

Retrophin (RTRX : US\$13.41)

Retrophin climbs 8% in 2014

Retrophin Inc, NASDAQ's 9th largest biotechnology company by market cap, has now climbed US\$1.0 (or 8.1%) year to date in 2014 to close at US\$13.41. The volume YTD has been 0.8 times average trading of 402,820 shares. Compared with the NASDAQ-100 Index which rose 331.2 points (or 8.8%) in the quarter, this represented a relative price change of 20.9%. In 2014 the market cap has jumped US\$69.9 million.

Introduction

We are currently bullish on this stock in the short-term based on technical indicators, but are more bearish in the long-term based on fundamental metrics

What makes us most bullish on the stock is the following:

- Its Moving Average Convergence Divergence indicators are rising, with its 12-day EMA higher than its 26-day EMA.
- In the last three months the number of rises outnumbered falls 28:19 or 1.5:1.

However, there are some reasons why we remain bearish on the stock for the long-term:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 17.5. Compared with the rest of the market the stock is overvalued and ranks in the bottom 2% of stocks by value of Q Ratio.

Stock Summary

Sector	Biotechnology
Market Cap	US\$357.8 million
Shares Outstanding	26,681,514
ISIN	US7612991064
Relative Strength (3 mo)	94

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	13.4	357.8 million

Analysis

Bullish Signals

- In the last 20 trading sessions there has been a net rise of 17.63%; the stock has advanced four times and the biggest one day rise was 22.7% on Aug 28.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 13.19 minus the 26-day EMA of 12.74 is positive suggesting a bullish signal. Both the 12-day EMA as well as the 26-day EMA are rising, another bullish signal.

Other Bullish Signals:

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

Annual Trend:

[Year ended, all figures in %]:

Year	ROA
Dec 13	-165
Dec 12	-1,268.9

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	5.4	In Top 4%
%Prem To Vol Wtd Price	7.7	In Top Quartile

Bearish Signals

- The price is at a premium of 7.7% to the 1-month volume weighted average price of US\$12.45. Given that this premium has been under 7.7% one hundred nine times and over 7.7% thirty-eight times in the last year, the downside:upside probability is estimated at 109:38 or 2.9:1.
- In the NASDAQ market of 2,425 stocks traded today, the stock has a 6-month relative strength of 16 indicating it is trailing 84.0% of the market.
- In the NASDAQ Short Selling market of 2460 stocks, short selling as a % of issued shares ranked 315th and within the top quartile of stocks. This means it was higher than market average of 0.54%, a bearish indicator.
- The current short volume is 2.1 times its own historical average of 0.5%. It increased 0.3% from the previous day, soared 12.4% from a week ago, a bearish indicator.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 17.5. Compared with the rest of the market the stock is overvalued and ranks in the bottom 2% 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]:

Improvement in current ratio from 0 to 0.2.

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Relative Strength (6M)	16	In Bottom Quartile
Volatility %	6.6	In Bottom Quartile
P/E * P/NTA	206.73	In Bottom Quartile
Price/MAP50	0.59	In Bottom 6%

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$164.6 million	In 2nd Quartile
MCap	US\$357.8 million	In 2nd Quartile

Short Selling to MCap

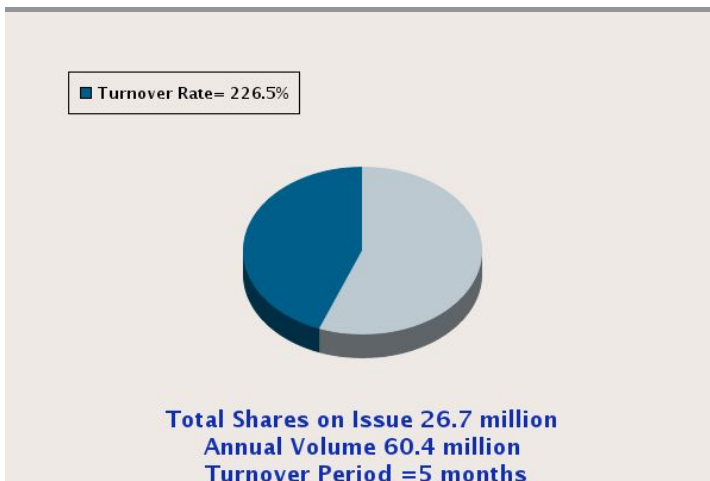


Analysis (continued)

