

MacroGenics (MGNX : US\$21.73)

MacroGenics continues downtrend, now tumbles 31.3% in second quarter ending

MacroGenics Inc, NASDAQ's 17th largest medical company by market cap, tumbled US\$9.88 (or 31.3%) in the quarter ended June 30 to close at US\$21.73. This loss means the stock is amongst the bottom 5% of NASDAQ-listed stocks in quarter ended June 30. The volume in the quarter was 1.6 times the average trading of 202,127 shares. Compared with the NASDAQ-100 Index which rose 191.1 points (or 5.2%), this represents a relative price change of -36.5%. In the second quarter the market cap declined US\$282.4 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:

- The price to 200-day MAP ratio is 0.77, a bearish indicator.
- The Price to Book of 7.6 higher than average of 7.2 for the Medical sector and 6.2 for the Total NASDAQ Market.
- In the last three months the number of falls outnumbered rises 32:31 or 1.03:1.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 4.7. Compared with the rest of the market the stock is overvalued and ranks in the bottom 9% of stocks by value of Q Ratio.
- It is trailing 83.62% of the market the past 6 months.

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

- Its Moving Average Convergence Divergence indicators are rising, with its 12-day EMA higher than its 26-day EMA.
- "Current ratio of two or more"; current assets are 4.1 times current liabilities.

Stock Summary

| | |
|---------------------------------|-----------------|
| Sector | Medical |
| Market Cap | US\$597 million |
| Shares Outstanding | 27,471,329 |
| ISIN | US5560991094 |
| Relative Strength (3 mo) | 5 |

Financial Summary

| Year ended | Dec 2013 | Dec 2012 | Dec 2011 |
|---------------|----------|----------|----------|
| Sales (USDm) | 57.4 | 64 | 57.2 |
| Pretax (USDm) | - | - | 6.7 |
| Net (USDm) | (0.3) | 8.4 | 6.7 |
| EPS (USD) | (0.04) | - | 6.55 |

MCap: A Historical Perspective

| | Share Price (USD) | Market Cap (\$) |
|------|-------------------|-----------------|
| Last | 21.7 | 597 million |

Analysis

Bearish Signals

- The price is at a premium of 4.1% to the 1-month volume weighted average price of US\$20.87. Given that this premium has been under 4.1% one hundred thirteen times and over 4.1% forty-nine times in the last year, the downside:upside probability is estimated at 113:49 or 2.3:1.
- Falls to Rises: In the last three months the number of falls outnumbered rises 32:31 or 1.03:1.
- In the NASDAQ market of 2,409 stocks traded today, the stock has a 6-month relative strength of 16 indicating it is trailing 84.0% of the market.
- The price to 200-day MAP ratio is 0.77, a bearish indicator.
- The current short volume is 1.1 times its own historical average of 0.2%.

Overvaluation:

- Price/Sales of 10.4 versus sector average of 2.7 and market average of 2.2.
- The Price to Book of 7.6 higher than average of 7.2 for the Medical sector and 6.2 for the Total NASDAQ Market.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 4.7. Compared with the rest of the market the stock is overvalued and ranks in the bottom 9% of stocks by value of Q Ratio.

Other Bearish Signals:

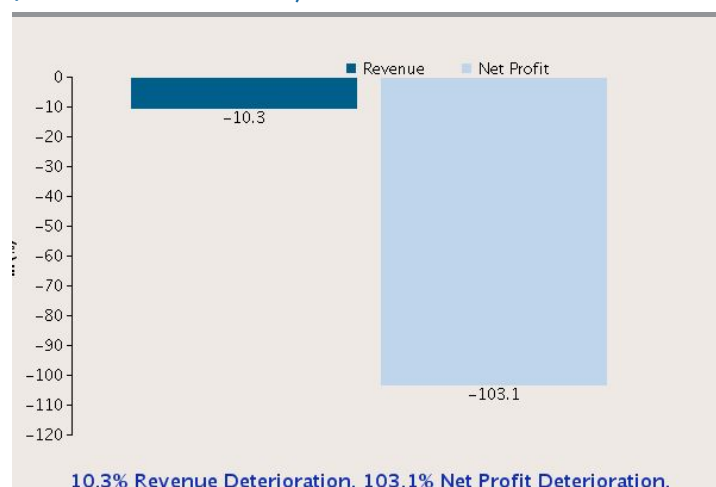
- Net Profit margin has shown signs of deterioration in recent years.

