

Aratana Therapeutics (PETX : US\$14.29)

Aratana Therapeutics tumbles 25% in 2014, underperforming 13% of the market

Aratana Therapeutics, Inc., NASDAQ's 8th largest biotechnology company by market cap, has now tumbled US\$4.81 (or 25.2%) year to date in 2014 to close at US\$14.29. This loss means the stock has underperformed 87% of NASDAQ-listed stocks in 2014. The volume YTD has been 1.4 times average trading of 165,068 shares. Compared with the NASDAQ-100 Index which has risen 6.0% YTD, this represents a relative price change of -31.1%. In 2014 the market cap has declined US\$33.5 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 Price to Book of 22 higher than average of 5.1 for the Biotechnology sector and 6.1 for the Total NASDAQ Market.
- The price to 200-day MAP ratio is 0.66, a bearish indicator.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 3.6. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.
- It is trailing 88.69% 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 2.9 times current liabilities.

Stock Summary

Sector	Biotechnology
Market Cap	US\$421.2 million
Shares Outstanding	29,472,738
ISIN	US03874P1012
Relative Strength (3 mo)	13

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	14.3	421.2 million

Analysis

Bearish Signals

- The price is at a premium of 9.3% to the 1-month volume weighted average price of US\$13.07. Given that this premium has been under 9.3% one hundred seventy-four times and over 9.3% forty-three times in the last year, the downside:upside probability is estimated at 174:43 or 4.05:1.
- In the NASDAQ market of 2,339 stocks traded today, the stock has a 6-month relative strength of 11 indicating it is trailing 89.0% of the market.
- The price to 200-day MAP ratio is 0.66, a bearish indicator. In the past 200 days this ratio has been under 0.66 19 times suggesting further downside. The stock is trading below both its MAPs and the 50-day MAP of US\$20.71 is lower than the 200-day MAP of US\$21.57, a bearish indicator. The 200-day MAP has decreased to US\$21.57. A decrease is another bearish indicator.
- The Stochastic indicator of 83.8 has broken through the overbought line of 80.
- In the NASDAQ Short Selling market of 2406 stocks, short selling as a % of issued shares ranked 572nd and within the top quartile of stocks. This means it was higher than market average of 0.52%, a bearish indicator.
- The current short volume is 2.0 times its own historical average of 0.3%. It jumped 7.4% from the previous day, a bearish indicator.

Overvaluation:

- The Price to Book of 22 higher than average of 5.1 for the Biotechnology sector and 6.1 for the Total NASDAQ Market.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 3.6. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.

Other Bearish Signals:

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price/MAP50	0.69	In Bottom Quartile
Relative Strength (6M)	11	In Bottom Quartile
Price/MAP200	0.66	In Bottom 6%
Price to Book Value	22	In Bottom 2%
Annual Revenue	US\$676,000	In Bottom 1%

Note

Neutral Indicators and Rank in Market:

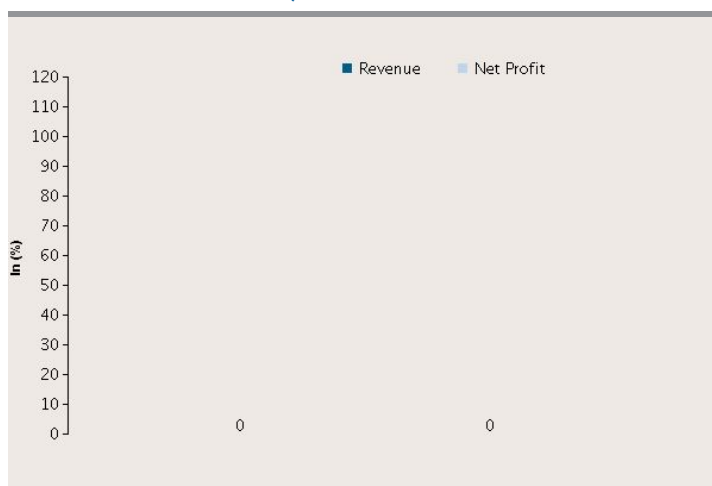
Description	Value	Rank In Market
Turnover in Quarter	US\$207.3 million	In 2nd Quartile
MCap	US\$421.2 million	In 2nd Quartile

Bullish Signals:

- In the last 20 trading sessions there has been a net rise of 20.71%; the stock has advanced twelve times and the biggest one day rise was 5.6% on May 22.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 14.18 minus the 26-day EMA of 13.91 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 0.66 for PETX is higher than the Price/MAP for the NASDAQ-100 Index of 0.6.

