

Vital Therapies (VTL : US\$25.34)

Vital Therapies continues uptrend, now soars 109% and in top 1% of the market

Vital Therapies Inc, NASDAQ's 9th largest healthcare-products company by market cap, has now soared US\$13.24 (or 109.4%) year to date in 2014 to close at US\$25.34. This gain means the stock is among the top 1% of NASDAQ-listed stocks in 2014. The volume YTD has been 0.4 times average trading of 73,782 shares. Compared with the NASDAQ-100 Index which has risen 9.8% YTD, this represents a relative price increase of 99.6%. In 2014 the market cap has jumped US\$296.7 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 34:23 or 1.5:1.
- The price to 50-day EMAP ratio is 1.0, a bullish indicator. The 50-day EMAP has increased to US\$24.24.

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 11.9. Compared with the rest of the market the stock is overvalued and ranks in the bottom 3% of stocks by value of Q Ratio.

Stock Summary

Sector	Healthcare-Products
Market Cap	US\$552.2 million
Shares Outstanding	21,790,745

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Pretax (USDm)	(32.7)	(6.7)	(5.9)
Net (USDm)	(39.1)	(7.6)	(6.4)
EPS (USD)	(1.85)	(0.36)	(0.3)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	25.3	552.2 million

Analysis

Bearish Signals

- In the last 18 trading sessions there has been a net decline of 21.26%; the stock has retreated eleven times and the biggest one day decline was 26.4% on Jun 19.
- The current short volume is 4.4 times its own historical average of 0.04%.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 11.9. Compared with the rest of the market the stock is overvalued and ranks in the bottom 3% of stocks by value of Q Ratio.

Other Bearish Signals:

- Return on Assets, Return on Equity and Return on Capital Employed has been negative in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	ROE	ROA	ROCE
Dec 13	-100.7	-83.9	-83.6
Dec 12	-41.2	-37.6	-33.9

The stock has a score of merely 1 out of 9 set by Joseph Piotroski [pass mark ≥ 5]:

Total shares on issue unchanged.

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price/MAP50	0.86	In Bottom Quartile
Volatility %	6.0	In Bottom Quartile
Price to Book Value	14.2	In Bottom 6%

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
MCap	US\$552.2 million	In 2nd Quartile

Bullish Signals:

- The price is at a discount of 6.2% to the 1-month volume weighted average price of US\$27.02, which may appeal as a value proposition.

- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 25.35 minus the 26-day EMA of 23.87 is positive suggesting a bullish signal.
- The Stochastic indicator of 17.6 has broken through the oversold line of 20.

Other Bullish Signals:

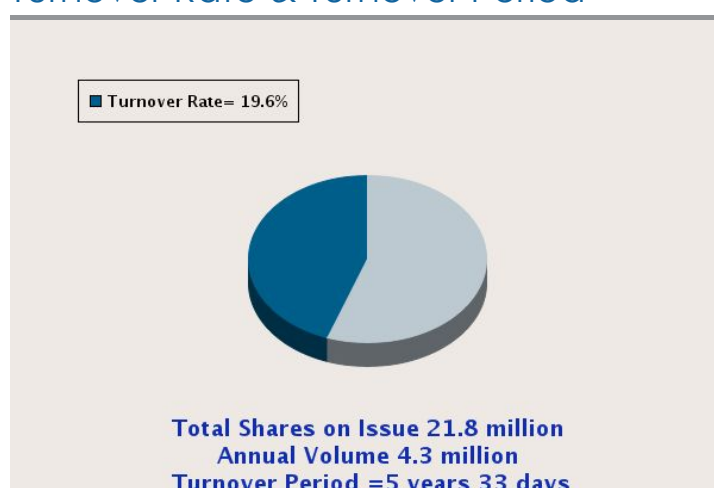
Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 5.9 times current liabilities.

Insider Trades



Turnover Rate & Turnover Period

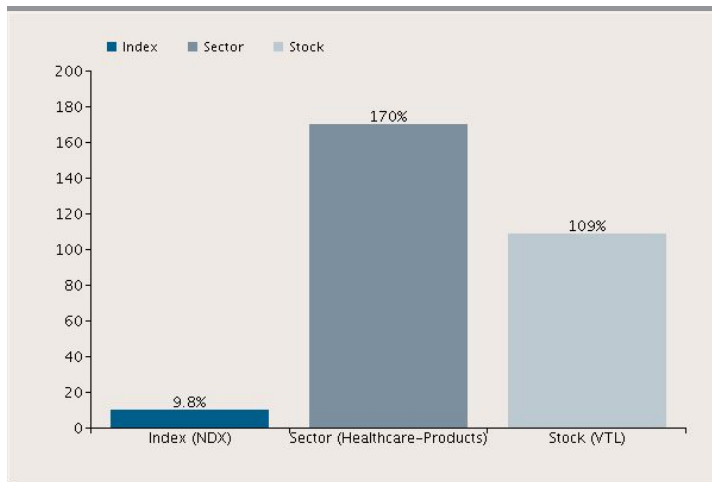


Trailing 3 months

Turnover	US\$93.9 million
Volume	4,278,369
Volume Index (1 is avg)	0.9

Analysis (continued)

