

Kindred Biosciences (KIN : US\$16.0)

Kindred Biosciences soars 46% in 2014, beating 94% of the market

Kindred Biosciences Inc, NASDAQ's 11th largest biotechnology company by market cap, has now soared US\$5.05 (or 46.1%) year to date in 2014 to close at US\$16.0. This gain means the stock has outperformed 94% of NASDAQ-listed stocks in 2014. The volume YTD has been 0.9 times average trading of 115,173 shares. Compared with the NASDAQ-100 Index which has risen 9.8% YTD, this represents a relative price increase of 36.3%. In 2014 the market cap has jumped US\$169.2 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 4.8. Compared with the rest of the market the stock is overvalued and ranks in the bottom 10% of stocks by value of Q Ratio.
- In the last three months the number of falls outnumbered rises 30:28 or 1.07:1.

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 -88.1.
- The Price to Book of 5 lower than average of 5.3 for the Biotechnology sector and 6.1 for the Total NASDAQ Market.

Stock Summary

Sector	Biotechnology
Market Cap	US\$314.8 million
Shares Outstanding	19,677,120
ISIN	US4945771099
Relative Strength (3 mo)	75

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	16.0	314.8 million

Analysis

Bearish Signals

- In the last 7 trading sessions there has been a net decline of 13.56%; the stock has retreated thirteen times and the biggest one day decline was 8.3% on Jul 07.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 17.13 minus the 26-day EMA of 17.45 is negative suggesting a bearish signal. Both the 12-day EMA as well as the 26-day EMA are falling, another bearish signal.
- The stock traded at a two-month low of US\$15.50 today. The bears are maintaining control with price open, high, low and close being below yesterday's levels.
- The current short volume is 3.1 times its own historical average of 0.1%.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 4.8. Compared with the rest of the market the stock is overvalued and ranks in the bottom 10% of stocks by value of Q Ratio.

Other Bearish Signals:

The stock has a score of merely 1 out of 9 set by Joseph Piotroski [pass mark ≥ 5]:

Reduction in total shares on issue.

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	-3.3	In Bottom Quartile
Volatility %	8.6	In Bottom 6%
Price/MAP50	0.57	In Bottom 6%

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$85.3 million	In 2nd Quartile
MCap	US\$314.8 million	In 3rd Quartile

Bullish Signals:

- The price is at a discount of 11.0% to the 1-month volume weighted average price of US\$17.98, which may appeal as a value proposition.
- In the NASDAQ market of 2,403 stocks traded today, the stock has a 6-month relative strength of 86 which means it is beating 86% of the market.

- The Stochastic indicator of 9.4 has broken through the oversold line of 20; the stock is also oversold according to the Williams % R indicator of -88.1.

Undervaluation:

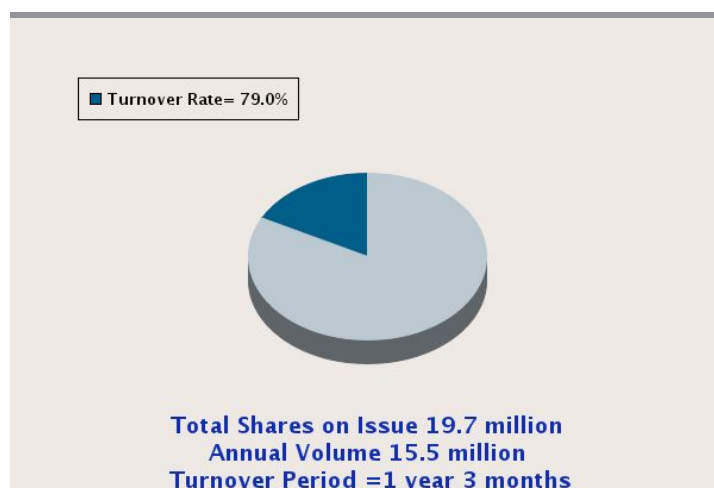
- The Price to Book of 5 lower than average of 5.3 for the Biotechnology sector and 6.1 for the Total NASDAQ Market.
- The company is cash rich with Cash to Market Capitalisation at 20.8%.

