

NephroGenex (NRX : US\$6.08)

NephroGenex sinks 18.9% in second quarter, underperforming 87% of the market

NephroGenex Inc, NASDAQ's 71st largest medical company by market cap, sank US\$1.42 (or 18.9%) in the quarter ended June 30 to close at US\$6.08. This loss means the stock has underperformed 87% of NASDAQ-listed stocks in quarter ended June 30. The volume in the quarter was 0.8 times the average trading of 17,917 shares. Compared with the NASDAQ-100 Index which rose 191.1 points (or 5.2%), this represents a relative price change of - 24.2%. In the second quarter the market cap declined US\$28.6 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.

However, there are some reasons why some in the market are more bullish on the stock:

- Amongst stocks that are shorted, it was in the bottom quartile as a percentage of stock shorted, suggesting that there are fewer confident bears of the stock.

Stock Summary

Sector	Medical
Market Cap	US\$52 million
Shares Outstanding	8,555,114
Relative Strength (3 mo)	13

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Pretax (USDm)	(6.3)	(2.9)	(1.8)
Net (USDm)	(6.3)	(2.9)	(1.8)
EPS (USD)	(0.71)	(0.33)	(0.21)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	6.1	52 million

Analysis

Bullish Signals

- In the NASDAQ Short Selling market of 2430 stocks, short selling as a % of issued shares ranked 2256th and within the bottom quartile of stocks. This means it was lower than market average of 0.43%, a bullish indicator.
- The current short volume is 0.5 times its own historical average of 0.01%.

Other Bullish Signals:

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	2.2	In Top Quartile

Bearish Signals

- The price is at a premium of 1.0% to the 1-month volume weighted average price (VWP) of US\$6.02. In the past year the premium has been greater than 1.0% just six times, suggesting a topish level and cautious buying at the current price.
- In the last 20 trading sessions there has been a net decline of 8.02%; the stock has retreated nine times and the biggest one day decline was 11.2% on Jun 20.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 5.96 minus the 26-day EMA of 6.04 is negative suggesting a bearish signal.

Other Bearish Signals:

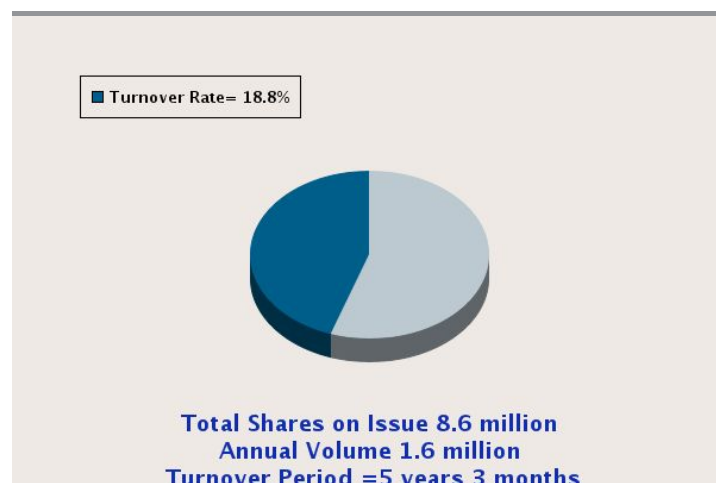
The stock has a score of merely 1 out of 9 set by Joseph Piotroski [pass mark ≥ 5]:

Improvement in current ratio from 0 to 0.1.