Other Bullish Signals:

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



Also, the following criteria set by Benjamin Graham:

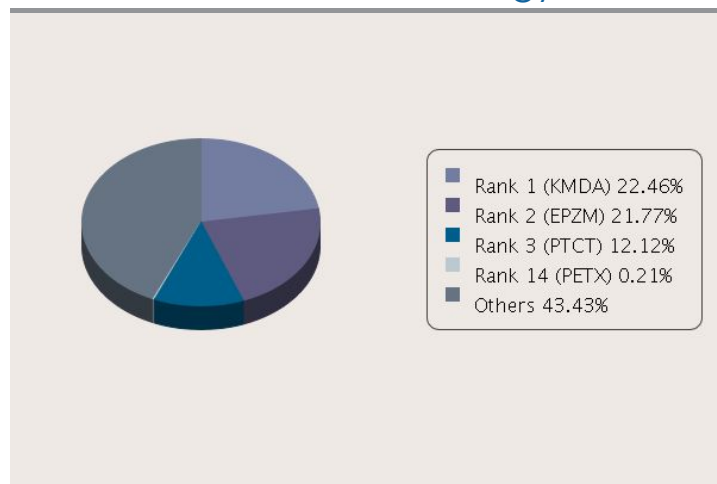
- "Current ratio of two or more"; current assets are 2.9 times current liabilities.

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
%Prem To Vol Wtd Price	9.3	In Top Quartile

Analysis (continued)

