

Aratana Therapeutics (PETX : US\$15.61)

Aratana Therapeutics sinks 16.6% in second quarter, underperforming 85% of the market

Aratana Therapeutics, Inc., NASDAQ's 9th largest biotechnology company by market cap, sank US\$3.12 (or 16.6%) in the quarter ended June 30 to close at US\$15.61. This loss means the stock has underperformed 85% of NASDAQ-listed stocks in quarter ended June 30. The volume in the quarter was 1.3 times the average trading of 170,384 shares. Compared with the NASDAQ-100 Index which rose 191.1 points (or 5.2%), this represents a relative price change of -21.9%. In the second quarter the market cap declined US\$71.9 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 24.1 higher than average of 5.8 for the Biotechnology sector and 6.2 for the Total NASDAQ Market.
- The stock is overbought according to the Williams % R indicator of -13.9.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 4. 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 0.71, a bearish indicator.

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	Biotechnology
Market Cap	US\$460.1 million
Shares Outstanding	29,472,738
ISIN	US03874P1012
Relative Strength (3 mo)	15

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USDm)	0.7	-	-
Pretax (USDm)	(19.7)	(11.6)	(3.5)
Net (USDm)	(4.3)	(13.7)	(4.6)
EPS (USD)	(0.39)	(34.53)	(0.2)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	15.6	460.1 million

Analysis

Bullish Signals

- In the last 20 trading sessions there has been a net rise of 14.1%; the stock has advanced twelve times and the biggest one day rise was 4.7% on Jun 30.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 15.04 minus the 26-day EMA of 14.63 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 0.71 for PETX is higher than the Price/MAP for the NASDAQ-100 Index of 0.5.

Other Bullish Signals:

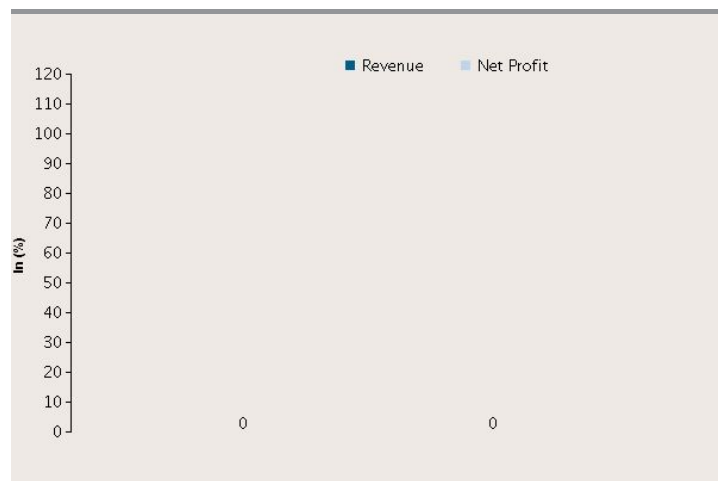
- Return on Assets is negative but improving in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	ROE	ROA	ROCE
Dec 13	-5	-3.7	-19.6
Dec 12	-	-64.4	-

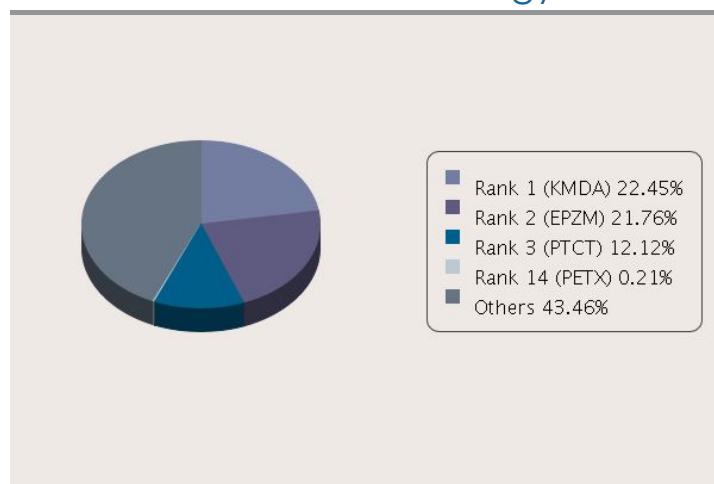
% Growth Y.O.Y, Revenue & Net Profit



Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	4.7	In Top 7%
%Prem To Vol Wtd Price	8.5	In Top Quartile