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
%Prem To Vol Wtd Price	1.0	In Bottom Quartile
MCap	US\$52 million	In Bottom Quartile
Turnover in Quarter	US\$5.5 million	In Bottom Quartile
Price/MAP50	0.48	In Bottom 2%

Turnover Rate & Turnover Period



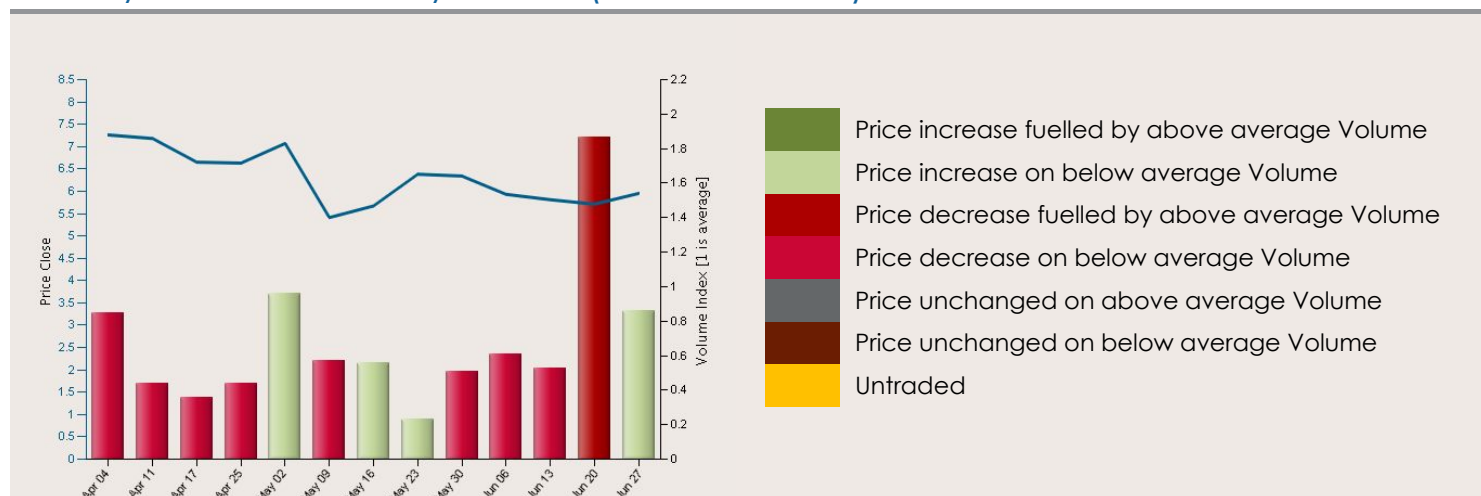
Trailing 3 months

Turnover	US\$5.5 million
Volume	864,683
Volume Index (1 is avg)	0.8

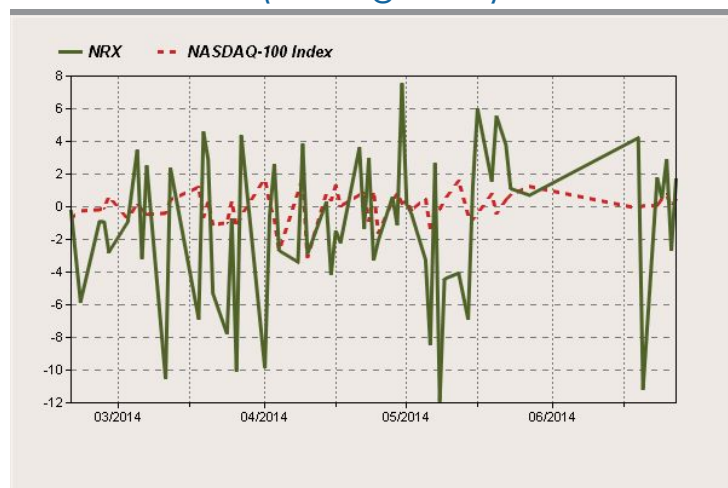
Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Stock v Index (Trailing Year)



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)
Lpath	3.97	29	62	854	8	-9	16
NephroGenex	6.08	-	52	-	-	-6	3
Liposcience	3.42	17	52	521	51	-12	72
Evoke Pharma	8.09	-	49	-	-	-5	25

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
17-Jun-2014	Aegis	Initiated Coverage	-	Buy	-	25

Company Overview

Activities

NephroGenex, Inc. develops novel drugs for the treatment of kidney disease. The Company is developing a small molecule drug that acts as an inhibitor of the pathogenic oxidative chemistries which are elevated in diabetic patients.