Insider Trades



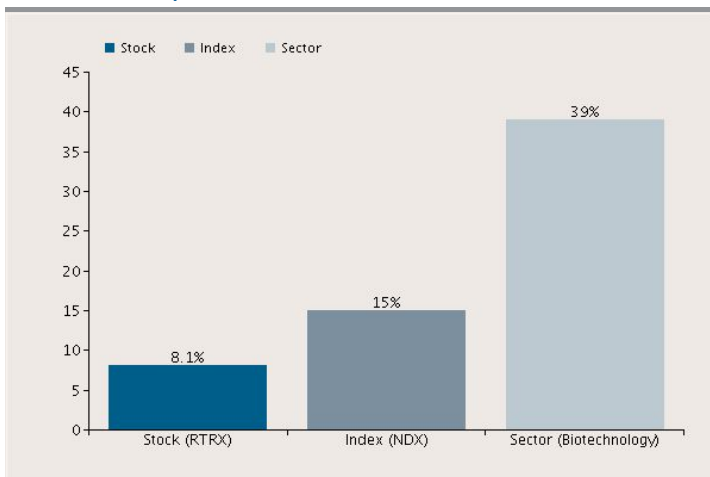
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$164.6 million
Volume	14,030,350
Volume Index (1 is avg)	0.5

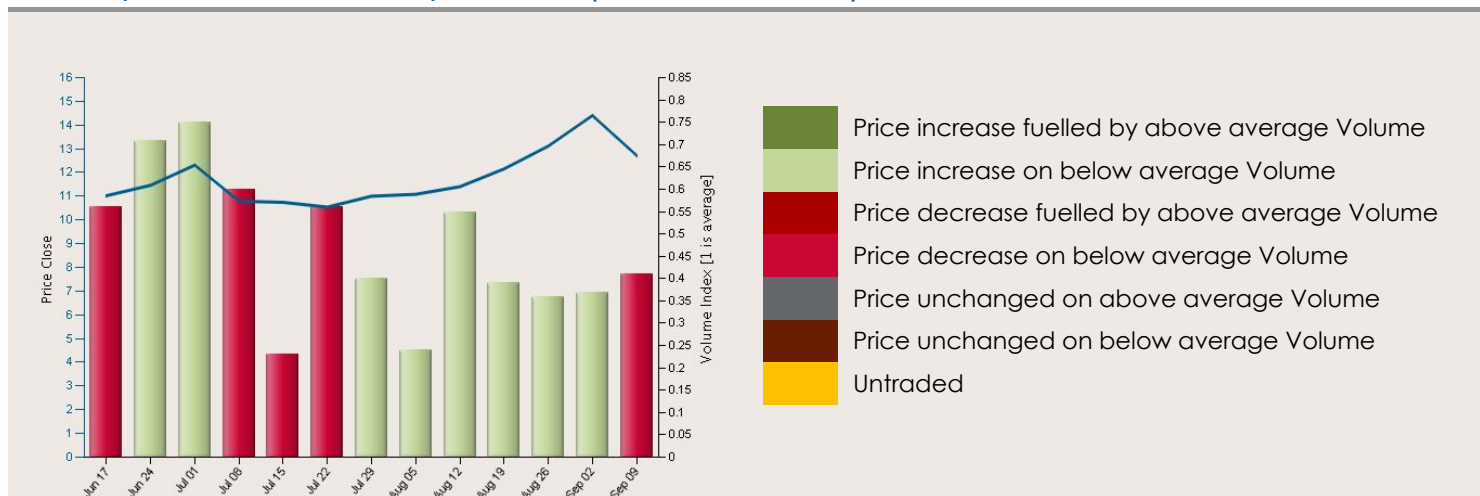
YTD Comparison Stock Sector Index



Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Company Overview

Activities

Retrophin, Inc. is a biotechnology company focused on discovering and developing treatments for rare and life-threatening diseases. The Company is currently developing treatments for Focal Segmental Glomerulosclerosis (FSGS), Pantothenate Kinase-Associated Neurodegeneration (PKAN), Duchenne Muscular Dystrophy and other catastrophic diseases.

