

Versartis (VSAR : US\$19.01)

Versartis wipes off US\$223.6 million in MCap in third quarter, highest loser in Healthcare-Products sector

Versartis Inc, NASDAQ's 13th largest healthcare-products company by market cap, tumbled US\$9.54 (or 33.4%) in the quarter ended September 30 to close at US\$19.01. This loss makes the stock the biggest decliner in the Healthcare-Products sector which is up 21.7%. The volume in the quarter was 0.6 times the average trading of 103,527 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price change of -37.3%. In the third quarter the market cap declined US\$223.6 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.
- 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.
- In the last three months the number of falls outnumbered rises 26:20 or 1.3:1.

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 -94.8.
- "Current ratio of two or more"; current assets are 3.6 times current liabilities.

Stock Summary

Sector	Healthcare-Products
Market Cap	US\$459.9 million
Shares Outstanding	24,194,808
ISIN	US92529L1026
Relative Strength (3 mo)	7

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Pretax (USD)	(18.5M)	(13.22M)	(7.17M)
Net (USD)	(18.5M)	(13.22M)	(7.17M)
EPS (USD)	(0.8)	(0.57)	(0.31)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	19.0	459.9 million

Analysis

Bearish Signals

- In the last 20 trading sessions there has been a net decline of 18.17%; the stock has retreated thirteen times and the biggest one day decline was 5.5% on Sep 03.
- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 11 indicating it is trailing 89.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 20.08 minus the 26-day EMA of 20.53 is negative suggesting a bearish signal. Both the 12-day EMA as well as the 26-day EMA are falling, another bearish signal.
- The stock traded at a 15-day low of US\$18.92 today.

The bears are maintaining control with price open, high, low and close being below yesterday's levels.

- In the NASDAQ Short Selling market of 2463 stocks, short selling as a % of issued shares ranked 453rd 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 1.8 times its own historical average of 0.4%. It increased 0.02% from the previous day, lifted 2.7% from a week ago and soared 14.2% from a month ago, a significant bearish indicator.

Other Bearish Signals:

The stock has a score of merely 2 out of 9 set by Joseph Piotroski [pass mark >=5]:

Improvement in current ratio from 0.3 to 3.6; Total shares on issue unchanged.

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Volatility %	4.2	In Bottom Quartile
Relative Strength (6M)	11	In Bottom Quartile
Price Change %	-3.6	In Bottom 6%
Price/MAP50	0.46	In Bottom 2%
Price to Book Value	45	In Bottom 1%

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$88.6 million	In 2nd Quartile
MCap	US\$459.9 million	In 2nd Quartile

Bullish Signals:

- The price is at a discount of 9.0% to the 1-month volume weighted average price of US\$20.89, which may appeal as a value proposition.
- The stock is oversold according to the Williams % R indicator of -94.8.

Other Bullish Signals:

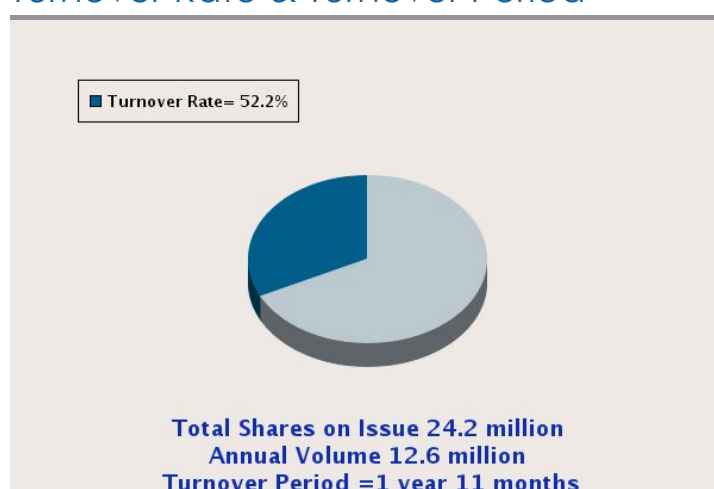
Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 3.6 times current liabilities.

