

Recro Pharma (REPH : US\$2.90)

Recro Pharma down 63.3% in third quarter, lowest amongst Biotechnology sector

Recro Pharma Inc, NASDAQ's 26th largest biotechnology company by market cap, plummeted US\$5.01 (or 63.3%) in the quarter ended September 30 to close at US\$2.90. This loss makes the stock the biggest decliner in the Biotechnology sector which is up 12.5%. The volume in the quarter was 1.1 times the average trading of 52,578 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price change of - 67.2%. In the third quarter the market cap declined US\$40 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.
- In the last three months the number of falls outnumbered rises 33:25 or 1.32:1.
- It is trailing 96.87% of the market the past 6 months.

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 -85.7.

Stock Summary

Sector	Biotechnology
Market Cap	US\$22.4 million
Shares Outstanding	7,707,600
ISIN	US75629F1093
Relative Strength (3 mo)	1

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	2.9	22.4 million

Analysis

Bearish Signals

- In the last 20 trading sessions there has been a net decline of 49.83%; the stock has retreated thirteen times and the biggest one day decline was 47.5% on Sep 05.
- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 3 indicating it is trailing 97.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 3.21 minus the 26-day EMA of 3.83 is negative suggesting a bearish signal. Both the 12-day EMA as well as the 26-day EMA are falling, another bearish signal.

Other Bearish Signals: Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$14.9 million	In Bottom Quartile
Volatility %	6.1	In Bottom Quartile
MCap	US\$22.4 million	In Bottom 4%
Relative Strength (6M)	3	In Bottom 2%
Price/MAP50	0.3	In Bottom 1%

Note

Bullish Signals:

- The price is at a discount of 12.9% to the 1-month volume weighted average price of US\$3.33, which may appeal as a value proposition.
- The Stochastic indicator of 7.2 has broken through the oversold line of 20; the stock is also oversold according to the Williams % R indicator of -85.7.

Other Bullish Signals:

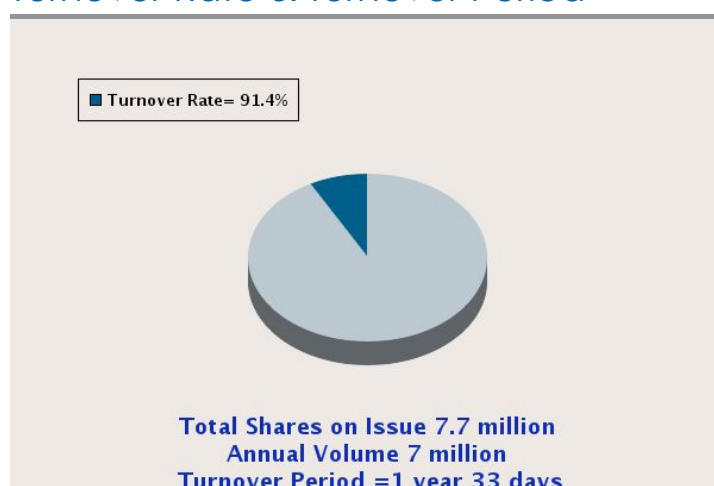
Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
P/E * P/NTA	4.01	In Top 5%
Price Change %	1.8	In Top Quartile

Insider Trades



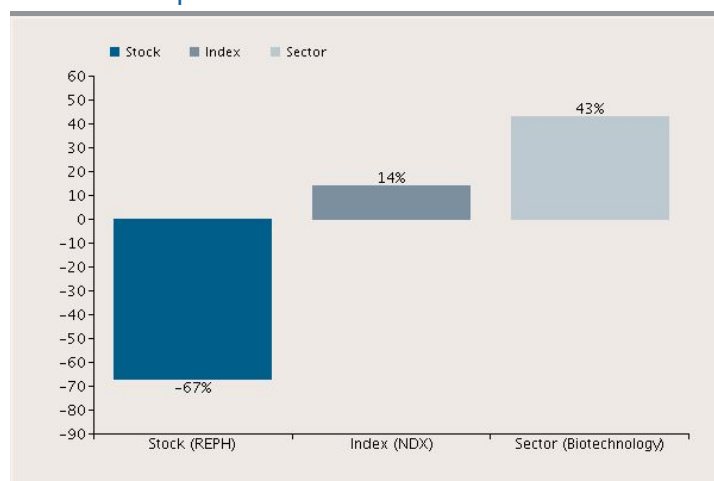
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$14.9 million
Volume	3,646,873
Volume Index (1 is avg)	1.1

