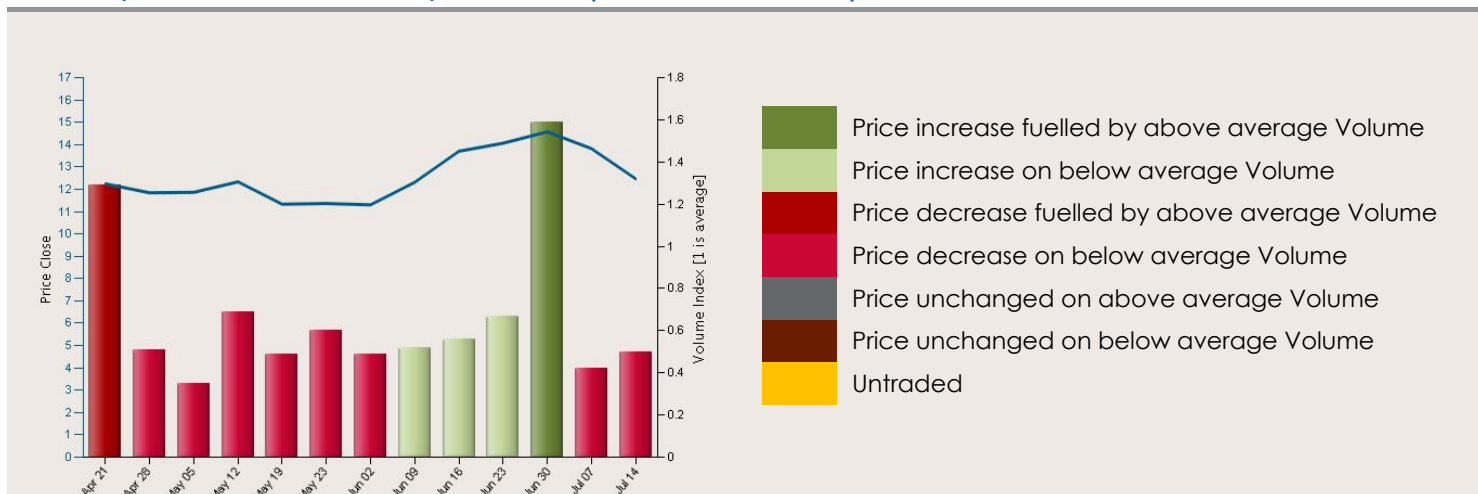
YTD Comparison Stock Sector Index



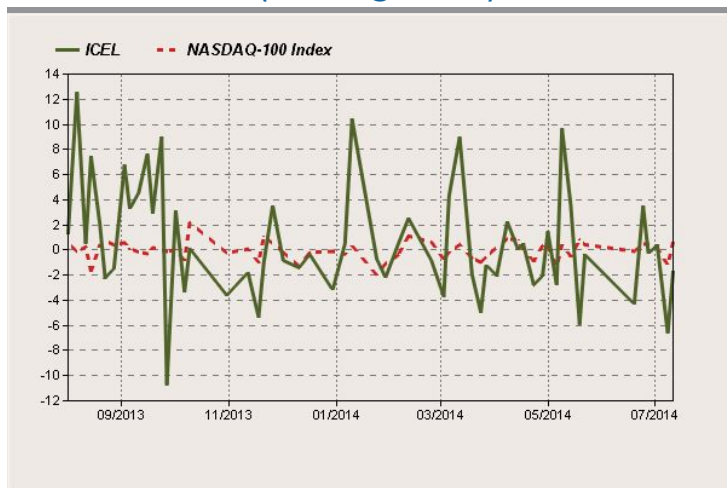
Price Volume Trend: Trailing Quarter



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)
Kamada	6.46	1	232	528	71	0	139
Verastem	8.78	11	227	511	-	-45	125
Esperion Therapeutics	14.66	49	225	-	-	-30	78
Cellular Dynamics International	12.0	7	189	-	12	-25	83
GlycoMimetics	8.59	-	160	-	4	-11	5
Fate Therapeutics	6.44	52	131	-	1	-24	56
Onconova Therapeutics	4.94	1	107	-	5	-65	105

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
07-May-2014	Leerink Swann	Upgrade	Market Perform	Outperform	-	17

Company Overview

Activities

Cellular Dynamics International Inc develops and manufactures fully functioning human cells in industrial quantities to precise specifications. The Company's cells are used for drug discovery and screening, to test the safety and efficacy of their small molecule and biologic drug candidates, for stem cell banking, and in researching cellular therapeutics.