Short Selling to MCap



Turnover Rate & Turnover Period

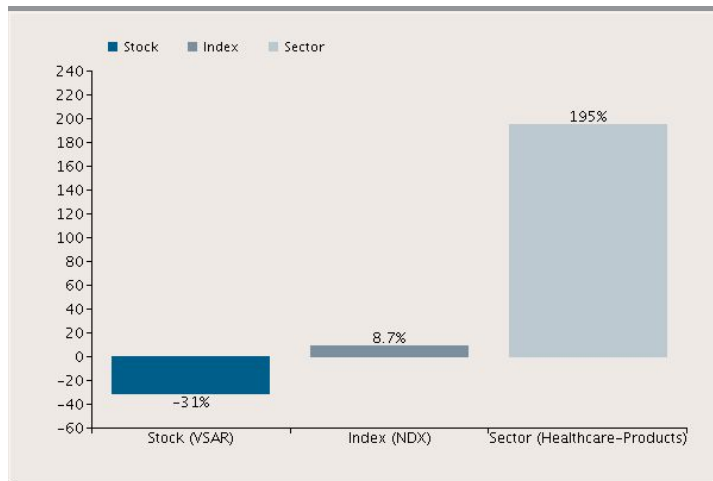


Analysis (continued)

Trailing 3 months

Turnover	US\$88.6 million
Volume	4,102,637
Volume Index (1 is avg)	0.6

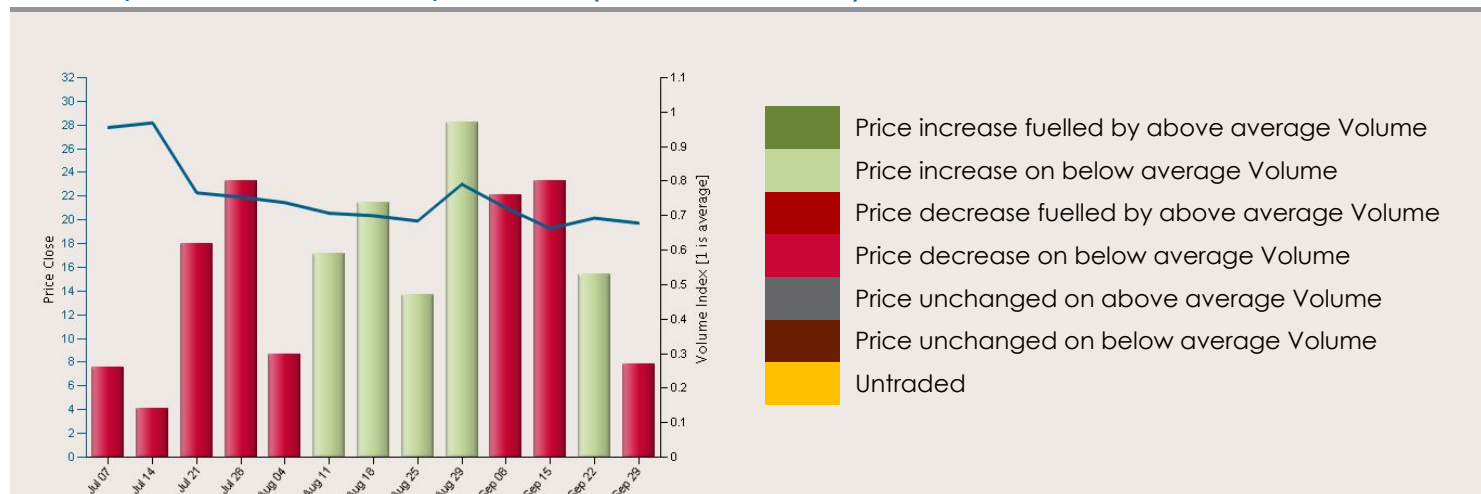
YTD Comparison Stock Sector Index



Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Company Overview

Regulatory Announcements

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

September 02: Versartis to Present at the Morgan Stanley 2014 Global Healthcare Conference
August 05: Versartis to Present at the Canaccord Genuity 34th Annual Growth Conference
June 30: Amunix Congratulates Versartis on Its Positive Phase 2a Results With VRS-317
June 23: Versartis Presents Positive Six Month VRS-317 Phase 2a Clinical Study Results
June 23: Versartis Appoints Endocrinologist Bert Bakker, MD, PhD, as Senior Vice President, Medical Affairs
June 09: Versartis to Hold Conference Call to Discuss Six Month VRS-317 Phase 2a VERTICAL Clinical Trial Results
May 05: Versartis Reports First Quarter 2014 Financial Results

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

September 22: Versartis: Regulation FD Disclosure
August 05: Versartis: Results of Operations and Financial Condition