Revenue Share Biotechnology



Bearish Signals

- The price is at a premium of 8.5% to the 1-month volume weighted average price of US\$14.38. Given that this premium has been under 8.5% one hundred seventy-three times and over 8.5% fifty-five times in the last year, the downside:upside probability is estimated at 173:55 or 3.1:1.
- In the NASDAQ market of 2,409 stocks traded today, the stock has a 6-month relative strength of 17 indicating it is trailing 83.0% of the market.
- The price to 200-day MAP ratio is 0.71, a bearish indicator. In the past 200 days this ratio has been under 0.71 49 times suggesting further downside. The stock is trading below both its MAPs and the 50-day MAP of US\$20.83 is lower than the 200-day MAP of US\$21.87, another bearish indicator.
- The stock is overbought according to the Williams % R indicator of -13.9.
- In the NASDAQ Short Selling market of 2430 stocks, short selling as a % of issued shares ranked 553rd 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 2.1 times its own historical average of 0.3%.

Overvaluation:

- The Price to Book of 24.1 higher than average of 5.8 for the Biotechnology sector and 6.2 for the Total NASDAQ Market.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 4. 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
Relative Strength (6M)	17	In Bottom Quartile
Price/MAP50	0.75	In Bottom Quartile
Volatility %	6.9	In Bottom Quartile
Price/MAP200	0.71	In Bottom 8%
Price to Book Value	24.1	In Bottom 2%
Annual Revenue	US\$676,000	In Bottom 1%

Note

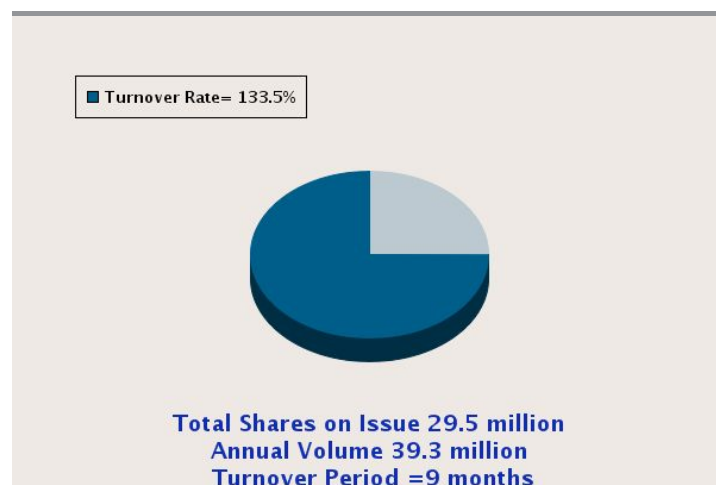
Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$196.6 million	In 2nd Quartile
MCap	US\$460.1 million	In 2nd Quartile

Insider Trades



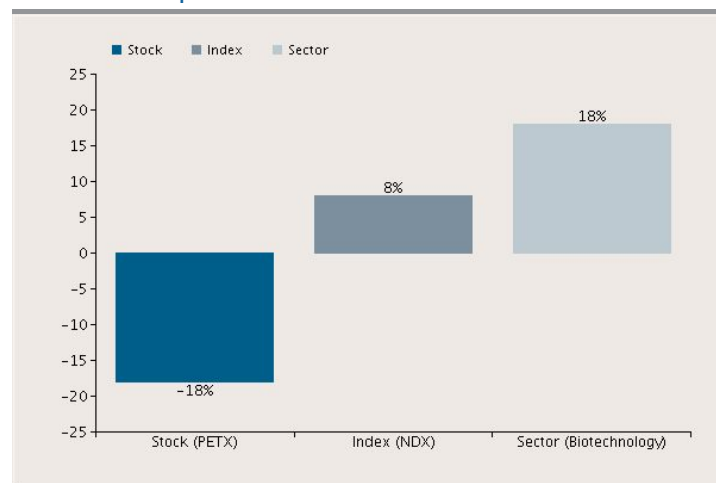
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$196.6 million
Volume	13,733,751
Volume Index (1 is avg)	1.3

