

Agios Pharmaceuticals (AGIO : US\$45.82)

Agios Pharmaceuticals jumps 26.4% in second quarter, beating 94% of the market

Agios Pharmaceuticals Inc, NASDAQ's largest healthcare-products company by market cap, jumped US\$9.58 (or 26.4%) in the quarter ended June 30 to close at US\$45.82. This gain means the stock has outperformed 94% of NASDAQ-listed stocks in quarter ended June 30. The volume in the quarter was 1.5 times the average trading of 274,942 shares. Compared with the NASDAQ-100 Index which rose 191.1 points (or 5.2%), this represents a relative price increase of 21.2%. In the second quarter the market cap jumped US\$149.3 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:

- Amongst stocks that are shorted, it was in the top quartile as a percentage of stock shorted, suggesting that there are many confident bears of the stock.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 7.7. Compared with the rest of the market the stock is overvalued and ranks in the bottom 4% of stocks by value of Q Ratio.

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.

Stock Summary

Sector	Healthcare-Products
Market Cap	US\$1.6 billion
Shares Outstanding	33,919,046
ISIN	US00847X1046
Relative Strength (3 mo)	94

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USDm)	25.5	25.1	21.8
Pretax (USDm)	(38.8)	(22.9)	(16.5)
Net (USDm)	(43.6)	(27.3)	(26.8)
EPS (USD)	(2.83)	(8.02)	(8.9)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	45.8	1.6 billion

Analysis

Bullish Signals

- Rises to Falls: In the last three months the number of rises outnumbered falls 32:31 or 1.03:1.
- In the last 20 trading sessions there has been a net rise of 35.2%; the stock has advanced fourteen times and the biggest one day rise was 10.2% on Jun 04.
- In the NASDAQ market of 2,409 stocks traded today, the stock has a 6-month relative strength of 98 which means it is beating 98% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 45.03 minus the 26-day EMA of 43.22 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 1.2 for AGIO is higher than the Price/MAP for the NASDAQ-100 Index of 0.1.
- The price to 200-day MAP ratio is 1.2, a bullish indicator. In the past 200 days this ratio has exceeded 1.2, 37 times suggesting further upside. The 50-day MAP of US\$60.18 is higher than the 200-day MAP of US\$38.13, a bullish indicator. The 200-day MAP has increased to US\$38.13. An increase is another bullish indicator.

Other Bullish Signals:

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Relative Strength (6M)	98	In Top 3%
Price/MAP200	1.2	In Top Quartile
%Prem To Vol Wtd Price	8.5	In Top Quartile
Turnover in Quarter	US\$1.1 billion	In Top Quartile
MCap	US\$1.6 billion	In Top Quartile

Bearish Signals

- The price is at a premium of 8.5% to the 1-month volume weighted average price of US\$42.24. Given that this premium has been under 8.5% one hundred seventy-two times and over 8.5% fifty-six times in the last year, the downside:upside probability is estimated at 172:56 or 3.1:1.
- In the NASDAQ Short Selling market of 2430 stocks, short selling as a % of issued shares ranked 424th and within the top quartile of stocks. This means it was higher than market average of 0.43%, a bearish indicator.
- The current short volume is 1.4 times its own historical average of 0.5%.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 7.7. Compared with the rest of the market the stock is overvalued and ranks in the bottom 4% of stocks by value of Q Ratio.

Other Bearish Signals:

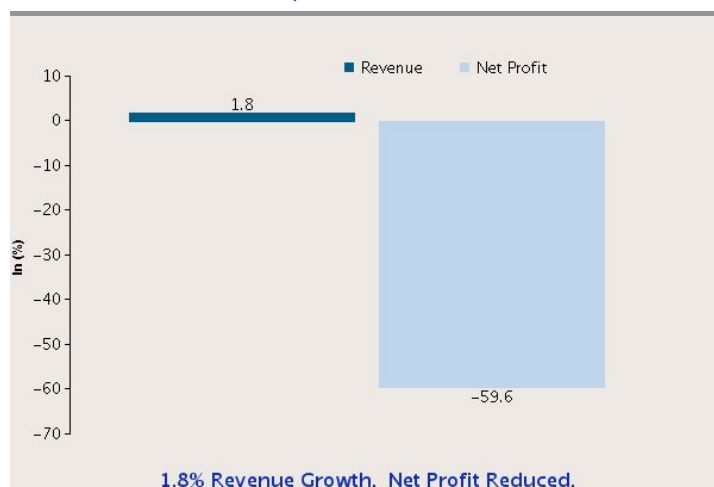
- Net Profit margin has seen consecutive falls and seems to be on a slippery slope in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	Net Profit Margin
Dec 13	-170.5
Dec 12	-108.7

