

Flexion Therapeutics (FLXN : US\$18.45)

Flexion Therapeutics continues uptrend, now jumps 34.1% and in top 4% of the market

Flexion Therapeutics Inc, NASDAQ's 32nd largest medical company by market cap, jumped US\$4.69 (or 34.1%) in the quarter ended September 30 to close at US\$18.45. This gain means the stock is among the top 4% of NASDAQ-listed stocks in quarter ended September 30. The volume in the quarter was 0.7 times the average trading of 51,725 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price increase of 30.2%. In the third quarter the market cap jumped US\$76.5 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 27:21 or 1.3:1.
- It is beating 81% of the market the past 6 months.
- The price to 50-day EMAP ratio is 1.1, a bullish indicator. The 50-day EMAP has increased to US\$16.66.

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 15.3. Compared with the rest of the market the stock is overvalued and ranks in the bottom 1% of stocks by value of Q Ratio.

Stock Summary

Sector	Medical
Market Cap	US\$288 million
Shares Outstanding	15,608,014
ISIN	US33938J1060
Relative Strength (3 mo)	97

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Pretax (USD)	-	-	(11.45M)
Net (USD)	(18.1867M)	(14.9816M)	(11.45M)
EPS (USD)	(23.02)	(27.58)	(0.78)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	18.4	288 million

Analysis

Bullish Signals

- In the last 19 trading sessions there has been a net rise of 40.3%; the stock has advanced eleven times and the biggest one day rise was 19.4% on Sep 08.
- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 81 which means it is beating 81% of the market.
- A price rise combined with a high relative strength is a bullish signal.
- Also, the relative strength percentile is rising at 81 for 6 months, 97 for 3 months and 99 for 1 month.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 17.66 minus the 26-day EMA of 16.78 is positive suggesting a bullish signal. Both the 12-day EMA as well as the 26-day EMA are rising, another bullish signal.
- The stock traded at an 11-day high of US\$18.54 today.

Other Bullish Signals:

Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 3.3 times current liabilities.
- "Total debt equal or less than twice the net quick liquidation value"; total debt of USD5 Million is 0.4 times the net liquidation value of USD11.57 Million.

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	2.8	In Top 6%
%Prem To Vol Wtd Price	8.0	In Top Quartile
Relative Strength (6M)	81	In Top Quartile

Bearish Signals

- The price is at a premium of 8.0% to the 1-month volume weighted average price of US\$17.09. Given that this premium has been under 8.0% one hundred twenty-nine times and over 8.0% nineteen times in the last year, the downside:upside probability is estimated at 129:19 or 6.8:1.
- The current short volume is 1.6 times its own historical average of 0.1%. It soared 17.1% from the previous day, climbed 5.2% from a week ago, a bearish indicator.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 15.3. Compared with the rest of the market the stock is overvalued and ranks in the bottom 1% 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	ROA
Dec 13	-96.9
Dec 12	-49.9

Bearish Indicators and Rank in Market:

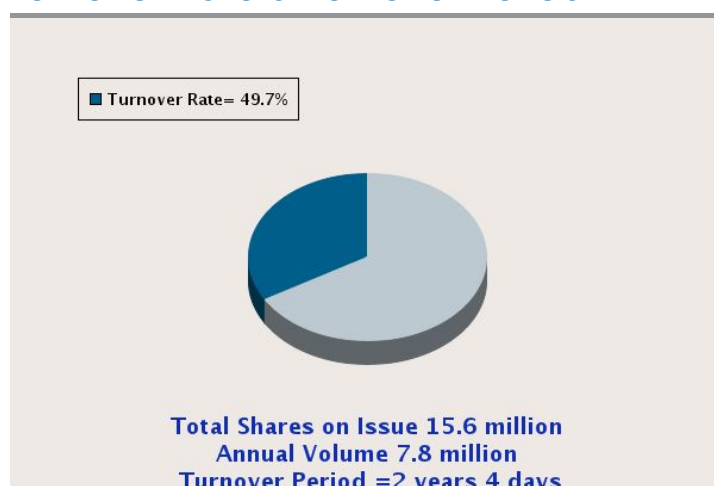
Description	Value	Rank In Market
Volatility %	4.2	In Bottom Quartile
Price/MAP50	0.66	In Bottom Quartile