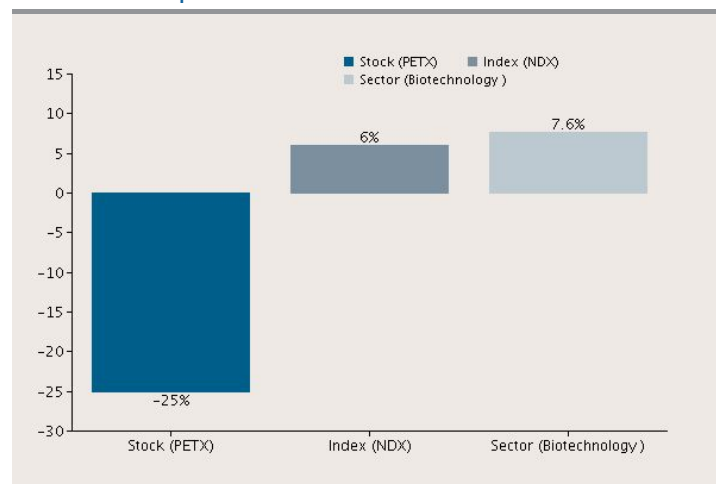
Revenue Share Biotechnology



Trailing 3 months

Turnover	US\$207.3 million
Volume	13,849,186
Volume Index (1 is avg)	1.3

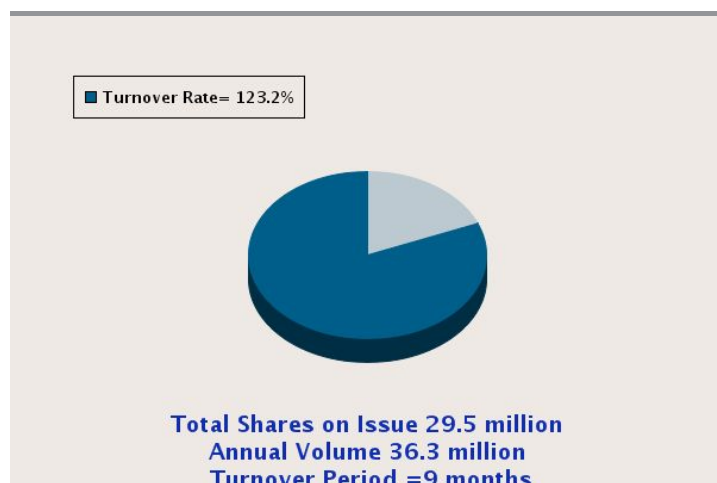
YTD Comparison Stock Sector Index



Insider Trades



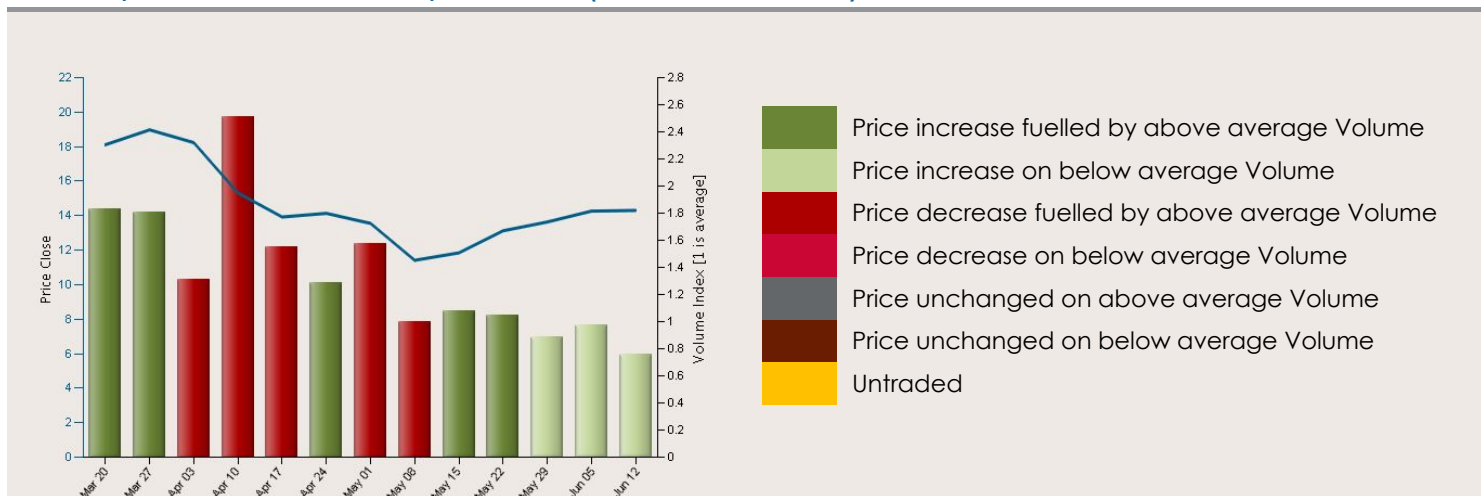
Turnover Rate & Turnover Period



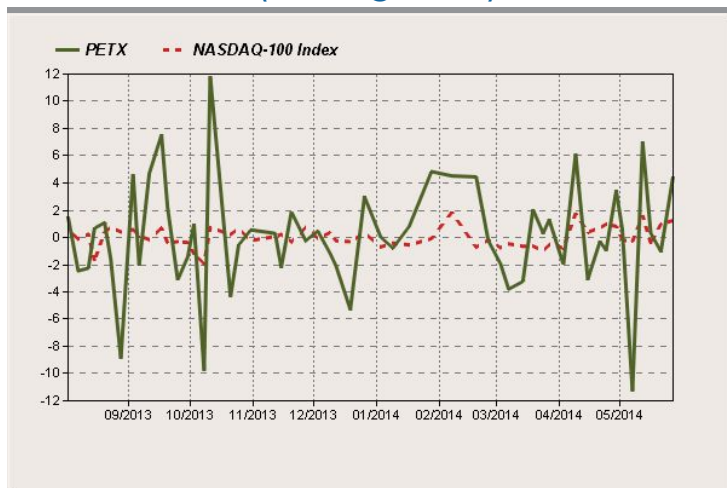
Price Volume Trend: Trailing Quarter



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)
Zeltiq Aesthetics	15.56	21	579	2,762	-	-	-
Aratana Therapeutics	14.29	11	421	-	1	-4	116
Prosensa Holding	10.09	99	353	-	14	-22	123
Kamada	8.0	2	288	-	71	0	139

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
06-Jun-2014	Jefferies Group	Reiterated Rating	-	Buy	25	23
14-May-2014	Stifel Nicolaus	Reiterated Rating	-	Buy	30	22
14-Apr-2014	Zacks	Downgrade	Outperform	Neutral	-	18.4
24-Mar-2014	Jefferies Group	Initiated Coverage	-	Buy	-	25

Reported Buying Selling by Insiders

Insider	Date	Transaction Type	No. of Shares	Price, US\$	Value, US\$
Rhodes Linda	Jun 09, 2014	Sold	5,374	15	80,610
St Peter Steven	Jun 02, 2014	Sold	25,000	13.47	336,750

Company Overview

Activities

Aratana Therapeutics Inc. develops biomedical therapeutics for animals. The Company offers products to treat the pain and inflammation associated with osteoarthritis in pets. Aratana Therapeutics markets its products in the United States.