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



Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Annual Revenue	US\$25.5 million	In Bottom Quartile
Price/MAP50	0.76	In Bottom Quartile
Price to Book Value	11.8	In Bottom 8%

Analysis (continued)

Insider Trades



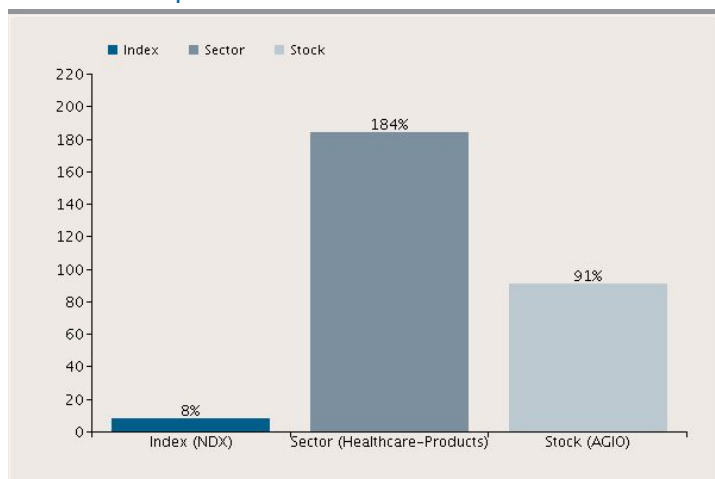
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$1.1 billion
Volume	26,612,825
Volume Index (1 is avg)	1.5

