

## Nanostring Technologies (NSTG : US\$14.95)

### Nanostring Technologies tumbles 26.8% in second quarter, in bottom 8% of the market

Nanostring Technologies Inc, NASDAQ's 21st largest healthcare-products company by market cap, tumbled US\$5.46 (or 26.8%) in the quarter ended June 30 to close at US\$14.95. This loss means the stock has underperformed 93% of NASDAQ-listed stocks in quarter ended June 30. The volume in the quarter was 1.3 times the average trading of 99,728 shares. Compared with the NASDAQ-100 Index which rose 191.1 points (or 5.2%), this represents a relative price change of -32%. In the second quarter the market cap declined US\$89.8 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 4.2. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.
- The price to 200-day MAP ratio is 0.81, a bearish indicator.
- In the last three months the number of falls outnumbered rises 37:27 or 1.37:1.

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

- "Total debt less than tangible book value"; total debt of \$US18.3 Million is less than tangible book value of \$US31.5 Million.

### Stock Summary

<b>Sector</b>	Healthcare-Products
<b>Market Cap</b>	US\$269.9 million
<b>Shares Outstanding</b>	18,052,694
<b>ISIN</b>	US63009R1095
<b>Relative Strength (3 mo)</b>	7

### Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USDm)	31.4	23	17.8
Pretax (USDm)	-	-	(10.9)
Net (USDm)	(33.9)	(25.2)	(16.2)
EPS (USD)	(4.44)	(71.1)	(50.1)

### MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	15.0	269.9 million

## Analysis

### Bullish Signals

- In the last 17 trading sessions there has been a net rise of 1.91%; the stock has advanced seven times and the biggest one day rise was 8.6% on Jun 04.
- The Price/MAP of 0.81 for NSTG is higher than the Price/MAP for the NASDAQ-100 Index of 0.1.
- The Stochastic indicator of 19.3 has broken through the oversold line of 20.

### 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	-108.1
Dec 12	-109.9

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



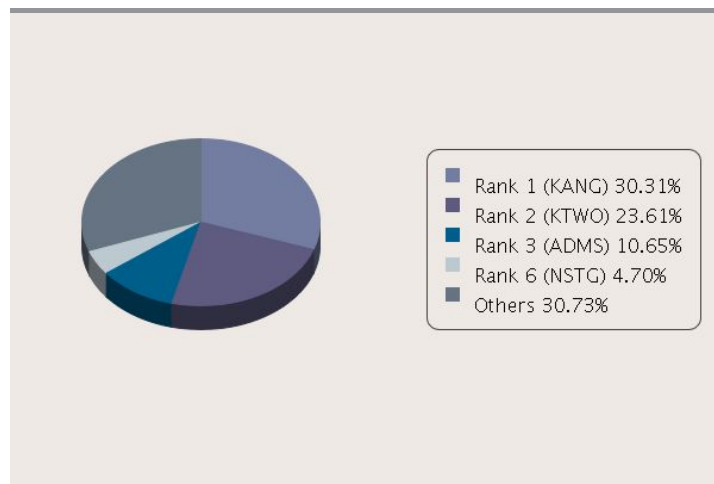
Also, the following criteria set by Benjamin Graham:

- "Total debt less than tangible book value"; total debt of \$US18.3 Million is less than tangible book value of \$US31.5 Million.
- "Current ratio of two or more"; current assets are 3.3 times current liabilities.
- "Total debt equal or less than twice the net quick liquidation value"; total debt of \$US18.3 Million is 0.4 times the net liquidation value of \$US42.44 Million.

### Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	4.9	In Top 7%

### Revenue Share Healthcare-Products



### Bearish Signals

- Falls to Rises: In the last three months the number of falls outnumbered rises 37:27 or 1.37:1.
- In the NASDAQ market of 2,409 stocks traded today, the stock has a 6-month relative strength of 30 which means it has underperformed 70.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 14.98 minus the 26-day EMA of 15.13 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 0.81, a bearish indicator. In the past 200 days this ratio has been under 0.81 just ten times suggesting a support level. The 200-day MAP has decreased to US\$18.46. A decrease is another bearish indicator.
- The current short volume is 2.0 times its own historical average of 0.1%.

### Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 4.2. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.

## Analysis (continued)

### Other Bearish Signals: Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Annual Revenue	US\$34.5 million	In Bottom Quartile
Volatility %	6.0	In Bottom Quartile
Price/MAP200	0.81	In Bottom Quartile
Price to Book Value	8.6	In Bottom Quartile
Price/MAP50	0.71	In Bottom Quartile
Price to Sales	8.6	In Bottom 8%

### Note

- The price is equal to its 1-month volume weighted average price of US\$14.99.

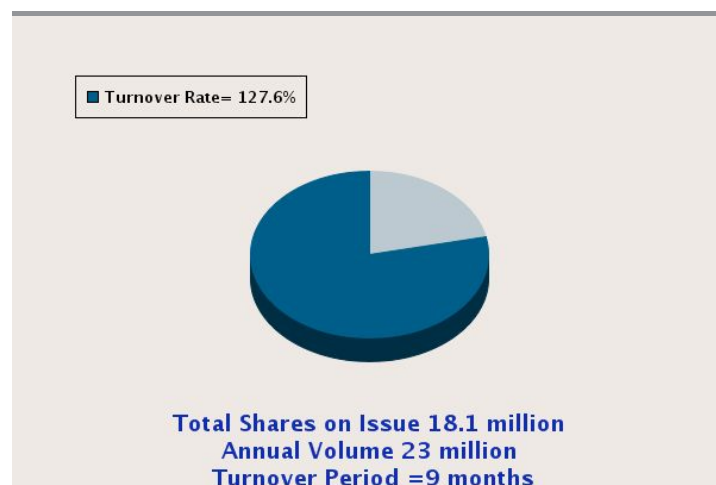
### Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$125.4 million	In 2nd Quartile
MCap	US\$269.9 million	In 3rd Quartile