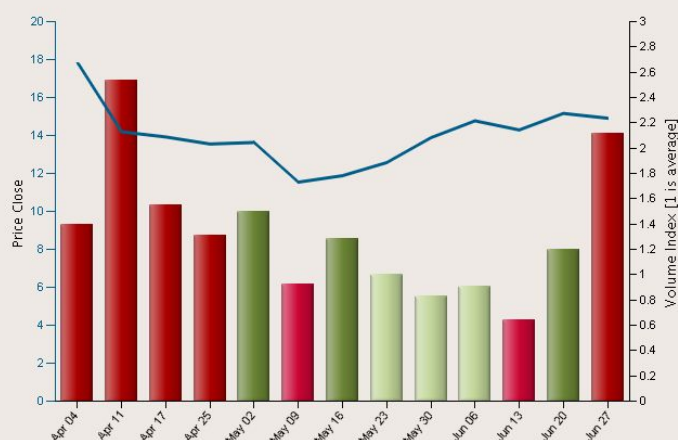
YTD Comparison Stock Sector Index



Price Volume Trend: Trailing Quarter

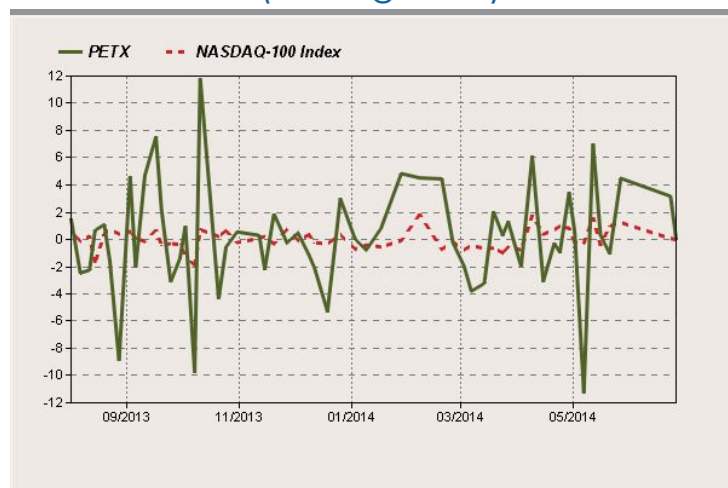


Weekly Price Volume Dynamics (Last 12 Weeks)



- 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)
PTC Therapeutics	26.14	93	786	-	37	-51	152
Aratana Therapeutics	15.61	17	460	-	1	-4	116
Kindred Biosciences	18.64	95	367	-	-	-4	65

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

Reported Buying Selling by Insiders

Insider	Date	Transaction Type	No. of Shares	Price, US\$	Value, US\$
Stephanus Julia A	Jun 16, 2014	Sold	8,000	13.9	111,200
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 20: Aratana Therapeutics: Submission of Matters to a Vote of Security Holders
June 19: Aratana Therapeutics to Participate in Two Upcoming Investor Conferences
June 18: Aratana Therapeutics Initiates and Doses First Patient in Market Development Studies of AT-005 for Treating Canine T-cell Lymphoma
June 16: Aratana Therapeutics insider sells; shares at a 14-day low
June 11: Aratana Therapeutics insider sells; shares at a two-month high
June 11: Aratana Therapeutics Expands Pain Franchise with Novel Regenerative Cell Therapy for Treating Osteoarthritis
June 02: Aratana Therapeutics insider sells; shares at a two-month high

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

June 23: Aratana Therapeutics elects Robert P. Roche as director 24 June 2014
June 20: Aratana Therapeutics Elects 3 Directors
February 04: Aratana Therapeutics elects Merilee Raines as director

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

June 13: Aratana Therapeutics: Entry into a Material Definitive Agreement
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

Conference Call-transcripts

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

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

Issued Capital

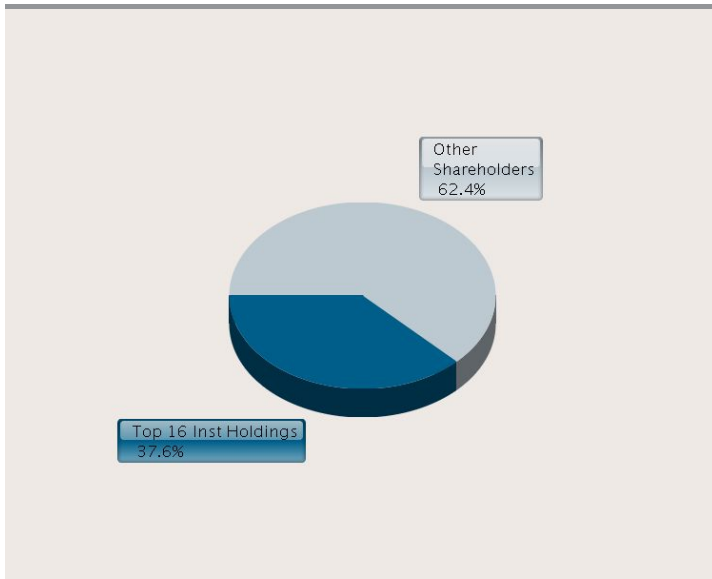
Based on 29,472,738 issued equity shares the market capitalisation is US\$460.1 million. It is NASDAQ's 14th largest Biotechnology company by total revenue. The top sixteen shareholders hold 37.6% of the issued capital leaving a float of 62.4%.