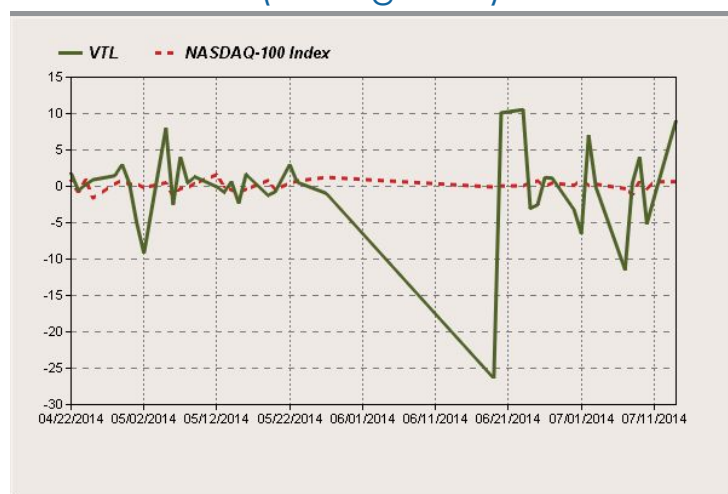
YTD Comparison Stock Sector Index



Price Volume Trend: Trailing Quarter



Stock v Index (Trailing Year)



Peer Group Analysis

Name	Last Price	Relative strength (6-months)	MCap (Millions)	PV \$1000 (1 yr)	Revenue (Millions)	Net Profit (Millions)	Sector sorting
							Total Assets (Millions)
Versartis	26.43	-	639	-	-	-18	15
ZS Pharma	28.86	-	595	-	-	-	-
K2M Group Holdings	16.02	-	594	-	158	-57	297
Vital Therapies	25.34	-	552	-	-	-43	47
Alder Biopharmaceuticals	15.05	-	464	-	19	-21	27
Durata Therapeutics	16.13	91	430	2,216	-	-66	100

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
14-Jul-2014	William Blair	Boost Price Target	-	-	-	36
12-May-2014	Bank of America	Initiated Coverage	-	Buy	-	-
12-May-2014	William Blair	Initiated Coverage	-	Outperform	-	28
12-May-2014	Canaccord Genuity	Initiated Coverage	-	Buy	-	20
12-May-2014	Credit Suisse	Initiated Coverage	-	Outperform	-	16

Reported Buying Selling by Insiders

Insider	Date	Transaction Type	No. of Shares	Price, US\$	Value, US\$
Satter Muneer A	Jun 02, 2014	Bought	7,900	12.45	98,355
Satter Muneer A	Jun 03, 2014	Bought	6,600	13.82	91,212
Croxford Philip M	Apr 23, 2014	Bought	1,500	12	18,000
Satter Muneer A	Apr 23, 2014	Bought	360,966	12	4,331,592
Stern Aron	Apr 23, 2014	Bought	83	12	996
Bienaime Jean Jacques	Apr 23, 2001	Bought	8,333	12	99,996
Godshall Douglas Evan	Apr 23, 2014	Bought	12,500	12	150,000
Halperin Errol R.	Apr 23, 2014	Bought	14,524	12	174,288
Sears Lowell	Apr 23, 2014	Bought	12,500	12	150,000

Company Overview

Activities

Vital Therapies Inc. develops and discovers cell based therapies. The Company designs and produces medical cartridges to stabilize liver function in patients with life-threatening acute liver failure. Vital Therapies operates in the United States, Europe, and China.

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

Regulatory Announcements

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

July 09: Vital Therapies Reports on Clinical Trial Progress and EU Regulatory Advice

June 04: Vital Therapies insider buys

June 04: Vital Therapies insider buys

May 01: Vital Therapies, Inc. Reaches Midpoint for Enrollment in VTI-208

April 23: Vital Therapies insider buys

Issued Capital

Based on 21,790,745 issued equity shares the market capitalisation is US\$552.2 million.

Board and Management

Terence E. Winters CEO

Terence E. Winters, Ph.D., is Co-Chairman of the Board, Chief Executive Officer of the company. Dr. Winters became Co-Chairman of our board of directors in March 2013 and currently serves as such. Dr. Winters has served as our Chief Executive Officer since June 2003. Dr. Winters is also a Special Limited Partner of Valley Ventures, an investor in Vital Therapies since May 2003. He was formerly a General Partner of Columbine Venture Funds and Vice President of DS Ventures, a venture capital subsidiary of Diamond Shamrock Corp., a chemical, life science and petroleum company. Dr. Winters was previously a director of three public companies: CollaGenex Pharmaceuticals, Inc., a developer and marketer of proprietary medical therapies to the dermatology market, Orthologic Corp., a biotechnology company focused on development and commercialization of novel synthetic peptides for tissue repair and healing, and Clinuvel Pharmaceuticals, a global biopharmaceutical company committed to developing drugs for the treatment of a range of severe skin disorders. Dr. Winters has also served as a director of over 20 private companies. He earned a B.Sc. as well as a Ph.D. in chemistry from the University of Wales, U.K. He also completed a post-doctoral fellowship at the University of California, Los Angeles.