### Insider Trades



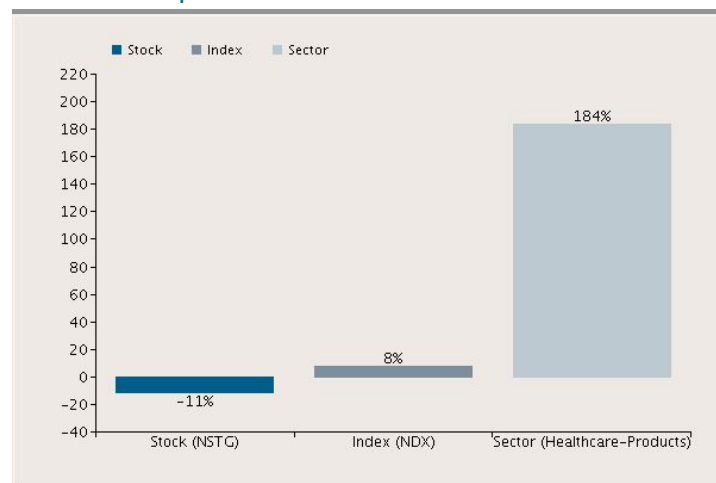
### Turnover Rate & Turnover Period



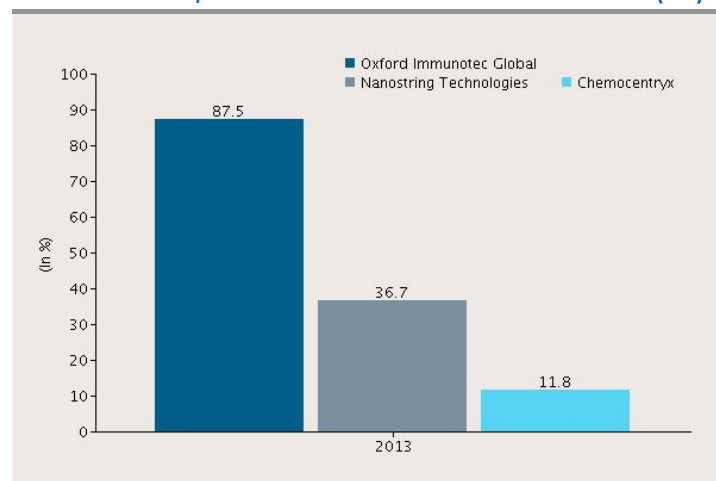
### Trailing 3 months

Turnover	US\$125.4 million
Volume	7,969,480
Volume Index (1 is avg)	1.3

### YTD Comparison Stock Sector Index



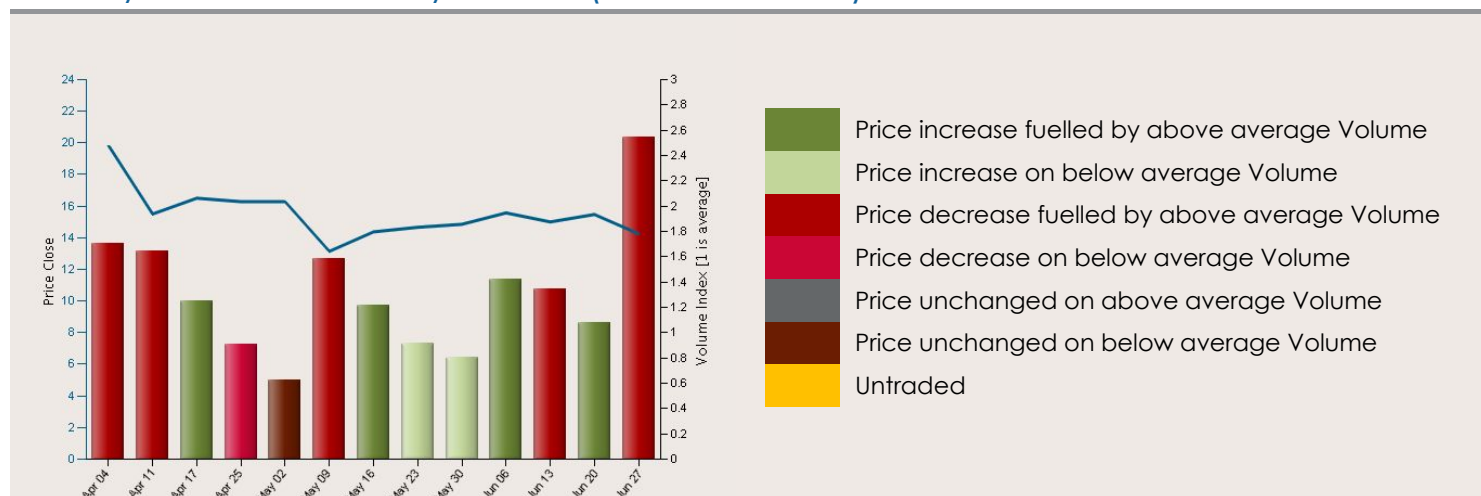
### Peer Comparison Revenue Growth (%)