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

Regulatory Announcements

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

August 18: Retrophin insider sells

August 12: Retrophin Reports Second Quarter 2014 Financial Results

August 05: Retrophin to Report Second Quarter 2014 Financial Results

July 01: Retrophin Closes \$91 Million Financing

June 03: Retrophin insider sells; shares at a two-month high

May 30: Retrophin appoints Chief Operating Officer

May 29: Retrophin Announces \$80 Million Term Loan and Convertible Note Issuance

Conference Call-transcripts

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

12 Aug, 2014: Retrophin (RTRX) CEO Martin Shkreli on Q2 2014 Results - Earnings Call Transcript

Issued Capital

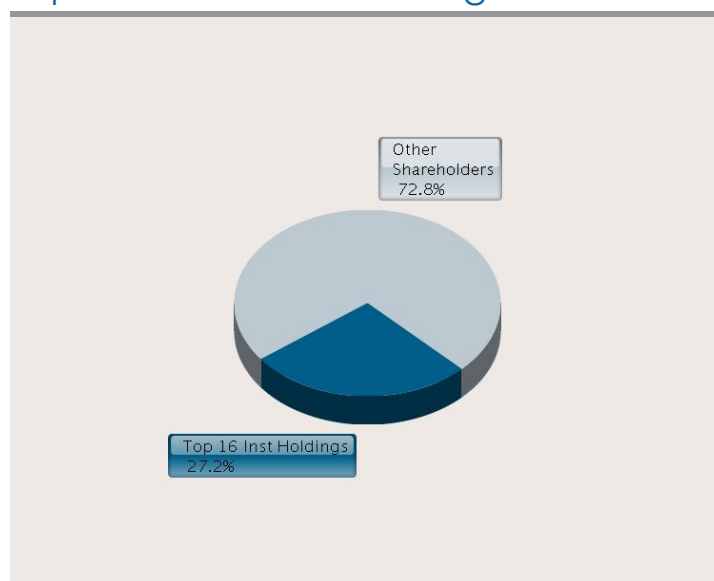
Based on 26,681,514 issued equity shares the market capitalisation is US\$357.8 million.

The top sixteen shareholders hold 27.2% of the issued capital leaving a float of 72.8%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Qvt Financial Lp	2,287,583	8.57
Broadfin Capital Llc	1,609,696	6.03
Opaleye Management Inc.	1,153,230	4.32
Blackrock Fund Advisors	527,333	1.98
Deutsche Bank Ag\	369,676	1.39
Sigma Capital Management Llc	305,000	1.14
Ascend Capital Llc	264,801	0.99
Barclays Global Investors Uk Holdings Ltd	184,166	0.69
State Street Corp	182,276	0.68
Jane Street Group Llc	119,356	0.45
Total	7,003,117	26.25

Top 16 Institutional Holdings



Board and Management

Martin Shkreli CEO

Mr. Shkreli is the founder of Retrophin, Inc. and its predecessor, Retrophin, LLC. Mr. Shkreli is also the founder and managing partner of MSMB Capital Management, a New York hedge fund firm founded in 2006 that manages a variety of partnerships. Prior to MSMB, Mr. Shkreli was employed at Intrepid Capital Management from 2004 to 2006 and previously at Cramer Berkowitz & Co, both of which are hedge fund firms based in New York. Mr. Shkreli is an experienced biotechnology and pharmaceutical industry investor, particularly in businesses with orphan drugs. Mr. Shkreli received his BBA from Baruch College.

Stephen Aselage President & Chief Operating Officer

Mr. Aselage has also held leadership roles with Sangstat Medical Corporation and Genentech. He worked briefly for Genzyme, as well, assisting in the transition following its acquisition of Sangstat. Earlier in his career, he held a variety of sales and sales management positions at companies including Rhone-Poulenc Rorer Pharmaceuticals (now Sanofi-Aventis) and Bristol Laboratories. Mr. Aselage received his B.S. in biology from the University of Notre Dame.

Prior to joining Retrophin in 2012, Mr. Aselage was Executive Vice President and Chief Business Officer at BioMarin Pharmaceutical, Inc. There, he built the commercial and medical affairs functions that launched three commercial products and developed commercial business in more than 45 countries.