Michael V. Swanson CFO

Mr. Michael V. Swanson is Chief Financial Officer of Vital Therapies Inc. Mr. Swanson has over 20 years of experience in senior financial positions in both public and private life sciences companies. Mr. Swanson was Chief Financial Officer of Amira Pharmaceuticals, Inc., a pharmaceutical company focused on the discovery and early development of drugs to treat inflammatory and fibrotic diseases, from May 2008 until the company was acquired in September 2011, and of Panmira Pharmaceuticals, LLC, a spin out from Amira from September to December 2011. Since January 2012, Mr. Swanson has been providing financial consulting services to development stage companies. From July 2000 to April 2008, Mr. Swanson served in senior finance positions including Senior Vice President, Finance and Chief Financial Officer at Prometheus Laboratories Inc., a specialty pharmaceutical company marketing and selling pharmaceutical products and diagnostic testing services for gastrointestinal diseases and disorders. Previously, Mr. Swanson was Senior Vice President and Chief Financial Officer of Advanced Tissue Sciences, Inc., a publicly-traded biomedical company, where he served in senior financial positions for over ten years. Mr. Swanson also served as Director of Finance of the Fisher Scientific Group, Inc., a health and scientific technology company, and its parent, The Henley Group, Inc., a widely diversified holding company. Mr. Swanson began his career working approximately nine years with the public accounting firm of Deloitte Haskins & Sells, now Deloitte & Touche LLP. Mr. Swanson earned a B.S. in business administration from the California Polytechnic State University at San Luis Obispo and an M.B.A. from the University of Southern California. He is also a Certified Public Accountant (inactive).

Randolph C. Steer Independent Director

Randolph C. Steer, M.D., Ph.D., is Independent Director of the company. Dr. Steer has been an independent pharmaceutical, biotechnology and medical devices consultant since 1989. Dr. Steer has served as Associate Director of Medical Affairs at Marion Laboratories, a then-public pharmaceutical company; Medical Director at Ciba Consumer Pharmaceuticals (a division of Ciba-Geigy Corporation, a then-public pharmaceutical company); Vice President, Senior Vice President and Member of the Executive Committee at Physicians World Communications Group; Chairman, President and Chief Executive Officer of Advanced Therapeutics Communications International, a drug regulatory group serving the United States, Mexico, Latin America, the Pacific Rim, Europe and Japan; Chairman and Chief Executive Officer of Vicus.com, Inc.; and President and Chief Operating Officer of Capstone Therapeutics Corp., a public biotechnology company. Dr. Steer is a member of the board of directors of Techne Corporation, a public biotechnology company, and the Board of Trustees of the Mayo Clinic. He earned his B.A. in Physiology from University of Minnesota. He earned an M.D. from the Mayo Medical School and a Ph.D. from the University of Minnesota where he also completed a residency and subspecialty training in clinical and chemical pathology. He is a Fellow of the American College of Clinical Pharmacology.

Board and Management (continued)

Aron Stern **Company Secretary**

Mr. Aron Stern is Chief Administrative Officer, Secretary of the company. Between June 2003 and August 2013, Mr. Stern served as our Treasurer, Vice President and Chief Financial Officer. Mr. Stern has over 20 years of experience in capital formation, acquisitions, financial strategy and financial and operational management in growth-stage high technology and biotechnology companies. He previously was Chief Financial Officer at each of Protein Polymer Technologies, Inc., a developer of a protein-based technology, 4-D Neuroimaging, a medical equipment manufacturing company, and VitaGen, Inc., our predecessor company. Mr. Stern also held positions at Apple Computer and Isis Pharmaceuticals, a developer of antisense drugs. Mr. Stern earned a B.S. in economics and business administration and an M.B.A. in finance and marketing from the University of California, Berkeley.

Robert A. Ashley **Executive Vice President**

Mr. Robert A. Ashley is Executive Vice President, Chief Technical Officer of the company. Between May 2008 and September 2013 he served as our Vice President and Chief Operating Officer. Mr. Ashley's career in the pharmaceutical industry extends for 34 years. He was formerly Chairman, President and Chief Executive Officer of AmpliMed Corporation, a privately-held cancer drug development company, from January 2004 to March 2007, and Senior Vice President of Commercial Development at CollaGenex Pharmaceuticals, Inc., a publicly-held pharmaceutical company, from September 1994 to December 2003. Prior to that he held positions of increasing responsibility at Bristol-Myers Squibb from January 1989 to September 1994, and with Amersham International from 1979 to 1989. He earned a Masters Degree in Biochemistry from Oxford University. Mr. Ashley is the inventor of several issued and pending patents, as well as the author of several scientific papers. He serves on the Board of Directors of Rowpar Pharmaceuticals, a privately-held manufacturer of proprietary dental pharmaceuticals.

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