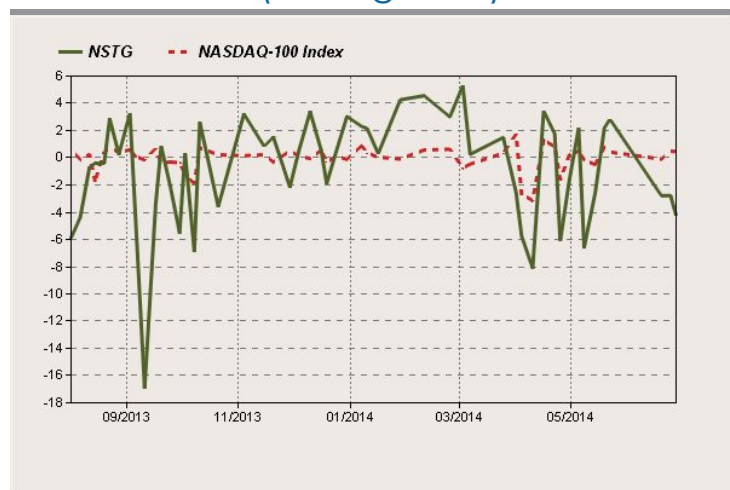
## Price Volume Trend: Trailing Quarter



## 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 (Millions)	PV \$1000 (1 yr)	Revenue (Millions)	Net Profit (Millions)	Total Assets (Millions)
Adamas Pharmaceuticals	18.28	-	305	-	71	51	86
Ardelyx	15.97	-	286	-	-	-	-
Oxford Immunotec Global	16.83	32	277	-	43	-11	93
Nanostring Technologies	14.95	30	270	-	34	-36	64
Chemocentryx	5.85	67	251	424	6	-40	152
Achaogen	13.96	-	247	-	19	-13	21
MediWound	11.38	-	242	-	-	-8	15

## Reported Buying Selling by Insiders

Insider	Date	Transaction Type	No. of Shares	Price, US\$	Value, US\$
Burns Wayne	Jun 13, 2014	Sold	4,900	15.01	73,549
Saunders Barney	Jun 12, 2014	Sold	28,000	15.04	421,120
Waite Charles P Jr	Jun 11, 2014	Sold	55,000	15.12	831,600
Waite Charles P Jr	Jun 12, 2014	Sold	31,755	15.1	479,500
Waite Charles P Jr	Jun 13, 2014	Sold	80,000	15.03	1,202,400
Waite Charles P Jr	Jun 10, 2014	Sold	50,000	15.31	765,500
Waite Charles P Jr	Jun 09, 2014	Sold	50,000	15.56	778,000
Waite Charles P Jr	Jun 06, 2014	Sold	60,000	15.77	946,200
Burns Wayne	Jun 09, 2014	Sold	100	15.75	1,575
Burns Wayne	Jun 06, 2014	Sold	20,000	16.14	322,800



## Company Overview

### Activities

NanoString Technologies, Inc. develops solutions and life science tools for translational research and molecular diagnostics. The Company offers profiling technology for gene transcripts and copy number variations. NanoString technology applications are used for biomarker discovery and validation in cancer research, and pathology laboratory testing.

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

### Regulatory Announcements

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

June 16: Nanostring Technologies insider sells; shares at a nine-day low

June 16: Nanostring Technologies insider sells

June 13: Nanostring Technologies substantial shareholder sells; shares at a seven-day low

June 11: NanoString Technologies to Participate in the JMP Securities Healthcare Conference 2014

April 30: Nanostring Technologies appoints Director

April 16: NanoString Technologies to Release First Quarter 2014 Financial Results and Host Conference Call on Wednesday, May 7, 2014

April 07: NanoString Technologies Introduces Novel PanCancer Gene Expression Panel for Multiplexed Pathway Analysis

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

April 07: Nanostring Technologies: Entry into a Material Definitive Agreement

February 26: Nanostring Technologies: Results of Operations and Financial Condition

### Conference Call-transcripts

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

07 May, 2014: NanoString Technologies' (NSTG) CEO Brad Gray on Q1 2014 Results - Earnings Call Transcript

### Issued Capital

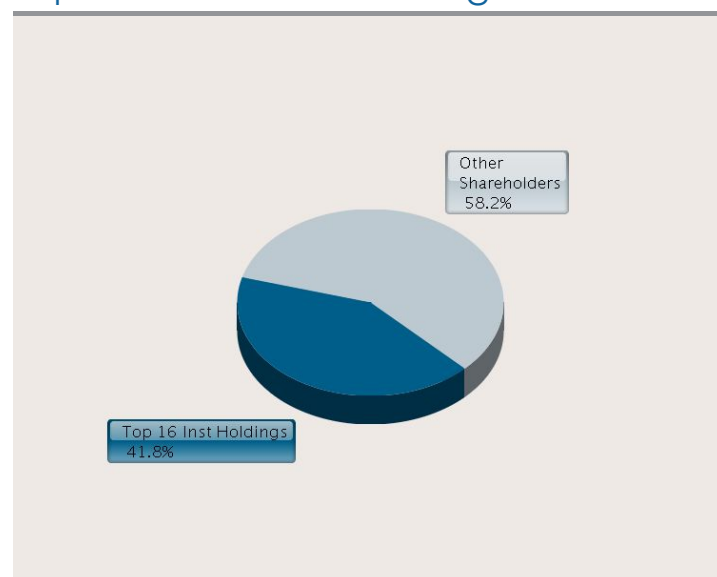
Based on 18,052,694 issued equity shares the market capitalisation is US\$269.9 million. It is NASDAQ's 13th largest Healthcare-Products company by assets.