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

Regulatory Announcements

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

May 21: Cellular Dynamics to Present at Jefferies 2014 Global Healthcare Conference

May 07: Cellular Dynamics to Present at Bank of America Merrill Lynch 2014 Health Care Conference

May 05: Cellular Dynamics International Reports First Quarter 2014 Financial Results

April 30: Cellular Dynamics Announces Launch of iCell(R) DopaNeurons, Neural Floor Plate-Derived Midbrain Dopaminergic Neurons

April 28: Cellular Dynamics to Host First Quarter 2014 Financial Results Webcast and Call

March 21: Cellular Dynamics Announces Presentations at the SOT Annual Meeting Highlighting Use of iPSC-Derived Human Cells for Environmental Toxicology and Drug Toxicity Testing

March 19: Cellular Dynamics to Present at Regen Med Investor Day March 26 in New York

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

July 01: David S. Snyder - Cellular Dynamics International executive vice president to resign 02 July 2014

July 01: David S. Snyder - Cellular Dynamics International CFO to resign 02 July 2014

January 23: Leonard J. Loventhal - Cellular Dynamics International director resigns

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

March 19: Cellular Dynamics International: Regulation FD Disclosure

March 10: Cellular Dynamics International: Results of Operations and Financial Condition

January 10: Cellular Dynamics International: Regulation FD Disclosure

Conference Call-transcripts

To view Conference Call-transcripts, [click here](#)

06 May, 2014: Cellular Dynamics International's (ICEL) CEO Bob Palay on Q1 2014 Results - Earnings Call Transcript

Issued Capital

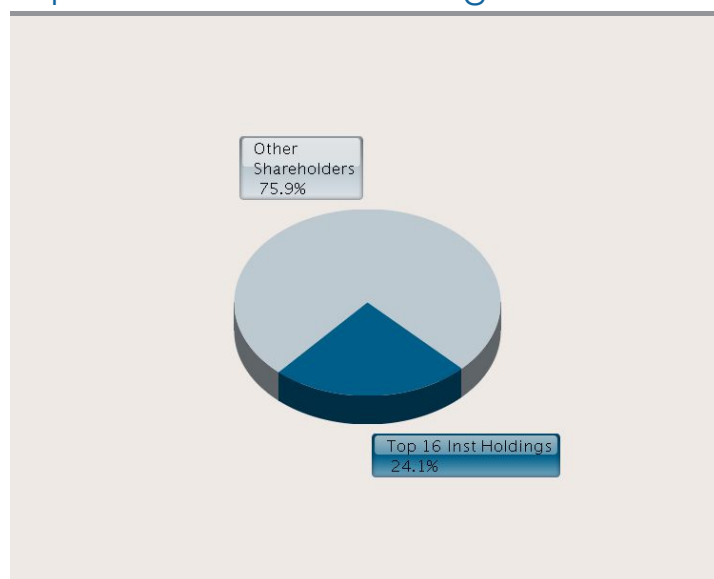
Based on 15,757,613 issued equity shares the market capitalisation is US\$189.1 million. It is NASDAQ's 12th largest Biotechnology company by assets.