Creation of shareholder value in Retrophin:

Since appointment as COO: The present value of USD1,000 invested on the appointment date of May 28, 2014 at close price of US\$13.93 is US\$963, for a capital loss of US\$37.

Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

Currency in USD	2014-03-31	2013-03-31	Change %
Net product sales	27,900		
Operating expenses:			
Cost of goods sold	900		
Research and development	6,886,726	158,690	Up 4,239.7
Selling, general and administrative	10,092,022	1,726,923	Up 484.4
Total operating expenses	16,979,648	1,885,613	Up 800.5
Operating loss	-16,951,748	-1,885,613	Deterioration 799.0
Other income (expenses):			
Interest income (expense), net	536	-40,779	Recovery
Realized gain on sale of marketable securities, net	4,664		
Change in fair value of derivative instruments	-53,613,802	-2,942,343	Deterioration 1,722.1
Total other expense, net	-53,608,602	-2,983,122	Deterioration 1,697.1
Loss before provision for income taxes	-70,560,350	-4,868,735	Deterioration 1,349.3
Income tax expense	65,376		
Net loss	-70,625,726	-4,868,735	Deterioration 1,350.6
Net loss per common share, basic and diluted	-303.0c	-46.0c	Deterioration 558.7
Weighted average common shares outstanding, basic and diluted	23,334,967	10,697,129	Up 118.1
Comprehensive Loss:			
Net loss	-70,625,726	-4,868,735	Deterioration 1,350.6

BALANCE SHEET

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

Financial Results (Quarterly) (continued)

31 March, 2014

Current assets:				
Cash	3,695,463	5,997,307	Down 38.4	
Accounts receivable	28,800			
Inventory	349,130			
Marketable securities	1,345,339	132,994	Up 911.6	
Prepaid expenses and other current assets	1,023,564	1,370,943	Down 25.3	
Total current assets	6,442,296	7,501,244	Down 14.1	
Property and equipment, net	280,353	127,427	Up 120.0	
Security deposits	244,225	244,058	Up 0.1	
Restricted cash	40,000	40,000	Steady	
Other asset	1,522,063			
Indefinite lived intangible assets	10,567,736	10,560,355	Up 0.1	
Goodwill	1,036,160			
Other Intangible assets, net	73,915,788	2,025,795	Up 3,548.7	
Total assets	94,048,621	20,498,879	Up 358.8	
Liabilities and Stockholders' Deficit				
Current liabilities:				
Deferred technology purchase liability, current portion	1,500,000	1,634,630	Down 8.2	
Accounts payable	5,711,253	3,553,567	Up 60.7	
Accrued expenses	3,302,071	3,526,434	Down 6.4	
Securities sold, not yet purchased	308,000	1,457,901	Down 78.9	
Notes payable	31,282,972			
Contingent consideration, current portion	1,991,913			
Derivative financial instruments, warrants	69,350,988	25,037,346	Up 177.0	
Total current liabilities	113,447,197	35,209,878	Up 222.2	
Other liability	1,522,063			
Contingent consideration	10,805,297			
Deferred technology purchase liability	1,000,000	1,000,000	Steady	
Deferred income tax liability, net	2,666,275	2,600,899	Up 2.5	
Total liabilities	129,440,832	38,810,777	Up 233.5	
Commitments and contingencies				

Financial Results (Quarterly) (continued)

31 March, 2014

Stockholders' Deficit:

Preferred stock Series A 0,001 par value; 20,000,000 shares authorized	2,481	1,855	Up 33.7
Common stock 0.0001 par value; 100,000,000 shares authorized; 24,801,942 and 18,546,363 issued and 24,422,351 and 18,415,573 outstanding, respectively			
Additional paid-in capital	105,369,174	50,189,127	Up 109.9
Treasury stock, at cost, 379,591 and 130,790, respectively	-3,214,608	-957,272	Deterioration 235.8
Accumulated deficit	-138,061,347	-67,435,621	Deterioration 104.7
Accumulated other comprehensive income (loss)	512,089	-109,987	Recovery
Total stockholders' deficit	-35,392,211	-18,311,898	Deterioration 93.3
Total liabilities and stockholders' deficit	94,048,621	20,498,879	Up 358.8

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