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 |
|------------------------|-------|--------------------|
| Price to Book Value | 7.6 | In Bottom Quartile |
| Relative Strength (6M) | 16 | In Bottom Quartile |
| Price/MAP200 | 0.77 | In Bottom Quartile |
| Price Change % | -2.3 | In Bottom 9% |
| Price to Sales | 10.4 | In Bottom 5% |
| Price/MAP50 | 0.52 | In Bottom 3% |

Note

Neutral Indicators and Rank in Market:

| Description | Value | Rank In Market |
|---------------------|-------------------|-----------------|
| Turnover in Quarter | US\$437.5 million | In 2nd Quartile |
| MCap | US\$597 million | In 2nd Quartile |

Bullish Signals:

- In the last 20 trading sessions there has been a net rise of 16.91%; the stock has advanced thirteen times and the biggest one day rise was 5.9% on Jun 04.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 22.13 minus the 26-day EMA of 21.43 is positive suggesting a bullish signal.
- The Price/MAP of 0.77 for MGNX is higher than the Price/MAP for the NASDAQ-100 Index of 0.2.

Undervaluation:

- The company is cash rich with Cash to Market Capitalisation at 19.5%.

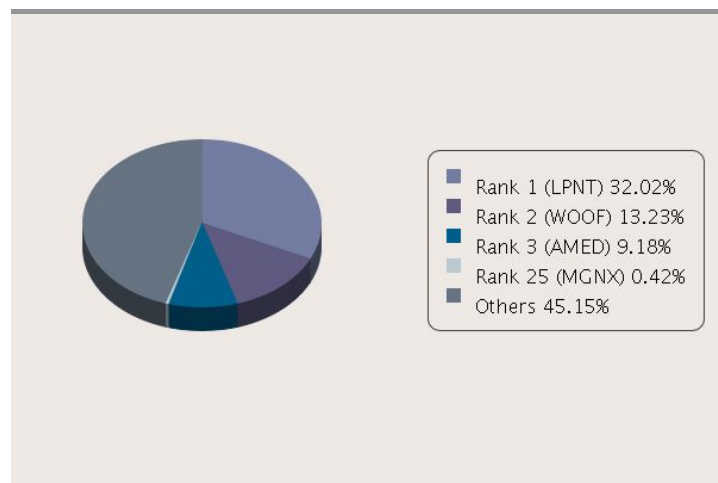
Analysis (continued)

Other Bullish Signals:

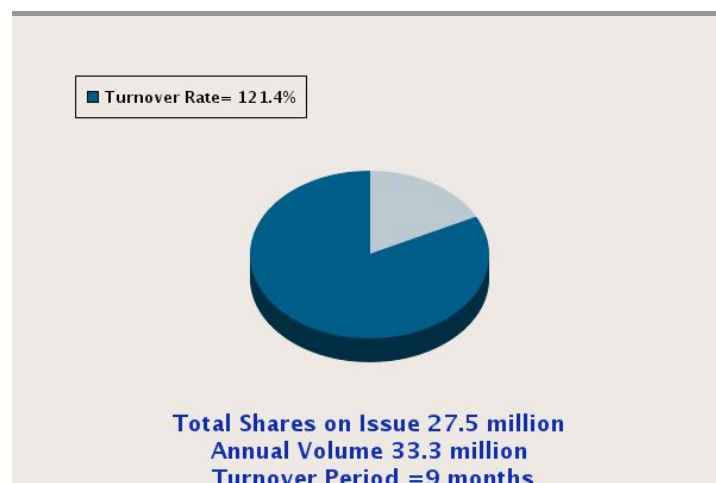
Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 4.1 times current liabilities.

Revenue Share Medical



Turnover Rate & Turnover Period



Trailing 3 months

| | |
|-------------------------|-------------------|
| Turnover | US\$437.5 million |
| Volume | 20,854,733 |
| Volume Index (1 is avg) | 1.6 |