Other Bullish Signals:

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Relative Strength (6M)	86	In Top Quartile
Cash to MCap %	20.8	In Top Quartile

Turnover Rate & Turnover Period

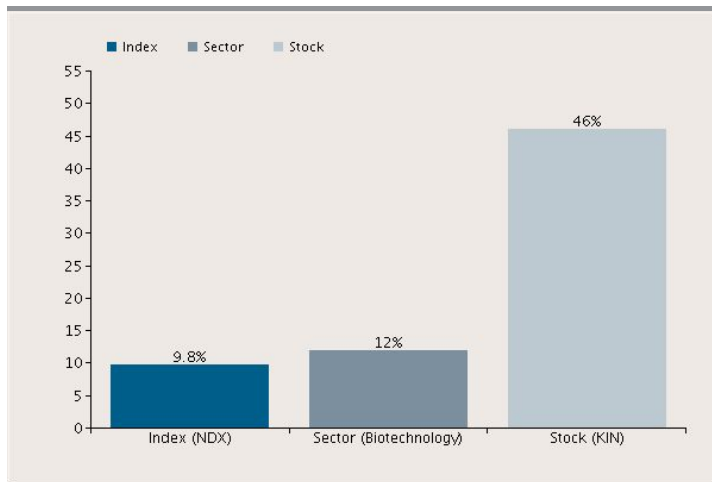


Trailing 3 months

Turnover	US\$85.3 million
Volume	5,059,317
Volume Index (1 is avg)	0.7

Analysis (continued)