Issued Capital

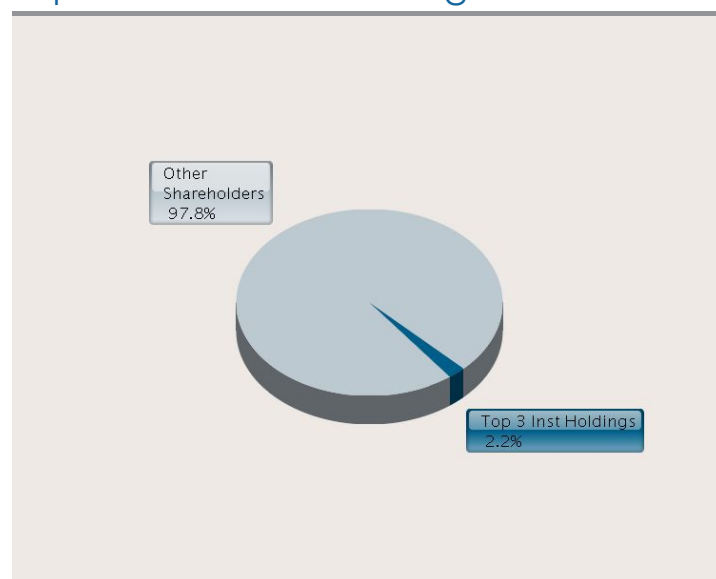
Based on 24,194,808 issued equity shares the market capitalisation is US\$459.9 million.

The top three shareholders hold 2.2% of the issued capital leaving a float of 97.8%.

Top 3 Shareholders

Name of Shareholder	No. of Shares	% Held
Perceptive Advisors Llc	501,266	2.07
Vhcp Management Llc	19,000	0.08
Tygh Capital Management Inc.	7,500	0.03
Total	527,766	2.18

Top 3 Institutional Holdings



Board and Management

Jeffrey L. Cleland
CEO & Director



Jeff has 20 years of industry experience in research and development, including more than a decade at Genentech, Inc. He held executive management positions at BaroFold, Novacea and Targesome, and has managed directly all aspects of pharmaceutical development and late-stage research. His experience in startups includes major roles in obtaining more than \$70M of Series A through C venture capital as well as an exit via IPO. Jeff also runs his own pharmaceutical and biotechnology consulting group for numerous startups and venture firms. While at Genentech, Jeff served in product development and manufacturing roles. He held important leadership roles in the successful approval of two drugs, Herceptin(Registered) and Nutropin Depot(Registered), as well as in early work on Lucentis(Registered), Avastin(Registered), and Omnitarg(Registered). He holds a BS in Chemical Engineering from the University of California, Davis and a PhD in Chemical Engineering from the Massachusetts Institute of Technology. Jeff has authored more than 100 articles and 4 books, and holds several issued patents.

Jay Shepard
Executive Chairman



Jay Shepard currently serves as an Executive Partner at Sofinnova Ventures. He has over 30 years experience in the pharmaceutical, biotechnology and drug delivery arenas. Jay was President and CEO of NextWave Pharmaceutical, a pediatric-focused therapeutics company. NextWave was acquired in late 2012 by Pfizer. From 2008-2010 he was an Executive in Residence at Sofinnova Ventures. Prior to that, Jay was President and CEO of Ilypsa, a nephrology therapeutics company acquired by Amgen. He then helped with the Ilypsa spin-out company, Relypsa, serving as interim President and CEO. Before Ilypsa, Jay served as Vice President, Commercial Operations at Telik. He was also Vice President in the Commercial Operations group at Alza Pharmaceuticals, having held leadership roles of increasing responsibility in its establishment, operation and commercial presence. Alza was acquired by Johnson & Johnson in late 2001. Jay is currently a board member of Bullet Biotechnologies, Marinus Pharmaceuticals, Durect Corporation and the Santa Clara University Entrepreneurial School. Jay holds a BS in Business Administration from the University of Arizona.

Joshua T. Brumm
CFO



Josh has more than a decade of operations, corporate finance and investment banking experience in the life science industry. He was most recently Executive Vice President of Finance and Principal Financial Officer for Pharmacocyclics Inc., a NASDAQ-listed biopharmaceutical company. Previously as Chief Financial Officer at ZELTIQ Aesthetics, Inc., a NASDAQ-listed medical technology company, Josh held a number of operational and financial positions including strategic planning, global finance, IT and administration. As Vice President of Corporate Development and Investor Relations, Josh led the company's successful \$105 million initial public offering. Also at ZELTIQ as Senior Managing Director of International Sales and Corporate Development, he led the launch of its first commercial product in all markets outside of the United States and Canada. Prior to joining ZELTIQ, Josh was Director of Finance at Proteolix, Inc., helping in the sale of the company to Onyx Pharmaceuticals; he was a member of the West Coast Healthcare Team at Citigroup Global Markets, Inc.; and he was Founder and Chief Executive Officer of Nu-Ag Distribution, LLC, an agricultural consulting company. Josh began his career as a Healthcare Investment Banking Analyst for the West Coast Healthcare Team at Morgan Stanley. He holds a BA in Business Administration from the University of Notre Dame.