The top sixteen shareholders hold 41.8% of the issued capital leaving a float of 58.2%.

### Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Clarus Ventures Llc	3,959,440	21.93
Redmile Group Llc	528,070	2.93
Cortina Asset Management Llc	493,140	2.73
Gilder Gagnon Howe & Co Llc	399,228	2.21
Emerald Mutual Fund Advisers Trust	357,580	1.98
Next Century Growth Investors Llc	332,100	1.84
Thomson Horstmann & Bryant Inc	307,759	1.7
Broadfin Capital Llc	254,068	1.41
Rs Investment Management Co Llc	223,547	1.24
Pier Capital Llc	192,675	1.07
<b>Total</b>	<b>7,047,607</b>	<b>39.04</b>

### Top 16 Institutional Holdings



## Board and Management

### R. Bradley Gray CEO & President

R. Bradley Gray has served as a member of the board of directors and as President and Chief Executive Officer since June 2010. Prior to joining our company, Mr. Gray held various positions at Genzyme, a biotechnology company acquired by Sanofi in 2011. He served as Vice President of Product & Business Development for Genzyme Genetics, the diagnostic services division of Genzyme, from June 2008 to May 2010, leading the development of molecular diagnostics and partnering activities. From September 2006 to June 2008, he served as Vice President of Business & Strategic Development for Genzyme Genetics, leading growth efforts through partnerships and licensing. Mr. Gray joined Genzyme in October 2004 as Director of Corporate Development, supporting business development and leading Genzyme Ventures, the corporate venture capital fund of Genzyme. Prior to joining Genzyme, Mr. Gray was a management consultant in the healthcare practice of McKinsey & Company, a global management consulting firm, from September 2000 to October 2004, where he worked with senior healthcare executives in the United States and Europe on a broad range of issues including pharmaceutical and diagnostic product strategy, post-merger integration, organization design, and operational turnarounds. Mr. Gray received a B.A. in Economics and Management from Oxford University, where he studied as a British Marshall Scholar, and an S.B. in Chemical Engineering from the Massachusetts Institute of Technology.

### Tina S. Nova Director

Tina S. Nova, Ph.D. co-founded Genoptix, Inc., a medical laboratory diagnostics company, and served as its President from 2000 until her retirement in April 2014. Dr. Nova also served as the Chief Executive Officer of Genoptix and as a member of its board of directors from 2000 until Novartis AG acquired Genoptix in February 2011. Previously, Dr. Nova co-founded Nanogen, Inc., a provider of molecular diagnostic tests, and she served as its Chief Operating Officer and President from 1994 to 2000. Prior to Nanogen, Dr. Nova served as Chief Operating Officer of Selective Genetics, a biotechnology company. Dr. Nova has also held various research and management positions with Ligand Pharmaceuticals Incorporated and Hybritech, Inc., a former subsidiary of Eli Lilly & Company. Dr. Nova serves on the board of directors of Adamis Pharmaceuticals Corporation and Arena Pharmaceuticals, Inc. Dr. Nova holds a B.S. in Biological Sciences from the University of California, Irvine and a Ph.D. in Biochemistry from the University of California, Riverside.

#### **Creation of shareholder value in Nanostring Technologies:**

Since appointment as Director: The present value of USD1,000 invested on the appointment date of April 30, 2014 at close price of US\$16.22 is US\$922, for a capital loss of US\$78.