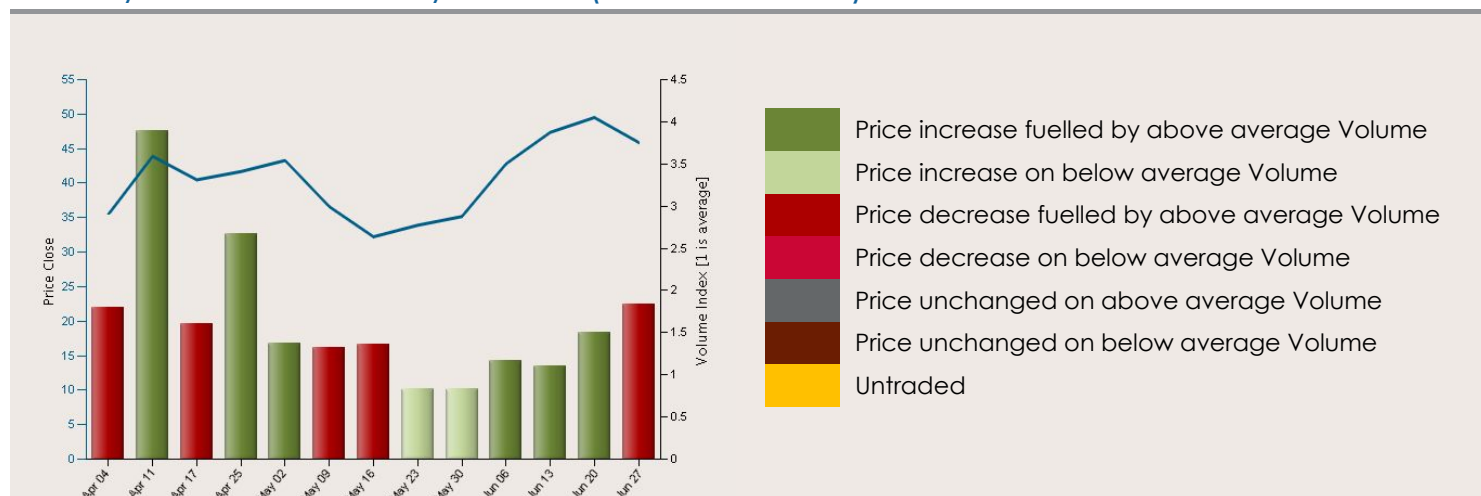
YTD Comparison Stock Sector Index



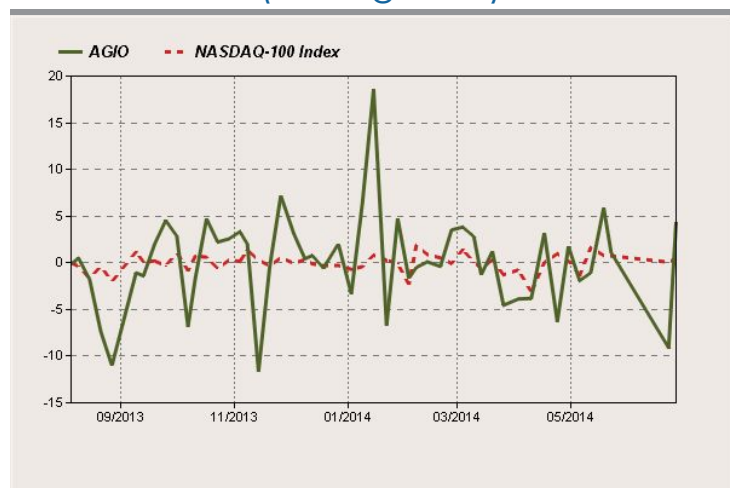
Price Volume Trend: Trailing Quarter



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	45.82	98	1,554	-	26	-44	201
Ultragenyx Pharmaceutical	44.89	-	1,348	-	-	-50	60
iKang Healthcare Group	17.34	-	1,116	-	202	-6	250
Kite Pharma	28.92	-	1,066	-	-	-	-
Relypsa	24.32	41	823	-	-	-71	106
Versartis	28.04	-	678	-	-	-18	15
Alder Biopharmaceuticals	20.07	-	618	-	19	-21	27

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
16-Jun-2014	JPMorgan Chase & Co.	Reiterated Rating	-	Overweight	55	60
06-May-2014	Zacks	Upgrade	Underperform	Neutral	-	44.8
07-Apr-2014	JPMorgan Chase & Co.	Upgrade	Neutral	Overweight	40	55
07-Apr-2014	Leerink Swann	Boost Price Target	-	-	51	65

Reported Buying Selling by Insiders

Insider	Date	Transaction Type	No. of Shares	Price, US\$	Value, US\$
Maraganore John	Jun 23, 2014	Bought	2,300	43.98	101,154
Biller Scott	Jun 20, 2014	Sold	2,004	50.05	100,300
Higgon's John Duncan	Jun 13, 2014	Sold	5,000	45.27	226,350
Higgon's John Duncan	Jun 03, 2014	Sold	3,700	35.01	129,537
Higgon's John Duncan	Jun 02, 2014	Sold	3,300	33.87	111,771
Biller Scott	Jun 02, 2014	Sold	4,500	33.76	151,920
Higgon's John Duncan	May 06, 2014	Sold	5,000	45.73	228,650
Maraganore John	Apr 29, 2014	Bought	2,250	44	99,000
Higgon's John Duncan	Apr 07, 2014	Sold	3,000	45.17	135,510
Goddard Glenn	Apr 07, 2014	Sold	2,000	45.17	90,340

Company Overview

Activities

Agios Pharmaceuticals Inc. discovers and develops therapeutics in the field of cancer metabolism. The Company develops drugs focusing on glycolysis, fatty acid metabolism, and autophagy. Agios Pharmaceuticals operates in the United States.