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/Il	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

Company Overview (continued)

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\$582, for a capital loss of US\$418.

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\$737, for a capital loss of US\$263.

Robert P. Roche
Director

Creation of shareholder value in Aratana Therapeutics:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of June 23, 2014 at close price of US\$15.64 is US\$998, for a capital loss of US\$2.

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\$823, for a capital loss of US\$177.

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\$725, for a capital loss of US\$275.

Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-03-31	2013-03-31	Change %
Revenues:			
Licensing and collaboration revenue	176		
Product sales			
Total revenues	176		
Costs and expenses:			
Cost of product sales			
Royalty expense	18		
Research and development	3,572	2,114	Up 69.0
General and administrative	4,612	1,226	Up 276.2
In-process research and development	657		
Amortization of acquired intangible assets	539		
Total costs and expenses	9,398	3,340	Up 181.4
Loss from operations	-9,222	-3,340	Deterioration 176.1
Other income (expense)			
Interest income	14	3	Up 366.7
Interest expense	328	24	Up 1,266.7
Other income (expense)	-243	68	Deterioration
Total other income (expense)	-557	47	Deterioration
Loss before income taxes	-9,779	-3,293	Deterioration 197.0
Income tax benefit	-627		
Net loss	-9,152	-3,293	Deterioration 177.9
Unaccreted dividends on convertible preferred stock		-773	
Net loss attributable to common stockholders	-9,152	-4,066	Deterioration 125.1
Net loss per share attributable to common stockholders, basic and diluted	-34.0c	-473.0c	Reduced 92.8
Weighted average shares outstanding, basic and diluted(I)	26,765,565	860,350	Up 3,011.0

BALANCE SHEET

Currency in Thousand of USD	2014-03-31	2013-12-31	Change %
Assets			

Financial Results (Quarterly) (continued)

31 March, 2014

Current assets:			
Cash and cash equivalents	76,743	41,084	Up 86.8
Short-term marketable securities	3,194	4,670	Down 31.6
Accounts receivable	147		
Receivable from stockholder		1,001	
Inventory	125	55	Up 127.3
Prepaid expenses and other current assets	679	274	Up 147.8
Deferred tax asset-current	1,381	1,381	Steady
Total current assets	82,269	48,465	Up 69.7
Property and equipment, net	366	98	Up 273.5
Long-term marketable securities	768		
Goodwill	38,531	20,796	Up 85.3
Intangible assets, net	75,041	46,140	Up 62.6
Other long-term assets	471	37	Up 1,173.0
Total assets	197,446	115,536	Up 70.9
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	1,382	2,307	Down 40.1
Accrued expenses	2,230	2,495	Down 10.6
Current portion-loan payable	7,500	5,625	Up 33.3
Current portion-note payable		3,000	
Current portion-deferred licensing revenue	34	45	Down 24.4
Current portion-contingent consideration	2,567	2,572	Down 0.2
Deferred income	800	800	Steady
Other current liabilities	119	57	Up 108.8
Total current liabilities	14,632	16,901	Down 13.4
Loan payable	7,442	9,310	Down 20.1
Contingent consideration	1,564	1,543	Up 1.4
Deferred tax liability	4,632	1,666	Up 178.0
Other long-term liabilities	66	75	Down 12.0
Total liabilities	28,336	29,495	Down 3.9
Commitments and contingencies			
Stockholders' equity :			
Common stock; 0.001 par value; 100,000,000 shares authorized at March 31, 2014 and December 31, 2013, respectively; 28,757,418 and 23,425,487 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	29	23	Up 26.1
Treasury stock; 4,009 shares outstanding at March 31, 2014	-76		
Additional paid-in capital	205,306	112,515	Up 82.5
Deficit accumulated during the development stage	-35,649	-26,497	Deterioration 34.5
Accumulated other comprehensive loss	-500		
Total stockholders' equity	169,110	86,041	Up 96.5
Total liabilities and stockholders' equity	197,446	115,536	Up 70.9

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