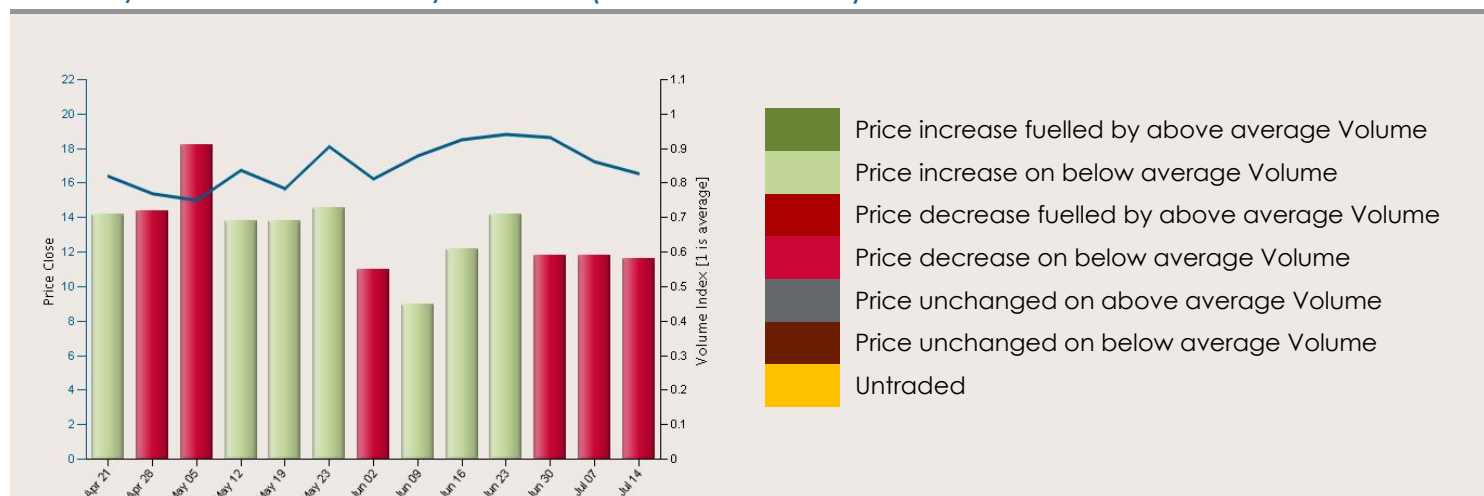
YTD Comparison Stock Sector Index



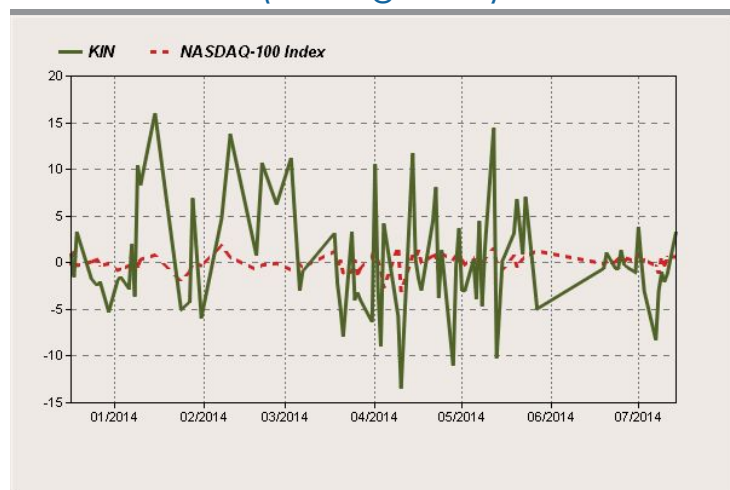
Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Stock v Index (Trailing Year)



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)
Zeltiq Aesthetics	15.24	18	567	2,493	123	-19	-
Aratana Therapeutics	13.76	15	405	-	1	-4	116
Prosensa Holding	9.45	98	331	-	14	-23	123
Kindred Biosciences	16.0	86	315	-	-	-4	65
Retrophin	10.74	-	274	-	-	-34	20
Alcobra	18.75	35	256	1,772	-	-11	50
Kamada	6.46	1	232	528	71	0	139

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
23-May-2014	Craig Hallum	Initiated Coverage	-	Buy	-	-
13-May-2014	Roth Capital	Lower Price Target	-	-	18	17
13-May-2014	Leerink Swann	Boost Price Target	-	-	29	32

Company Overview

Activities

Kindred Biosciences, Inc. is a clinical-stage biopharmaceutical company focused on saving and improving the lives of pets. The Company's core strategy is to identify compounds and targets that have already demonstrated safety and efficacy in humans and to develop therapeutics based on these validated compounds and targets for pets, primarily dogs, cats and horses.

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

Regulatory Announcements

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

June 11: Kindred Bio to Host Investor Breakfast on June 13 in New York City
May 21: Kindred Bio to Present at Craig-Hallum, Stifel, and Jefferies Conferences
May 12: Kindred Biosciences Announces First Quarter 2014 Financial Results and Completion of Enrollment in CereKin Pivotal Study
May 06: Kindred Bio to Announce First Quarter 2014 Financial Results on Monday, May 12th
April 08: Kindred Bio Announces Closing of Initial Public Offering and Exercise of Over-Allotment Option
April 04: Kindred Bio to Present at Needham 13th Annual Healthcare Conference
April 03: Kindred Bio Announces Pricing of Public Offering

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

April 03: Kindred Biosciences: Entry into a Material Definitive Agreement
March 18: Kindred Biosciences: Other Events
March 10: Kindred Biosciences: Results of Operations and Financial Condition