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

Regulatory Announcements

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

June 24: Agios Pharmaceuticals insider buys; shares at an 11-day low
June 23: Agios Pharmaceuticals insider sells
June 16: Agios Pharmaceuticals insider sells; shares at a two-month high
June 16: Agios Pharmaceuticals Announces Orphan Drug Designation of AG-221 for Treatment of Acute Myelogenous Leukemia
June 09: Agios Pharmaceuticals Initiates Multiple Ascending Dose Trial in Healthy Volunteers of AG-348 for the Potential Treatment of PK Deficiency, a Rare, Hemolytic Anemia
June 04: Agios Pharmaceuticals to Present at the Goldman Sachs 35th Annual Global Healthcare Conference
May 22: Agios Pharmaceuticals to Present New Clinical Data from AG-221 Ongoing Phase 1 Study at the 19th Congress of the European Hematology Association

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

June 16: Agios Pharmaceuticals: Other Events
June 13: Agios Pharmaceuticals: Other Events
May 08: Agios Pharmaceuticals: Results of Operations and Financial Condition
April 17: Agios Pharmaceuticals: Other Events
April 07: Agios Pharmaceuticals: Other Events
March 06: Agios Pharmaceuticals: Results of Operations and Financial Condition
January 13: Agios Pharmaceuticals: Regulation FD Disclosure

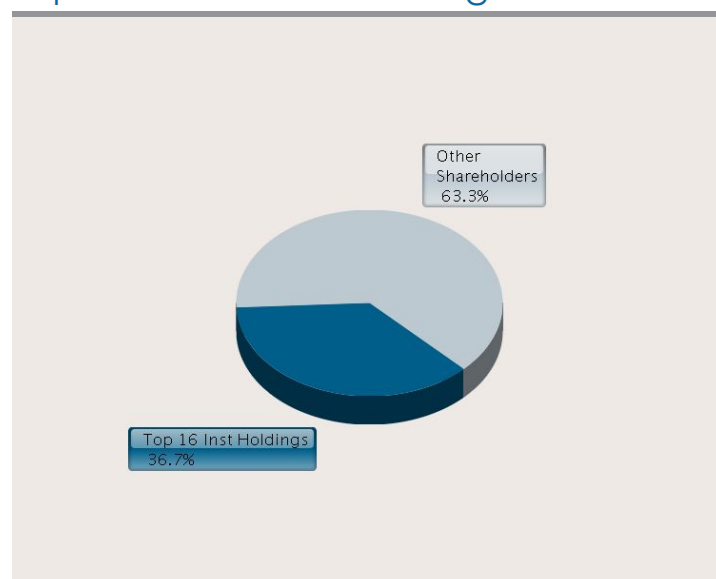
Issued Capital

Based on 33,919,046 issued equity shares the market capitalisation is US\$1.6 billion. It is NASDAQ's 7th largest Healthcare-Products company by total revenue. The top sixteen shareholders hold 36.7% of the issued capital leaving a float of 63.3%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Third Rock Ventures Llc	5,564,414	16.4
Fmr Llc	3,640,679	10.73
Vanguard Group Inc	753,784	2.22
Franklin Resources Inc	478,300	1.41
Lord Abbett & Co. Llc	434,616	1.28
Jennison Associates Llc	309,407	0.91
Driehaus Capital Management Llc	266,159	0.78
Brookside Capital Management Llc	207,889	0.61
Morgan Stanley	201,501	0.59
Jpmorgan Chase & Co	156,325	0.46
Total	12,013,074	35.42

Top 16 Institutional Holdings



Board and Management

David P. Schenkein M. D.
CEO

Paul J. Clancy
Director

Creation of shareholder value in Agios Pharmaceuticals:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of September 26, 2013 at close price of US\$27.44 is US\$1,670, for a capital gain of US\$670.