Board and Management (continued)

Francesco De Rubertis Director



Francesco is a Partner and co-founder of the firm's life sciences practice. He joined Index in 1998 and has overseen all of the life sciences investments for the firm. Present and past Index portfolio companies include: Genmab A/S (Coph: GEN.CO), CellZome Inc. (sold to GlaxoSmithKline), Molecular Partners A/G, Aegerion Inc. (AEGR), Addex Pharmaceuticals SA (Swx: ADXN), PanGenetics B/V (sold to Abbott Pharmaceuticals), Micromet Inc. (sold to Amgen), Biozell SpA (sold to Cosmo Pharmaceuticals) and Parallele Inc. (sold to Affymetrix). Francesco has served on most of these companies' boards. Prior to joining Index, Francesco was involved in post-doctoral research in genetics at the Whitehead Institute, Massachusetts Institute of Technology (MIT). He is also the author of several publications in international scientific journals. Francesco has a BA in Genetics and Microbiology from the University of Pavia and a PhD in Molecular Biology from the University of Geneva. He is a CFA charter holder, and is a member of the Strategic Advisory Board of the University of Geneva.

Shahzad Malik Director



Shahzad Malik joined Advent in 1999. He came with a strong grounding in science and clinical medicine. Prior to joining Advent he spent six years practising medicine, before joining the London office of management consultants McKinsey & Company. Here he served international clients in the Healthcare and Investment Banking sectors. During his time with Advent he has been actively involved with numerous investments in Europe and the United States in the biopharmaceutical and medical device arenas. Shahzad gained an MA from Oxford University, and a MD from Cambridge University. He subsequently specialised in interventional cardiology, whilst also pursuing research interests in heart muscle disorders both in the clinic and basic science laboratory.

Srinivas Akkaraju Director



Srini Akkaraju has more than 16 years of investment and operational experience in the life sciences sector. He joined Sofinnova in 2013 as a General Partner and concentrates on biopharmaceuticals investments. Srin's board memberships have included Piramed (acquired by Roche), Eyetech Pharmaceuticals (EYET), Synageva BioPharma (GEVA), Seattle Genetics (SGEN) and Intercept Pharmaceuticals (ICPT). Most recently, Srin was a Managing Director at New Leaf Venture Partners. Previously, he was a co-founder and Managing Director at Panorama Capital. Before forming Panorama, he served as Partner of J.P. Morgan Partners. Prior to J.P. Morgan Partners, Srin held business and corporate development positions at Genentech. He received BA degrees in both Biochemistry and Computer Science from Rice University and MD and PhD degrees in Immunology from Stanford University School of Medicine.

Board and Management (continued)

Mike Dybbs Director



Mike Dybbs joined New Leaf Venture Partners in 2009 and became a Principal in 2012. Prior to joining New Leaf, Mike was a Principal at the Boston Consulting Group where he was a core member of their Health Care practice. At BCG, Mike lead projects in the biopharmaceutical industry across a range of functions and therapeutic areas. He also worked as an independent biotechnology consultant, performing such projects as identifying assets at both universities and medical centers, as well as evaluating spin-outs of discovery stage research programs. Mike graduated magna cum laude from Harvard University with an AB in Biochemical Sciences and received his PhD in Molecular Biology and Genetics from UC Berkeley, where he was awarded a Howard Hughes Medical Institute fellowship. His research had been published in peer-reviewed journals, including Neuron, Science and Nature.

Anthony Sun Director



Dr. Sun joined Fund I in 2002 and currently serves as a Partner. Previously, Dr. Sun was an Adjunct Instructor of Medicine at the Hospital of the University of Pennsylvania. Dr. Sun received his M.D. from Temple University School of Medicine with A.O.A. honors. He received his M.B.A. from The Wharton School at the University of Pennsylvania, and his B.S. in Electrical Engineering from Cornell University. In addition, he is Board Certified in Internal Medicine.