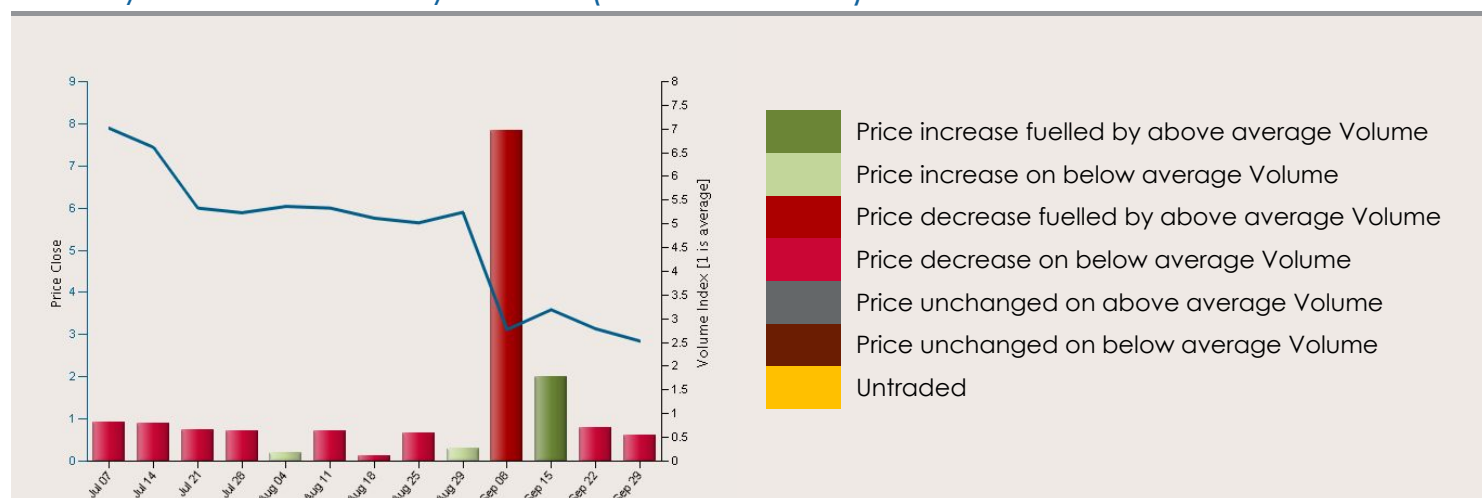
YTD Comparison Stock Sector Index



Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
05-Sep-2014	Aegis	Lower Price Target	-	-	40	38

Company Overview

Regulatory Announcements

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

September 08: Recro Pharma to Present at the 2014 Aegis Healthcare & Technology Conference
August 12: Recro Pharma Reports Second Quarter 2014 Financial Results
June 30: Recro Pharma Added to Russell Microcap(R) Index
June 17: Recro Pharma Announces Dosing of First Patient in Phase IIb Clinical Trial of Dex-IN for Treatment of Acute Pain Following Surgery
May 15: Recro Pharma insider buys; shares at a one-month high
May 15: Recro Pharma insider buys; shares at a one-month high
March 13: Recro Pharma appoints Director

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

September 09: Recro Pharma: Other Events
September 04: Recro Pharma: Other Events
August 12: Recro Pharma: Results of Operations and Financial Condition
July 01: Recro Pharma: Other Events
June 17: Recro Pharma: Other Events

Issued Capital

Based on 7,707,600 issued equity shares the market capitalisation is US\$22.4 million.
The top four shareholders hold 16.0% of the issued capital leaving a float of 84.0%.

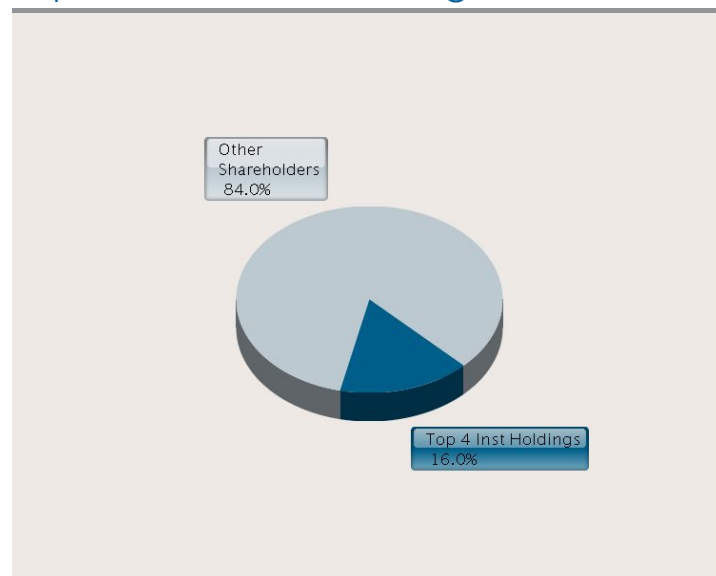
Source

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Top 4 Shareholders

Name of Shareholder	No. of Shares	% Held
Broadfin Capital Llc	630,000	8.17
Cormorant Asset Management Llc	500,000	6.49
Verition Fund Management Llc	106,346	1.38
Morgan Stanley	9	0
Total	1,236,355	16.04