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
MCap	US\$288 million	In 3rd Quartile
Turnover in Quarter	US\$33.5 million	In 3rd Quartile

Turnover Rate & Turnover Period



Analysis (continued)

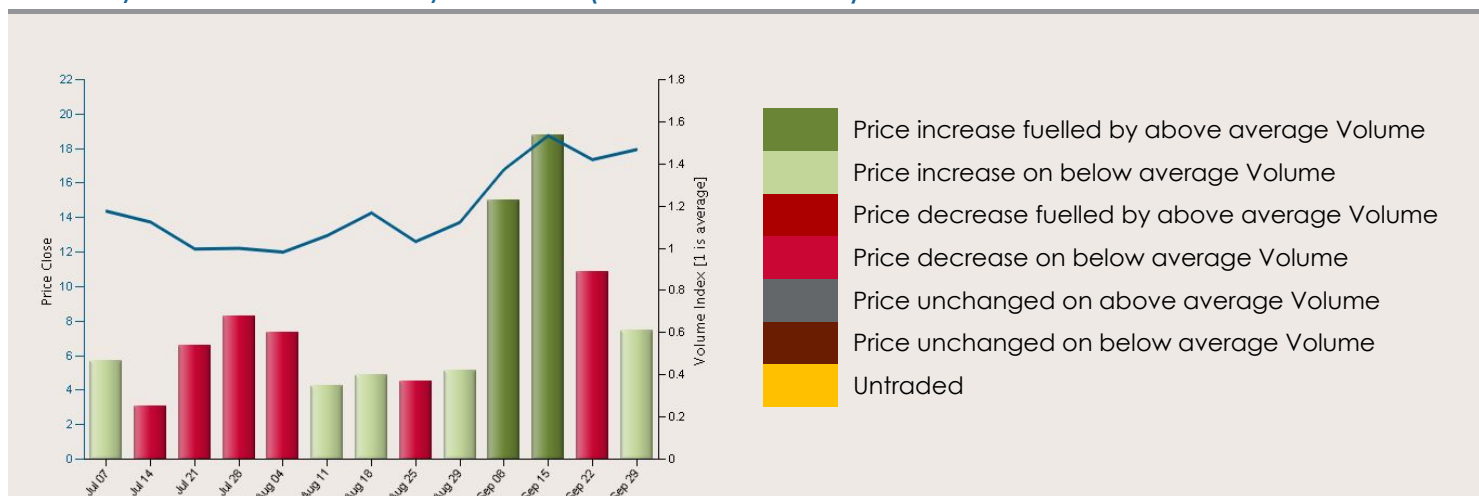
Trailing 3 months

Turnover	US\$33.5 million
Volume	2,181,427
Volume Index (1 is avg)	0.7

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
10-Sep-2014	BMO Capital Markets	Boost Price Target	-	-	33	36
10-Sep-2014	Needham & Company LLC	Boost Price Target	-	-	26	31
14-Aug-2014	Summer Street	Initiated Coverage	-	Buy	-	25

Company Overview

Regulatory Announcements

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

September 17: Flexion Therapeutics Announces Clinical Hold of FX006 Phase 2b Clinical Trial in Osteoarthritis of the Knee

September 03: Flexion Therapeutics to Start FX006 Phase 3 Pivotal Trial in 2014; Following FDA Meeting, Development Plan Advanced by One Year

July 31: Flexion Therapeutics to Report Second Quarter 2014 Financial Results on August 7, 2014

July 28: Flexion Therapeutics and Southwest Research Institute(R) (SwRI(R)) Sign Worldwide Exclusive License for Proprietary Microsphere Manufacturing Technologies

July 24: Flexion Therapeutics appoints Director

June 17: Flexion Therapeutics Announces Positive Topline Results From Phase 2a Pharmacokinetic Trial With Lead Compound FX006

June 12: Flexion Therapeutics appoints Director

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

September 17: Flexion Therapeutics: Other Events

September 03: Flexion Therapeutics: Other Events

August 07: Flexion Therapeutics: Results of Operations and Financial Condition

June 17: Flexion Therapeutics: Other Events

Issued Capital

Based on 15,608,014 issued equity shares the market capitalisation is US\$288 million.