Ed Jennings Director



Ed Jennings, a biotechnology industry consultant, had a key leadership role in Genentech's commercialization of the first recombinant human growth hormone. During his 15 years at Genentech he also held a number of senior-level positions including Vice President of Sales, Marketing, and Corporate Development. Most recently, Ed served as President, Chief Executive Officer and Board Member of Angiogenix, Inc., directing all scientific and business activities at the cardiovascular biotechnology startup company. Previously, he was the Chief Commercialization Officer at Pain Therapeutics, where he was responsible for the company's business development, marketing and sales functions, as well as leading the development of the company's commercialization strategy. Ed began his career in the pharmaceutical industry at Bristol Myers, where he managed sales and marketing functions for more than a decade.

Board and Management (continued)

John Varian
Director



John Varian was appointed Chief Executive Officer of XOMA Corporation in January 2012 after serving as Interim CEO for five months. Previously he was Chief Operating Officer of ARYx Therapeutics and also served as its Chief Financial Officer. As Chief Financial Officer of Genset S.A., John was a key member of the team negotiating the company's sale to Serono S.A. Prior to Genset, he was Senior Vice President, Finance and Administration of Elan Pharmaceuticals, Inc., joining the company as part of its acquisition of Neurex Corporation. Prior to the acquisition, John was Neurex Corporation's Chief Financial Officer. Earlier, John was the VP Finance and Chief Financial Officer at Anergen Inc. and an Audit Principal/Senior Manager at Ernst & Young, where he focused on life sciences. He is a founding member of the Bay Area Bioscience Center and a former chairman of the Association of Bioscience Financial Officers International Conference. He has been a member of the XOMA Board of Directors since 2008. John received a BBA degree from Western Michigan University.

Financial Results (Quarterly)

30 June, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
Operating expenses			
Research and development	5,622	3,326	Up 69.0
General and administrative	2,877	656	Up 338.6
Total operating expenses	8,499	3,982	Up 113.4
Loss from operations	-8,499	-3,982	Deterioration 113.4
Interest income	40		
Interest expense			
Other income (expense), net	-141	327	Deterioration
Net loss and comprehensive loss	-8,600	-3,655	Deterioration 135.3
Deemed dividend related to beneficial conversion feature of convertible preferred stock			
Accretion of Series A preferred stock to redemption value, net of extinguishment			
Net loss attributable to common stockholders	-8,600	-3,655	Deterioration 135.3
Net loss per basic and diluted share attributable to common stockholders	-36.0c	-2,474.0c	Reduced 98.5
Weighted-average common shares used to compute basic and diluted net loss per share	24,194,808	147,713	Up 16,279.6

BALANCE SHEET

Currency in Thousand of USD	2014-06-30	2013-12-31	Change %
Assets			
Current assets			
Cash and cash equivalents	192,773	13,288	Up 1,350.7
Prepaid expenses and other current assets	5,117	978	Up 423.2
Total current assets	197,890	14,266	Up 1,287.1
Other assets	284	396	Down 28.3
Property and equipment, net	482	21	Up 2,195.2
Total assets	198,656	14,683	Up 1,253.0
Liabilities, convertible preferred stock and stockholders' equity (deficit)			
Current liabilities			
Accounts payable	1,097	315	Up 248.3
Accrued liabilities	4,090	3,668	Up 11.5
Total current liabilities	5,187	3,983	Up 30.2
Convertible preferred stock warrant liability		474	
Convertible preferred stock call option liability		21	
Total liabilities	5,187	4,478	Up 15.8

Financial Results (Quarterly) (continued)

30 June, 2014

Commitments and contingencies

Convertible preferred stock, 0.0001 par value; 5,000,000, and 135,816,462 shares authorized at June 30, 2014 and December 31, 2013, respectively; zero and 120,648,174 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively; zero and 60,392 liquidation preference at June 30, 2014 and December 31, 2013 respectively;

Stockholders' equity (deficit)

Common stock, 0.0001 par value, 50,000,000 and 15,652,174 shares 2 authorized at June 30, 2014 and December 31, 2013, respectively; 24,194,808 and 1,257,311 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively

Additional paid-in capital	275,239	6,454	Up 4,164.6
Deficit accumulated during the development stage	-81,772	-53,746	Deterioration 52.1
Total stockholders' equity (deficit)	193,469	-47,292	Recovery
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	198,656	14,683	Up 1,253.0

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-27.7	16.23	Deterioration
Return on Assets(%)	-26.97	-52.26	Reduced 48.4

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-395.0c	-5,459.0c	Reduced 92.8

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