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

Regulatory Announcements

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

June 11: Aratana Therapeutics insider sells; shares at a two-month high

June 02: Aratana Therapeutics insider sells; shares at a two-month high

May 30: Aratana Therapeutics to Participate in Upcoming Investor Conferences

May 23: Aratana Therapeutics to Participate in Two Upcoming Investor Conferences

May 13: Aratana Therapeutics Reports First Quarter 2014 Results

May 13: Aratana Therapeutics' CEO Steven St. Peter on Q1 2014 Results - Earnings Call Transcript

May 12: Aratana Therapeutics Initiates Pivotal Study for AT-001

To view 8-K people news for Aratana-Therapeutics, [click here](#)

February 04: Aratana Therapeutics elects Merilee Raines as director

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

May 14: Aratana Therapeutics: Results of Operations and Financial Condition

March 13: Aratana Therapeutics: Results of Operations and Financial Condition

January 30: Aratana Therapeutics: Other Events

January 21: Aratana Therapeutics: Financial Statements and Exhibits

January 17: Aratana Therapeutics: Financial Statements and Exhibits

January 07: Aratana Therapeutics: Entry into a Material Definitive Agreement

Issued Capital

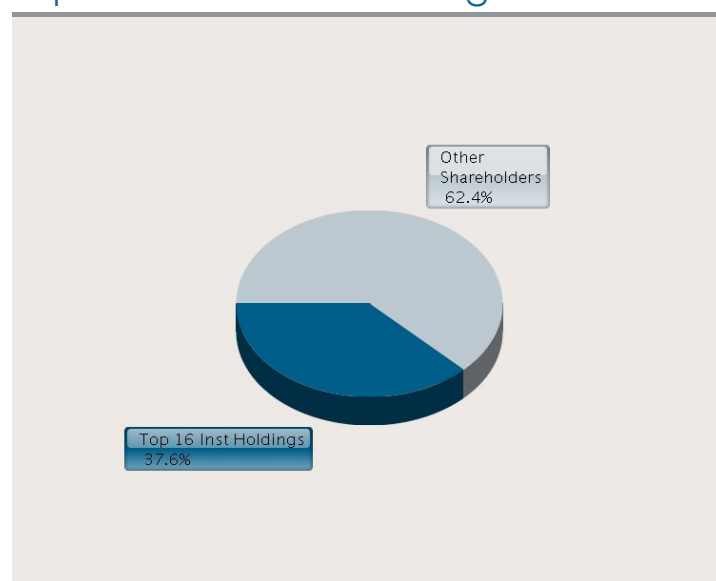
Based on 29,472,738 issued equity shares the market capitalisation is US\$421.2 million. It is NASDAQ's 14th largest Biotechnology company by total revenue.

The top sixteen shareholders hold 37.6% of the issued capital leaving a float of 62.4%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Mpm Asset Management Llc	2,788,165	9.46
Franklin Resources Inc	1,593,157	5.41
Adage Capital Partners Gp Llc	1,275,000	4.33
Massachusetts Financial Services Co /Ma/	828,200	2.81
Jpmorgan Chase & Co	744,650	2.53
Marxe Austin W & Greenhouse David M	600,000	2.04
Vanguard Group Inc	495,365	1.68
Blair William & Co/ll	421,135	1.43
Chartwell Investment Partners/Pa	401,395	1.36
D. E. Shaw & Co. Inc.	352,068	1.19
Total	9,499,135	32.23

Top 16 Institutional Holdings



Board and Management

Steven St. Peter
CEO & President

Wendy Yarno
Director

Creation of shareholder value in Aratana Therapeutics:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of October 21, 2013 at close price of US\$26.82 is US\$533, for a capital loss of US\$467.

Laura Breg
Director

Creation of shareholder value in Aratana Therapeutics:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of February 05, 2014 at close price of US\$21.17 is US\$675, for a capital loss of US\$325.