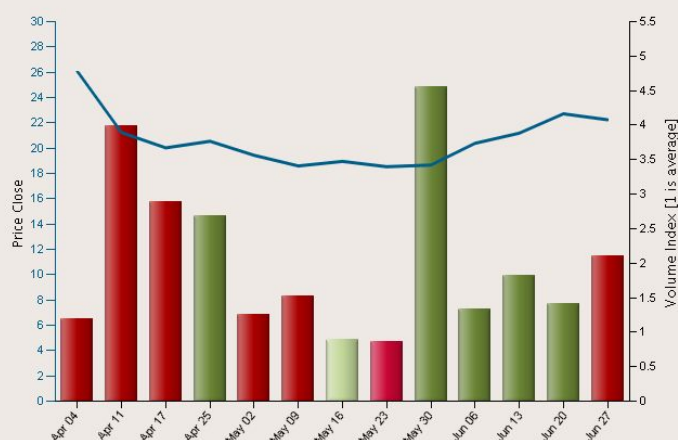
Insider Trades



Price Volume Trend: Trailing Quarter

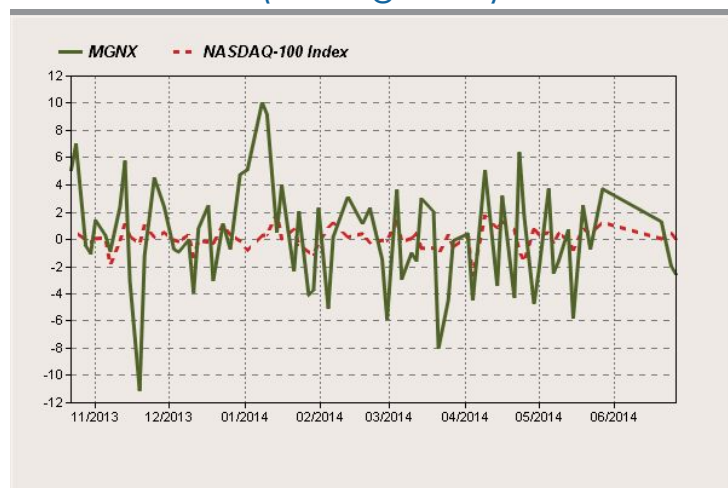


Weekly Price Volume Dynamics (Last 12 Weeks)



- Price increase fuelled by above average Volume
- Price increase on below average Volume
- Price decrease fuelled by above average Volume
- Price decrease on below average Volume
- Price unchanged on above average Volume
- Price unchanged on below average Volume
- Untraded

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) |
|--------------|------------|------------------------------|-----------------|------------------|--------------------|-----------------------|-------------------------|
| Ensign Group | 30.96 | 8 | 681 | 881 | 926 | 50 | 760 |
| LDR Holding | 25.01 | 58 | 602 | - | 117 | -30 | 128 |
| MacroGenics | 21.73 | 16 | 597 | - | 57 | -0 | 126 |
| Chimerix | 22.1 | 92 | 592 | 951 | 3 | -46 | 113 |

Recent Analyst Recommendations

| Date | Brokerage | Action | Past Rating | Current Rating | Prev Target | Price Target |
|-------------|--------------|--------------------|-------------|----------------|-------------|--------------|
| 19-Jun-2014 | Roth Capital | Boost Price Target | - | - | 28 | 30 |
| 09-Jun-2014 | Roth Capital | Initiated Coverage | - | Buy | - | 28 |

Company Overview

Activities

MacroGenics Inc. develops novel biologics. The Company specializes in treatments for autoimmune disorders, cancer, and infectious diseases. MacroGenics serves the healthcare industry in the United States.

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

Regulatory Announcements

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

June 19: MacroGenics Initiates Phase 1 Study of MGD006 for the Treatment of Acute Myeloid Leukemia

June 17: CMC Biologics and MacroGenics Enter into Process Validation and Clinical Manufacturing Agreement for Commercialization of Next-Generation Oncology Product Candidate

June 11: MacroGenics: Submission of Matters to a Vote of Security Holders

May 30: MacroGenics insider sells; shares at a 16-day high

May 06: CMC Biologics and MacroGenics Enter into a Process Development and Manufacturing Agreement for Oncology Product Candidate

April 30: MacroGenics Appoints Atul Saran as Senior Vice President and General Counsel

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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](#)

May 29: MacroGenics: Entry into a Material Definitive Agreement

March 20: MacroGenics: Results of Operations and Financial Condition

Issued Capital

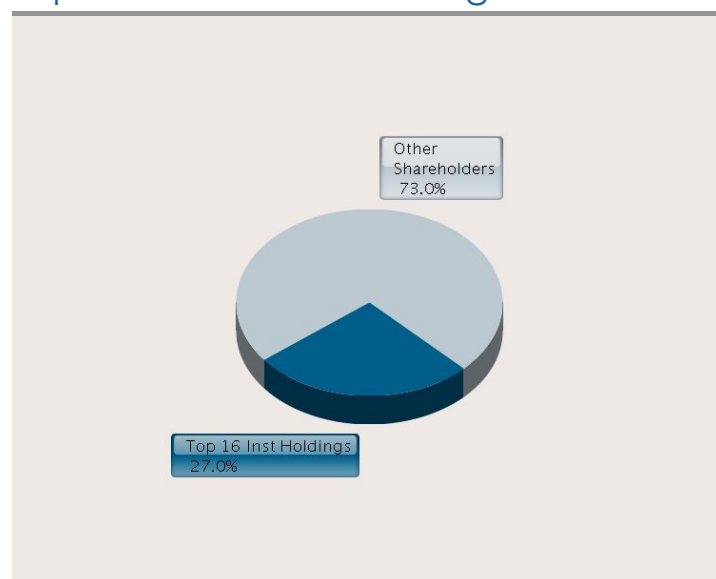
Based on 27,471,329 issued equity shares the market capitalisation is US\$597 million. It is NASDAQ's 25th largest Medical company by total revenue.