Maraganore John
Independent Director

Dr. John M. Maraganore, Ph.D. is an Independent Director of Agios Pharmaceuticals, Inc. Dr. Maraganore has served as the chief executive officer and as a director of Alnylam Pharmaceuticals, Inc., a publicly-traded biopharmaceutical company. From December 2002 to December 2007, Dr. Maraganore served as president of Alnylam. From April 2000 to December 2002, Dr. Maraganore served as senior vice president, strategic product development with Millennium. Before Millennium, he served as director of molecular biology and director of market and business development at Biogen, Inc. (now Biogen Idec, Inc.), a publicly-traded company. Prior to Biogen, Dr. Maraganore was a scientist at ZymoGenetics, Inc. and The Upjohn Company. Dr. Maraganore is also chairman of the board of directors of Regulus Therapeutics, Inc., a publicly-traded company, and a director of bluebird bio, Inc. and Tempero Pharmaceuticals. In addition, he is a venture partner at Third Rock Ventures, L.P., where he participates in a limited capacity focusing on guiding strategy for Third Rock and its portfolio companies. He is also a member of the Immunology Advisory Council of Harvard Medical School and a member of the board of directors of the Biotechnology Industry Organization.

Higgon John Duncan
Chief Operating Officer

Mr. Duncan Higgon is the Chief Operating Officer for Agios Pharmaceuticals, Inc. He worked at Archemix Corporation, where he served as President, Chief Operating Officer and Interim Chief Executive Officer. He worked as the Chief Commercial Officer at TransForm Pharmaceuticals. He has also held positions at Alkermes, Inc. as Senior Vice President of Business Development and Marketing; Eli Lilly & Co., where he served in a variety of senior sales and marketing functions; and Baxter International.

Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-03-31	2013-03-31	Change %
Collaboration revenue-related party	8,411	6,268	Up 34.2
Operating expenses:			
Research and development	17,407	11,462	Up 51.9
General and administrative	3,288	1,852	Up 77.5
Total operating expenses	20,695	13,314	Up 55.4
Loss from operations	-12,284	-7,046	Deterioration 74.3
Interest income	36	8	Up 350.0
Loss before provision for income taxes	-12,248	-7,038	Deterioration 74.0
Provision for income taxes		190	
Net loss	-12,248	-7,228	Deterioration 69.5
Cumulative preferred stock dividends		-1,797	
Net loss applicable to common stockholders	-12,248	-9,025	Deterioration 35.7
Net loss per share applicable to common stockholders - basic and diluted	-39.0c	-247.0c	Reduced 84.2
Weighted-average number of common shares used in net loss per share applicable to common stockholders - basic and diluted	31,394,563	3,658,016	Up 758.2

BALANCE SHEET

Currency in Thousand of USD	2014-03-31	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	32,837	71,560	Down 54.1
Marketable securities	129,432	95,209	Up 35.9
Unbilled collaboration receivable-related party	2,619	476	Up 450.2
Prepaid expenses and other current assets	3,033	2,502	Up 21.2
Refundable income taxes	4,496		
Total current assets	172,417	169,747	Up 1.6
Marketable securities	5,005	27,125	Down 81.5
Property and equipment, net	3,452	3,758	Down 8.1
Restricted cash	571	571	Steady
Other assets	467	4	Up 11,575.0
Total assets	181,912	201,205	Down 9.6
Liabilities and stockholders' equity			

Financial Results (Quarterly) (continued)

31 March, 2014

Current liabilities:			
Accounts payable	4,411	3,678	Up 19.9
Accrued expenses	3,841	6,586	Down 41.7
Income taxes payable		1,462	
Deferred revenue-related party	25,072	25,072	Steady
Deferred rent	133	123	Up 8.1
Other current liabilities	624	9	Up 6,833.3
Total current liabilities	34,081	36,930	Down 7.7
Deferred revenue, net of current portion-related party	26,299	32,567	Down 19.2
Deferred rent, net of current portion	186	220	Down 15.5
Other non-current liabilities	3	6	Down 50.0
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, 0,001 par value; 25,000,000 shares authorized; no shares issued and outstanding			
Common stock, 0,001 par value; 125,000,000 shares authorized; 32,832,103 and 31,202,542 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively		31	Up 3.2
Additional paid-in capital	246,970	244,881	Up 0.9
Accumulated other comprehensive income	33	14	Up 135.7
Accumulated deficit	-125,692	-113,444	Deterioration 10.8
Total stockholders' equity	121,343	131,482	Down 7.7
Total liabilities and stockholders' equity	181,912	201,205	Down 9.6

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