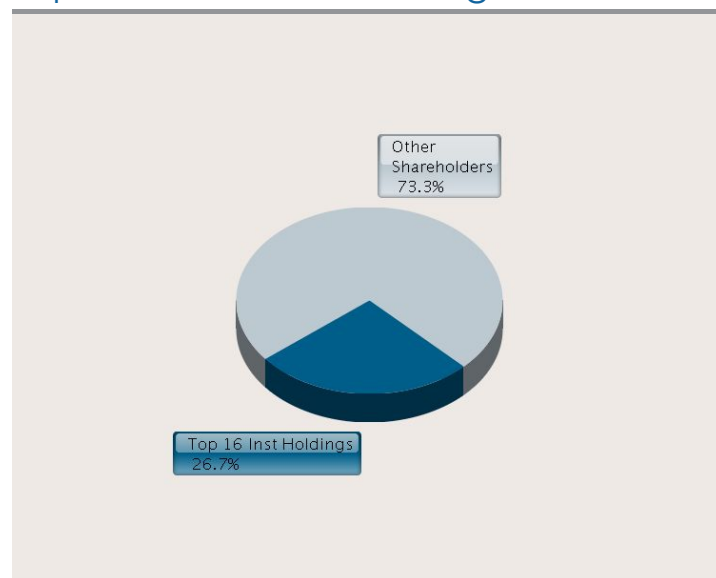
Issued Capital

Based on 19,677,120 issued equity shares the market capitalisation is US\$314.8 million.
The top sixteen shareholders hold 26.7% of the issued capital leaving a float of 73.3%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Baupost Group LLC/Ma	2,763,848	14.05
Adage Capital Partners Gp LLC	1,046,372	5.32
Kingdon Capital Management L.L.C.	539,650	2.74
Park West Asset Management LLC	210,460	1.07
Putnam Investments LLC	150,400	0.76
Marx Austin W & Greenhouse David M	131,090	0.67
Tcw Group Inc	98,363	0.5
Morgan Stanley	88,119	0.45
Barclays Global Investors UK Holdings Ltd	83,622	0.42
Geode Capital Management LLC	46,942	0.24
Total	5,158,866	26.22

Top 16 Institutional Holdings



Board and Management

Richard H. Chin CEO & President

Dr. Richard H. Chin, M.D. is the President, Chief Executive Officer, Director of Kindred Biosciences Inc. He is one of our co-founders and has served as our President and Chief Executive Officer since October 2012. From October 2008 until December 2011, he was Chief Executive Officer of OneWorld Health, a Bill and Melinda Gates Foundation-funded nonprofit organization engaged in developing drugs for neglected diseases. From July 2006 until October 2008, Dr. Chin was President and Chief Executive Officer of Oxigene, a biotechnology company. From June 2004 to July 2006, he served at Elan Pharmaceuticals, initially as Senior Vice President of Medical Affairs, and then as Senior Vice President of Global Development. From March 1999 to June 2004, Dr. Chin served in various roles at Genentech, Inc., now a Division of Roche Group, culminating in his last position as the Head of Clinical Research for Biotherapeutics Unit, overseeing clinical development of all Genentech products except for oncology products. Dr. Chin currently serves as an adjunct professor at the University of California at San Francisco. He also currently serves on the board of Galena Biopharma, Inc. and ImmunoCellular Therapeutics Ltd. Dr. Chin received his M.D. from Harvard University and also holds a law degree from Oxford University, where he studied as a Rhodes Scholar.

Stephen S. Galliker CFO

Mr. Stephen S. Galliker, CPA is the Chief Financial Officer of Kindred Biosciences Inc., since September 10, 2013. Mr. Galliker served as the Executive Vice President, Finance and Administration, and Chief Financial Officer of Dyax Corp., a biopharmaceutical company focused on advancing novel biotherapeutics for unmet medical needs, from 1999 until his retirement in July 2008. From 1996 to 1999, Mr. Galliker was the Chief Financial Officer of Excel Switching Corporation, a developer and manufacturer of open switching platforms for telecommunications networks, and was Excel's Vice President, Finance and Administration from 1997 to 1999. He currently serves as a director of Galena Biopharma, Inc., a public biopharmaceutical company. Mr. Galliker was also a director of Osteotech, Inc., a formerly public medical device company, until its merger into Medtronic, Inc. in November 2010. Mr. Galliker received a B.S. from Georgetown University and an M.B.A. from the University of Chicago, and is a member of the American Institute of Certified Public Accountants and the Massachusetts Society of Certified Public Accountants.