### Burns Wayne Senior Vice President

Mr. Wayne Burns is Senior Vice President - Operations and Administration of NanoString Technologies, Inc. He has served as Senior Vice President, Operations and Administration since October 2012 and served as Chief Financial Officer from April 2007 to September 2012. During the period from March 2009 through June 2010, Mr. Burns served as Acting Chief Executive Officer as well as Chief Financial Officer. Prior to joining our company, Mr. Burns served as Chief Operating Officer and Chief Financial Officer at Action Engine, a developer of a mobile application platform, from 2001 to 2006. From 2000 to 2001, Mr. Burns was a founder and the Chief Executive Officer of SafariDog, a developer of a search engine optimization platform. Mr. Burns also served as Vice President Operations and Chief Financial Officer of NetPodium during 1999 prior to its acquisition by InterVU, where from 1999 to 2000 Mr. Burns served as Vice President of Business Development. During the period from 1990 to 1996, Mr. Burns served as Chief Financial Officer and Vice President of Finance for three venture-backed companies, all of which were acquired by public companies. Mr. Burns spent five years with PricewaterhouseCoopers in the United States and Italy. Mr. Burns received a B.A. in Business Administration with a concentration in Accounting from the University of Washington.

## Financial Results (Quarterly)

31 March, 2014

### INCOME STATEMENT

Currency in Thousand of USD	2014-03-31	2013-03-31	Change %
Revenue	8,751	5,676	Up 54.2
Costs and expenses:			
Cost of revenue	4,325	2,882	Up 50.1
Research and development	4,732	3,059	Up 54.7
Selling, general and administrative	10,674	6,126	Up 74.2
Total costs and expenses	19,731	12,067	Up 63.5
Loss from operations	-10,980	-6,391	Deterioration 71.8
Other income (expense):			
Interest income	64	3	Up 2,033.3
Interest expense	536	385	Up 39.2
Other expense	30	-4	Recovery
Revaluation of preferred stock warrant liability		-482	
Total other expense	-442	-868	Reduced 49.1
Net loss	-11,422	-7,259	Deterioration 57.3
Accretion of mandatorily redeemable convertible preferred stock		-2,342	
Net loss attributable to common stockholders	-11,422	-9,601	Deterioration 19.0
Net loss per share - basic and diluted	-68.0c	-1,788.0c	Reduced 96.2
Shares used in computing basic and diluted net loss per share	16,917,000	537,000	Up 3,050.3

### BALANCE SHEET

Currency in Thousand of USD	2014-03-31	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	28,973	9,941	Up 191.4
Short-term investments	56,837	32,715	Up 73.7
Accounts receivable, net	7,429	8,331	Down 10.8
Inventory	7,522	6,750	Up 11.4
Prepaid expenses and other	3,567	2,999	Up 18.9
Total current assets	104,328	60,736	Up 71.8
Restricted cash	142	201	Down 29.4
Deferred offering costs		29	
Property and equipment, net	3,118	3,065	Up 1.7
Other assets	205	341	Down 39.9
Total assets	107,793	64,372	Up 67.5
Liabilities and Stockholders' Equity			



## Financial Results (Quarterly) (continued)

31 March, 2014

Current liabilities:			
Accounts payable	2,619	3,354	Down 21.9
Accrued liabilities	5,437	7,088	Down 23.3
Deferred revenue, current portion	1,292	1,462	Down 11.6
Deferred rent, current portion	605	590	Up 2.5
Long-term debt, current portion	6,772	6,136	Up 10.4
Total current liabilities	16,725	18,630	Down 10.2
Deferred revenue, net of current portion	756	803	Down 5.9
Deferred rent, net of current portion	1,168	1,313	Down 11.0
Long-term debt, net of current portion	10,533	12,157	Down 13.4
Total liabilities	29,182	32,903	Down 11.3
Commitment and contingencies			
Stockholders' equity:			
Preferred stock, 0.0001 par value, 15,000 shares authorized; none issued			
Common stock, 0.0001 par value, 150,000 shares authorized; 18,053 and 14,620 shares issued			
and outstanding, respectively	2	1	Up 100.0
Additional paid-in-capital	216,854	158,278	Up 37.0
Other comprehensive income	9	22	Down 59.1
Accumulated deficit	-138,254	-126,832	Deterioration 9.0
Total stockholders' equity	78,611	31,469	Up 149.8
Total liabilities and stockholders' equity	107,793	64,372	Up 67.5

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