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

Regulatory Announcements

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

June 18: NephroGenex, Inc. Initiates Pivotal Phase 3 Study With Novel Treatment to Slow Progression of Diabetic Kidney Disease

May 29: NephroGenex to Present at Jefferies 2014 Global Healthcare Conference In New York City

March 31: NephroGenex, Inc. Reports Year-End 2013 Financial Results

March 27: NephroGenex Announces Research Collaborations for Pivotal Studies of Pyridorin(TM) in Diabetic Nephropathy

February 19: NephroGenex insider buys

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

June 20: NephroGenex: Other Events

Issued Capital

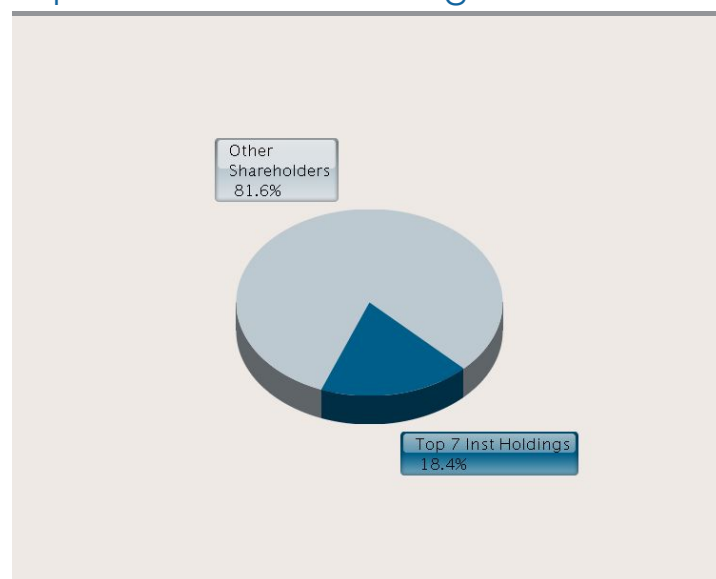
Based on 8,555,114 issued equity shares the market capitalisation is US\$52 million.

The top seven shareholders hold 18.4% of the issued capital leaving a float of 81.6%.

Top 7 Shareholders

Name of Shareholder	No. of Shares	% Held
Rho Capital Partners Inc	1,326,826	15.51
Lmr Partners Llp	150,000	1.75
Knoll Capital Management Lp	50,000	0.58
First Western Capital Management Co	23,900	0.28
First New York Securities Llc /Ny	19,550	0.23
Tower Research Capital Llc	2,255	0.03
Ubs Ag	236	0
Total	1,572,767	18.38

Top 7 Institutional Holdings



Board and Management

Wesley Fox CEO & President

Dr. J. Wesley Fox is the President, Chief Executive Officer and Member of the Board of Directors of BioStratum, Inc. He has over ten years of experience in establishing and developing healthcare start-up companies. He is a founder of RiboGene, Inc., Hayward, California, and a Founder of EnzyMed, Inc., Iowa City, Iowa. Prior to founding RiboGene and EnzyMed, he held product development positions at IDEXX Laboratories, Portland, Maine and Abbott Laboratories.

Richard J. Markham Chairman

Mr. Richard J. Markham is the Chairman of the Board for NephroGenex, Inc and he is also a Partner at Care Capital LLC. Prior to that, he was the Vice Chairman of the Management Board and Chief Operating Officer of Aventis. Previously he was the Chief Executive Officer of Aventis Pharma, the Chief Executive Officer of Hoechst Marion Roussel, and the President and Chief Operating Officer of Marion Merrell Dow, Inc. and a member of its board of directors. He served with Merck & Co., Inc., as President and Chief Operating Officer. Prior to this role, he has held a number of positions, starting as a professional representative and then becoming District Manager, Product Manager and Director, Executive Director and then Vice President of Marketing for the Merck Sharp & Dohme Division. He has received a Bachelor of Science in Pharmacy and Pharmacal Sciences from Purdue University and has served as a member of the Dean's Advisory Council of the university. He has also been awarded an honorary Doctor of Science degree.