Top 4 Institutional Holdings



Board and Management

Michael Berelowitz Director

Dr. Berelowitz brings over 30 years of clinical development and academic research experience, including 15 years of pharmaceutical development experience with Pfizer, Inc. While at Pfizer, Dr. Berelowitz was Senior Vice President and Head of Clinical Development and Medical Affairs in the Specialty Care Business Unit. He held various other roles at Pfizer, beginning as a Medical Director in the Diabetes Clinical Research team and then assuming positions of increasing responsibility. Prior to that, Dr. Berelowitz spent a number of years in academia. Dr. Berelowitz currently serves as a biopharmaceuticals consultant, and is a member on several Boards of Directors or Scientific Advisory Boards, including the Endocrine Fellows Foundation, Metacure, Ltd. and Haptocure, Ltd. and Oramed Pharmaceuticals. Additionally, Dr. Berelowitz has also served on the Board of Directors of the American Diabetes Association, the Clinical Initiatives Committee of the Endocrine Society, and has chaired the Task Force on Research of the New York State Council on Diabetes. He has also served on several editorial boards, including the Journal of Clinical Endocrinology and Metabolism, Endocrinology, Reviews in Endocrine and Metabolic Disorders and Clinical Diabetes. Dr. Berelowitz has authored and co-authored more than 100 peer-reviewed journal articles and book chapters in the areas of pituitary growth hormone regulation, diabetes and metabolic disorders.

Creation of shareholder value in Recro Pharma:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of March 13, 2014 at close price of US\$8.28 is US\$350, for a capital loss of US\$650.

Alfred F. Altomari Director

Mr. Altomari brings over 25 years of operational and commercial pharmaceutical experience to Recro's Board. He currently serves as President and Chief Executive Officer and member of the Board of Directors of Agile Therapeutics. He also serves on the Board of Directors of Insmed Incorporated. Previously, Mr. Altomari was Chief Executive Officer of Barrier Therapeutics, and was a member of Barrier's Board of Directors where he led the successful sale of Barrier to Stiefel Laboratories, which was subsequently acquired by GlaxoSmithKline plc. Prior to Barrier Therapeutics, Mr. Altomari held numerous executive roles in general management, commercial operations, business development, product launch preparation, and finance with Johnson & Johnson. He received an M.B.A. from Rider University and his B.S. from Drexel University.

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Financial Results (Quarterly)

30 June, 2014

INCOME STATEMENT

Currency in USD	2014-06-30	2013-06-30	Change %
Operating expenses:			
Research and development	1,837,172	245,191	Up 649.3
General and administrative	958,632	203,554	Up 370.9
Total operating expenses	2,795,804	448,745	Up 523.0
Other income (expense): Interest income	2,276	17	Up 13,288.2
Interest expense		212,591	
	2,276	-212,574	Recovery
Net loss Accretion of redeemable convertible preferred stock and deemed dividend	-2,793,528	-661,319	Deterioration 322.4
Net loss applicable to common shareholders	-2,793,528	-773,909	Deterioration 261.0
Basic and diluted net loss per common share	-36.0c	-497.0c	Reduced 92.8
Weighted average basic and diluted common shares outstanding.	7,707,600	155,600	Up 4,853.5
Unaudited pro forma net loss			
Unaudited pro forma net loss per share			
Unaudited pro forma weighted average basic and diluted common shares outstanding			

BALANCE SHEET

Currency in USD	2014-06-30	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	27,832,369	12,828	Up 216,865.8
Other receivables		38,418	
Prepaid expenses	269,957	15,689	Up 1,620.7
Deferred offering costs		784,177	
Total current assets	28,102,326	851,112	Up 3,201.8
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Liabilities and Shareholders' Equity (Deficit)			
Current liabilities:			
Convertible notes payable		11,907,198	
Accounts payable	400,245	434,244	Down 7.8
Accrued expenses	937,335	589,532	Up 59.0
Total current liabilities	1,337,580	12,930,974	Down 89.7
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Series A redeemable convertible preferred stock, 0.01 par value.			
Authorized, 2,000,000 shares, issued and outstanding 2,000,000 shares		5,880,037	

Financial Results (Quarterly) (continued)

30 June, 2014

Shareholders' equity (deficit): Preferred stock, 0.01 par value.
Authorized, 10,000,000 shares; none issued and outstanding

Common stock, 0.01 par value. Authorized, 50,000,000 shares, issued and outstanding, 7,707,600 shares at June 30, 2014 and 155,600 shares at December 31, 2013

Additional paid-in-capital	52,588,983		
Accumulated deficit	-25,901,313	-17,961,455	Deterioration 44.2
Total shareholders' equity (deficit)	26,764,746	-17,959,899	Recovery
Total liabilities and shareholders' equity (deficit)	28,102,326	851,112	Up 3,201.8

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-34.41	7.17	
Return on Assets(%)	-32.77	-151.21	Reduced 78.3

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-194.0c	-827.0c	Reduced 76.5

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