Raymond Townsend Independent Director

Mr. Raymond Townsend, Pharm.D. is an Independent Director of Kindred Biosciences Inc., since November 11, 2013. He has served since 2001 as the President of Wasatch Health Outcomes, Inc., his personal consulting firm engaged in providing support for pharmaceutical product development, pricing and commercialization. From 1978 to 1988, Dr. Townsend was employed in various positions at the Upjohn Company, where he pioneered the first modern pharmacoeconomic research department within the pharmaceutical industry. Between 1988 and 1997, he served in various positions at Glaxo (now GlaxoSmithKline), culminating in the positions of Worldwide Director and Vice President, Outcomes, Epidemiology and Policy Research. Between 1998 and 2001, he was co-founder and Chief Executive Officer of Strategic Outcomes Services, Inc. From 2004 to 2009, he was Senior Vice President, Pharmacoeconomic & Epidemiology Outcomes Research, at Elan Pharmaceuticals, Inc. Dr. Townsend earned a B.A. in Economics at California State University and his Doctor of Pharmacy degree from the University of California, San Francisco.

Board and Management (continued)

Denise Bevers Chief Operating Officer & Company Secretary

Ms. Denise Bevers is the Chief Operating Officer, Corporate Secretary of Kindred Biosciences Inc. She is one of our co-founders and has served as our Chief Operating Officer since October 2012. On November 11, 2013, she was appointed as our corporate Secretary. Ms. Bevers co-founded and served as the President and Chief Executive Officer of SD Scientific, Inc., a privately held, full-service medical affairs and communications company, from August 2005 to June 2013. She has over 20 years of human pharmaceutical and research experience and is an expert in clinical operations, medical affairs, and scientific communications. Ms. Bevers has managed dozens of human drug development programs from Phase I through Phase IV at pharmaceutical companies Elan Pharmaceuticals and Skyepharma, and at Quintiles, a contract research organization. She began her clinical research career in 1989 as the Division Lead of the Urology Department at Scripps Clinic and Research Foundation, a non-profit medical research foundation, where she was integral in implementing the policies and procedures for the organization's clinical research programs. Ms. Bevers earned an M.B.A. from Keller Graduate School of Management and a B.S. in Ecology, Behavior, and Evolution from the University of California San Diego, Revelle College.

Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-03-31	2013-03-31	Change %
Operating expenses:			
Research and development	4,498	141	Up 3,090.1
General and administrative	1,679	83	Up 1,922.9
Total operating expenses	6,177	224	Up 2,657.6
Loss from operations	-6,177	-224	Deterioration 2,657.6
Interest income	9		
Net loss and comprehensive loss	-6,168	-224	Deterioration 2,653.6
Net loss per share attributable to common stockholders, basic and diluted	-38.0c	-7.0c	Deterioration 442.9
Weighted-average common shares outstanding, basic and diluted	16,222,000	3,000,000	Up 440.7

BALANCE SHEET

Currency in Thousand of USD	2014-03-31	2013-12-31	Change %
ASSETS			
Current assets:			
Cash and cash equivalents	36,513	65,329	Down 44.1
Short-term investments	24,015		
Prepaid expenses and other	565	148	Up 281.8
Total current assets	61,093	65,477	Down 6.7
Property and equipment, net	27	12	Up 125.0
Total assets	61,120	65,489	Down 6.7
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	1,671	689	Up 142.5
Accrued liabilities	958	1,521	Down 37.0
Total liabilities	2,629	2,210	Up 19.0
Commitments and contingencies			
Stockholders' equity:			
Common stock, 0.0001 par value; 100,000,000 shares authorized; 2 16,227,120 and 16,214,620 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively		2	Steady
Additional paid-in capital	68,990	67,610	Up 2.0
Deficit accumulated during the development stage	-10,501	-4,333	Deterioration 142.3
Total stockholders' equity	58,491	63,279	Down 7.6
Total liabilities and stockholders' equity	61,120	65,489	Down 6.7

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