David L. Brinkley
Director

Creation of shareholder value in Aratana Therapeutics:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of March 27, 2014 at close price of US\$18.97 is US\$753, for a capital loss of US\$247.

Merilee Raines
Director

Creation of shareholder value in Aratana Therapeutics:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of February 04, 2014 at close price of US\$21.54 is US\$663, for a capital loss of US\$337.

Financial Results (Annual)

31 December, 2013

INCOME STATEMENT

Currency in Thousand of USD	2013-12-31	2012-12-31	Change %
Revenues:			
Licensing revenue	15		
Product sales	108		
Total revenues	123		
Costs and expenses:			
Cost of product sales	108		
Royalty expense	1		
Research and development	10,925	7,291	Up 49.8
General and administrative	8,572	2,987	Up 187.0
In-process research and development		1,500	
Amortization of acquired intangible assets	380		
Total costs and expenses	19,986	11,778	Up 69.7
Loss from operations	-19,863	-11,778	Deterioration 68.6
Other income (expense)			
Interest income	75	21	Up 257.1
Interest expense	432		
Other income	478	121	Up 295.0
Total other income (expense)	121	142	Down 14.8
Loss before income taxes	-19,742	-11,636	Deterioration 69.7
Income tax benefit	-15,455		
Net loss and comprehensive loss	-4,287	-11,636	Reduced 63.2
Modification of Series A convertible preferred stock			
Unaccreted dividends on convertible preferred stock		-2,035	
Net loss attributable to common stockholders	-4,287	-13,671	Reduced 68.6
Net loss per share attributable to common stockholders, basic and diluted	-39.0c	-3,453.0c	Reduced 98.9
Weighted average shares outstanding, basic and diluted	11,059,382	395,918	Up 2,693.4

BALANCE SHEET

Currency in Thousand of USD	2013-12-31	2012-12-31	Change %
Assets			

Financial Results (Annual) (continued)

31 December, 2013

Current assets:			
Cash and cash equivalents	41,084	13,973	Up 194.0
Short-term marketable securities	4,670	6,382	Down 26.8
Receivable from stockholder	1,001	650	Up 54.0
Inventory	55		
Prepaid expenses and other current assets	274	25	Up 996.0
Deferred tax asset-current	1,381		
Total current assets	48,465	21,030	Up 130.5
Property and equipment, net	98	19	Up 415.8
Restricted cash		141	
Goodwill	20,796		
Intangible assets, net	46,140		
	66,936		
Other long-term assets	37	32	Up 15.6
Total assets	115,536	21,222	Up 444.4
Liabilities, Convertible Preferred Stock and Stockholders' Equity (Deficit)			
Current liabilities:			
Accounts payable	2,307	761	Up 203.2
Accrued expenses	2,495	1,361	Up 83.3
Current portion-loan payable	5,625		
Current portion-note payable	3,000		
Current portion-deferred licensing revenue	45		
Current portion-contingent consideration	2,572		
Deferred income	800	800	Steady
Other current liabilities	57	562	Down 89.9
Total current liabilities	16,901	3,484	Up 385.1
Loan payable	9,310		
Contingent consideration	1,543		
Deferred tax liability	1,666		
Other long-term liabilities	75	96	Down 21.9
Total liabilities	29,495	3,580	Up 723.9

Financial Results (Annual) (continued)

31 December, 2013

Commitments and contingencies

Series A convertible preferred stock; 0,001 par value; 10,000,000 shares authorized, 9,999,999 shares issued and outstanding at December 31, 2012, respectively (liquidation preference of 11,674)	9,951
Series A-I convertible preferred stock; 0,001 par value; 2,750,000 shares authorized, 2,750,000 shares issued and outstanding at December 31, 2012 (liquidation preference of 5,500)	4,662
Series B convertible preferred stock; 0,001 par value; 5,166,667 shares authorized at December 31, 2012, 5,141,667 shares issued and outstanding at December 31, 2012 (liquidation preference of 7,814)	15,241
Series C convertible preferred stock; 0,001 par value; 3,000,000 shares authorized at December 31, 2012, 2,349,541 shares issued and outstanding at December 31, 2012 (liquidation preference of 9,404)	9,343
	39,197

Stockholders' equity (deficit):