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\$639, for a capital loss of US\$361.

Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

| Currency in USD | 2014-03-31 | 2013-03-31 | Change % |
|---|------------|------------|--------------|
| Revenues: | | | |
| Revenue from collaborative research | 14,400,679 | 10,066,957 | Up 43.0 |
| Grant revenue | 317,918 | 531,070 | Down 40.1 |
| Total revenues | 14,718,597 | 10,598,027 | Up 38.9 |
| Costs and expenses: | | | |
| Research and development | 14,568,754 | 10,096,787 | Up 44.3 |
| General and administrative | 3,258,587 | 3,832,900 | Down 15.0 |
| Total costs and expenses | 17,827,341 | 13,929,687 | Up 28.0 |
| Income (loss) from operations | -3,108,744 | -3,331,660 | Reduced 6.7 |
| Other income (expense) | 409 | -34,241 | Recovery |
| Net comprehensive income (loss) | -3,108,335 | -3,365,901 | Reduced 7.7 |
| Basic and diluted net income (loss) per common share | -12.0c | -293.0c | Reduced 95.9 |
| Weighted average common shares outstanding, basic and diluted | 26,262,356 | 1,148,694 | Up 2,186.3 |

BALANCE SHEET

| Currency in USD | 2014-03-31 | 2013-12-31 | Change % |
|---|-------------|-------------|-----------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 198,721,816 | 116,481,409 | Up 70.6 |
| Accounts receivable | 1,745,740 | 2,004,019 | Down 12.9 |
| Prepaid expenses | 1,936,505 | 971,705 | Up 99.3 |
| Total current assets | 202,404,061 | 119,457,133 | Up 69.4 |
| Restricted cash | 404,850 | 404,850 | Steady |
| Property and equipment, net | 5,084,289 | 5,035,232 | Up 1.0 |
| Other assets | 2,279,513 | 885,166 | Up 157.5 |
| Total assets | 210,172,713 | 125,782,381 | Up 67.1 |
| Liabilities and stockholders' equity (deficit) | | | |
| Current liabilities: | | | |
| Accounts payable | 5,133,050 | 3,169,034 | Up 62.0 |
| Accrued expenses | 2,735,153 | 3,583,552 | Down 23.7 |
| Lease exit liability - current | 1,487,854 | 1,438,742 | Up 3.4 |
| Deferred revenue - current | 19,665,764 | 20,267,323 | Down 3.0 |
| Other liabilities - current | 362,920 | 362,920 | Steady |
| Total current liabilities | 29,384,741 | 28,821,571 | Up 2.0 |
| Lease exit liability, net of current portion | 7,609,524 | 8,006,428 | Down 5.0 |
| Deferred rent liability | 2,798,537 | 2,904,227 | Down 3.6 |
| Deferred revenue, net of current portion | 17,160,723 | 7,135,687 | Up 140.5 |
| Total liabilities | 56,953,525 | 46,867,913 | Up 21.5 |

Financial Results (Quarterly) (continued)

31 March, 2014

Stockholders' equity (deficit):

| | | |
|--|--------------|--------------------------------|
| Common stock, 0.01 par value - 125,000,000 shares authorized, 274,990 27,499,155 and 25,177,597 shares outstanding at March 31, 2014 and December 31, 2013, respectively | 251,775 | Up 9.2 |
| Treasury stock, at cost; no shares at March 31, 2014 and 14,381 shares at 2013-12-31 | -57,742 | |
| Additional paid-in capital | 331,785,771 | 254,453,673 Up 30.4 |
| Accumulated deficit | -178,841,573 | -175,733,238 Deterioration 1.8 |
| Total stockholders' equity (deficit) | 153,219,188 | 78,914,468 Up 94.2 |
| Total liabilities and stockholders' equity (deficit) | 210,172,713 | 125,782,381 Up 67.1 |

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