The top sixteen shareholders hold 24.1% of the issued capital leaving a float of 75.9%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
1922 Investment Co Llc	2,091,282	13.27
Allianz Asset Management Ag	399,500	2.54
Park West Asset Management Llc	334,157	2.12
Blackrock Fund Advisors	298,755	1.9
Northwestern Mutual Life Insurance Co	239,762	1.52
Bank Of Montreal /Can/	108,560	0.69
Barclays Global Investors Uk Holdings Ltd	56,805	0.36
Northern Trust Corp	52,535	0.33
Boston Family Office Llc	41,980	0.27
California Public Employees Retirement System	40,000	0.25
Total	3,663,336	23.25

Top 16 Institutional Holdings



Board and Management

Robert Palay
CEO & Chairman

Timothy Daley
Vice President

Mr. Daley, age 46, has been a consultant to the Company since 2009, providing assistance to the Company with its preparation for its initial public offering in July, 2013 and with its financial reporting as a public company. Since 2004, he has provided part-time and interim CFO/Controller and SEC reporting services to several organizations through his firm Timothy Daley CPA LLC of which he is the sole principal. From 1998 to 2004 he held various finance positions, including Treasurer and Controller, at Sonic Foundry, Inc. Mr. Daley began his career at Coopers and Lybrand where he practiced as a certified public accountant. Mr. Daley holds a Bachelor of Business Administration, Accountancy from the University of Notre Dame.

Creation of shareholder value in Cellular Dynamics International:

Since appointment as Vice President: The present value of USD1,000 invested on the appointment date of July 10, 2014 at close price of US\$12.13 is US\$989, for a capital loss of US\$11.

Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-03-31	2013-03-31	Change %
Revenues:			
Product sales	1,462	1,754	Down 16.6
Collaborations, partnerships and other revenues	1,477	636	Up 132.2
Total revenues	2,939	2,390	Up 23.0
Costs and expenses:			
Cost of product sales	446	577	Down 22.7
Research and development	4,916	3,856	Up 27.5
Sales and marketing	1,934	1,527	Up 26.7
General and administrative	3,456	2,109	Up 63.9
Total costs and expenses	10,752	8,069	Up 33.3
Loss from operations	-7,813	-5,679	Deterioration 37.6
Other (expense) income:			
Interest expense	304	7	Up 4,242.9
Other income			
Total other expense	-304	-7	Deterioration 4,242.9
Net loss	-8,117	-5,686	Deterioration 42.8
Net loss per share of common stock, basic and diluted	-52.0c	-328.0c	Reduced 84.1
Shares used in computing net loss per share of common stock, basic and diluted	15,760,125	1,733,654	Up 809.1

BALANCE SHEET

Currency in Thousand of USD	2014-03-31	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	53,700	62,029	Down 13.4
Accounts receivable, net	2,627	3,318	Down 20.8
Inventories	4,353	3,884	Up 12.1
Prepaid expenses and other assets	857	964	Down 11.1
Total current assets	61,537	70,195	Down 12.3
Property and equipment, net	2,616	2,052	Up 27.5
Goodwill	6,817	6,817	Steady
Intangible assets, net	4,120	4,122	Down 0.0
Debt issuance costs, net	187	199	Down 6.0
Other assets	10	10	Steady
Total	75,287	83,395	Down 9.7
Liabilities and shareholders' equity			

Financial Results (Quarterly) (continued)

31 March, 2014

Current liabilities:			
Accounts payable	1,593	1,811	Down 12.0
Accrued liabilities	1,898	3,361	Down 43.5
Deferred revenue	2,286	1,439	Up 58.9
Current maturities of long-term debt	1,016	18	Up 5,544.4
Total current liabilities	6,793	6,629	Up 2.5
Long-term debt, less current portion	10,898	11,879	Down 8.3
Commitments and contingencies			
Shareholders' equity:			
Preferred stock, 0.01 par value -authorized, 10,000,000 shares at December 31, 2013			
and March 31, 2014; no shares issued and outstanding, at December 31, 2013 and March 31 2014			
Common stock, 0.0001 par value - authorized, 100,000,000 shares at December 31,			
2013 and March 31, 2014; issued and outstanding, 15,757,725 shares at December 31,			
2013 and 15,761,725 at March 31, 2014	2	2	Steady
Additional paid-in capital	172,733	171,907	Up 0.5
Accumulated deficit	-115,139	-107,022	Deterioration 7.6
Total shareholders' equity	57,596	64,887	Down 11.2
Total	75,287	83,395	Down 9.7

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