James Mitchum Director

Mr. James Mitchum is Director of the Company. From 2009 to July 2012, Mr. Mitchum served as President of the Americas for EUSA Pharma (USA), Inc., where he oversaw the streamlining of that business as well as the development, FDA approval and successful launch of a pediatric oncology drug in 2011. From 2005 to 2008, Mr. Mitchum served as President and Chief Executive Officer of Enturia, Inc., a privately owned drug-device company, based in Kansas City, Missouri. From 2004 to 2005, Mr. Mitchum served as the President and Chief Executive Officer of Sanofi-Aventis Group Japan. Mr. Mitchum has also served as a director on numerous private company and organization boards. Mr. Mitchum earned an MBA in Business from the University of Tennessee in Knoxville, Tennessee and a Bachelor of Science degree in Business and Math from Milligan College in Johnson City, Tennessee.

Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

Currency in USD	2014-03-31	2013-03-31	Change %
Expenses:			
Research and development	457,376	264,560	Up 72.9
General and administrative	1,034,425	138,137	Up 648.8
Total expenses	1,491,801	402,697	Up 270.5
Loss from operations	-1,491,801	-402,697	Deterioration 270.5
Other income (expense):			
Change in value of preferred stock warrants	-140,428		
Interest expense	78,084	71,303	Up 9.5
Interest income	9,997	176	Up 5,580.1
Qualifying Therapeutic Discovery Program grant			
Net loss	-1,700,316	-473,824	Deterioration 258.8
Net loss per share - basic and diluted	-37.0c	-148.0c	Reduced 75.0
Weighted average shares outstanding - basic and diluted	4,587,498	319,882	Up 1,334.1

BALANCE SHEET

Currency in USD	2014-03-31	2013-12-31	Change %
Assets			
Current assets			
Cash and cash equivalents	33,513,394	2,131,990	Up 1,471.9
Prepaid expenses and other assets	667,782	11,711	Up 5,602.2
Total current assets	34,181,176	2,143,701	Up 1,494.5
Property and equipment, net	13,989	10,826	Up 29.2
Deferred initial public offering costs		461,079	
Other assets	4,097	4,097	Steady
Total assets	34,199,262	2,619,703	Up 1,205.5
Liabilities and Stockholders' Equity (Deficiency)			
Current liabilities			
Accounts payable	76,169	47,865	Up 59.1
Accrued and other liabilities	707,587	1,858,061	Down 61.9
Preferred stock warrant liability		6,982,640	
Convertible notes payable		7,916,870	
Total current liabilities	783,756	16,805,436	Down 95.3
Stockholders' equity (deficiency)			
Series A preferred stock: .001 par value; 32,690,676 shares authorized; 0 and 23,688,396 shares issued and outstanding as of March 31, 2014 and December 31, 2013, respectively		23,688	

Financial Results (Quarterly) (continued)

31 March, 2014

Preferred stock;.001 par value; 5,000,000 shares authorized; no shares issued and outstanding

Common stock;.001 par value; 100,000,000 shares authorized; 8,855,114 and 319,882 shares issued and outstanding as of March 31, 2014 and December 31, 2013, respectively	320	Up 2,667.2
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Additional paid-in capital	76,106,173	26,789,465	Up 184.1
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Deficit accumulated during the development stage	-42,699,522	-40,999,206	Deterioration 4.1
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Total stockholders' equity (deficiency)	33,415,506	-14,185,733	Recovery
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Total liabilities and stockholders' equity (deficiency)	34,199,262	2,619,703	Up 1,205.5
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