Common stock; 0,001 par value; 100,000,000 and 25,016,667 shares authorized at December 31, 2013 and 2012, respectively; 23,425,487 and 830,823 shares issued and outstanding at December 31, 2013 and 2012, respectively	23	1	Up 2,200.0
Additional paid-in capital	112,515	654	Up 17,104.1
Deficit accumulated during the development stage	-26,497	-22,210	Deterioration 19.3
Total stockholders' equity (deficit)	86,041	-21,555	Recovery
Total liabilities, convertible preferred stock and stockholders' equity	115,536	21,222	Up 444.4

CASH FLOW

Currency in Thousand of USD	2013-12-31	2012-12-31	Change %
Cash flows from operating activities			
Net loss	-4,287	-11,636	Reduced 63.2
Adjustments to reconcile net loss to net cash used in operating activities:			
Acquired in-process research and development		1,500	
Stock-based compensation expense	1,025	106	Up 867.0
Depreciation and amortization expense	395	13	Up 2,938.5
Non-cash interest expense	23		
Change in fair value of contingent consideration	305		
Deferred income taxes	-15,455		
Changes in operating assets and liabilities:			
Prepaid expenses	-249		
Other assets	-14	-32	Reduced 56.2
Accounts payable	1,527	536	Up 184.9
Accrued expenses and other liabilities	572	897	Down 36.2
Deferred income		800	
Net cash used in operating activities	-16,151	-7,816	Deterioration 106.6

Financial Results (Annual) (continued)

31 December, 2013

Cash flows from investing activities			
Purchases of property and equipment, net	-94	-10	Deterioration 840.0
Cash paid for acquisitions, net of cash received	-30,994		
Purchases of marketable securities	-5,169	-6,627	Reduced 22.0
Proceeds from maturities of marketable securities	6,881	6,627	Up 3.8
Purchase of in-process research and development		-1,000	
Change in restricted cash	141		
Net cash used in investing activities	-29,235	-1,010	Deterioration 2,794.6
Cash flows from financing activities			
Proceeds from issuance of Series A convertible preferred stock, net of issuance costs			
Proceeds from issuance of Series A-1 convertible preferred stock, net of issuance costs			
Proceeds from issuance of Series B convertible preferred stock, net of issuance costs		7,699	
Proceeds from issuance of Series C convertible preferred stock, net of issuance costs	3,406	8,693	Down 60.8
Proceeds from the issuance of debt, net of discount	14,914		
Proceeds from issuance of restricted stock		139	
Proceeds from stock option exercises	153	266	Down 42.5
Repurchase, early exercised stock options	-6		
Proceeds from initial public offering, net of commission	36,897		
Payments of initial public offering costs	-2,617		
Issuance of common stock private investment in public entity	19,750		
Net cash provided by financing activities	72,497	16,797	Up 331.6
Net increase (decrease) in cash and cash equivalents	27,111	7,971	Up 240.1
Cash and cash equivalents, beginning of year	13,973	6,002	Up 132.8
Cash and cash equivalents, end of year	41,084	13,973	Up 194.0

EBITDA AND MARGINS

	2013-12-31	2012-12-31
Gross Profit Margin %	84.02	
EBITDA Margin %	-2,741.86	
Earnings from Cont. Ops. Margin %	-2,856.51	
Net Income Margin %	-634.17	

Financial Results (Annual) (continued)

31 December, 2013

PERFORMANCE RATIOS

	2013-12-31	2012-12-31	Change %
Return on Assets (%)	-3.71	-64.42	Reduced 94.2
Total Liabilities to EBITDA	-1.59		
Total Liabilities to Operating Cash Flow	-1.83	-0.46	Deterioration 298.7
Total Liabilities/Total Assets	0.26	0.17	Up 51.3
Interest Cover	-44.7		
Current Ratio	2.87	6.04	Down 52.5

PER SHARE FIGURES

	2013-12-31	2012-12-31	Change %
Revenue from operating activities	1.11c		
EBIT	-174.60c		
EBITDA	-167.60c		
Cash	US\$3.71	US\$35.29	Down 89.5
Working Capital	US\$2.85	US\$44.32	Down 93.6
Shareholders' Funds	US\$7.78	-5,444.31c	Recovery
Total Liabilities	US\$2.67	US\$9.04	Down 70.5
Total Assets	US\$10.45	US\$53.60	Down 80.5
Net Tangible Assets	US\$1.73	-5,444.31c	Recovery
EPS Final	-39.0c	-3,453.0c	Reduced 98.9

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