The top sixteen shareholders hold 16.2% of the issued capital leaving a float of 83.8%.

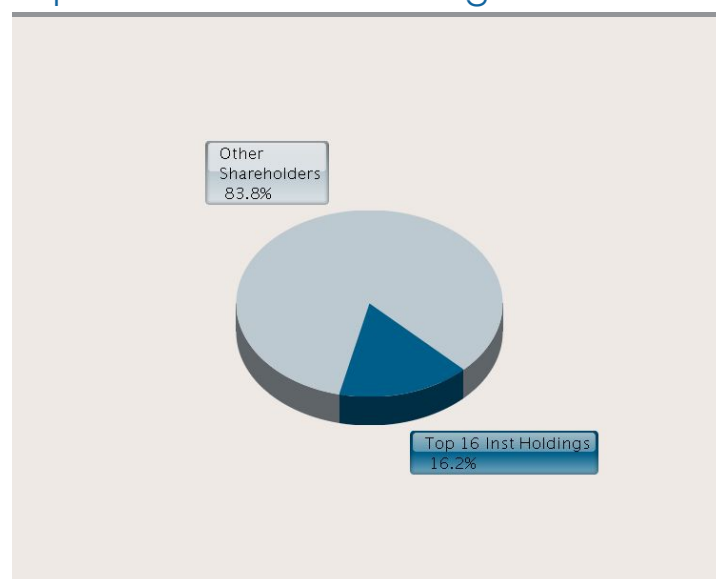
Source

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Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Jennison Associates Llc	729,799	4.68
Redmile Group Llc	493,183	3.16
Kingdon Capital Management L.L.C.	400,900	2.57
Visium Asset Management Lp	287,000	1.84
Fmr Llc	170,606	1.09
Opaleye Management Inc.	135,500	0.87
Sphera Funds Management Ltd.	103,955	0.67
Farallon Capital Management Llc	50,000	0.32
Barclays Global Investors Uk Holdings Ltd	42,066	0.27
Soros Fund Management Llc	30,000	0.19
Total	2,443,009	15.65

Top 16 Institutional Holdings



Board and Management

Sandesh Mahatme Director

Mr. Mahatme became Sarepta's Senior Vice President and Chief Financial Officer in November 2012. He is currently responsible for the finance, investor relations, facilities, IT and corporate communications functions at Sarepta, which is a rapidly growing, late-stage biotechnology company with a focus on neuromuscular and infectious disease therapeutic areas. From January 2006 to November 2012, Mr. Mahatme worked at Celgene Corporation, where he served in various roles, including Senior Vice President of Corporate Development, Senior Vice President of Finance, Corporate Treasurer and Head of Tax. While at Celgene, Mr. Mahatme built the treasury and tax functions before establishing the Corporate Development Department, and focused on strategic, targeted initiatives including commercial development in emerging markets, acquisitions and licensing and global manufacturing expansion. Prior to working at Celgene, Mr. Mahatme worked for Pfizer Inc. for over eight years in senior roles in Business Development and Corporate Tax. Mr. Mahatme started his career at Ernst & Young LLP where he advised multinational corporations on a broad range of transactions. Mr. Mahatme holds Master of Laws (LL.M.) degrees from Cornell Law School and NYU School of Law and is a member of the New York State Bar Association.

Creation of shareholder value in Flexion Therapeutics:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of July 22, 2014 at close price of US\$12.44 is US\$1,483, for a capital gain of US\$483.

Ann Merrifield Director

Creation of shareholder value in Flexion Therapeutics:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of June 11, 2014 at close price of US\$12.72 is US\$1,450, for a capital gain of US\$450.

Financial Results (Half Year)

30 June, 2014

INCOME STATEMENT

Currency in USD	2014-06-30	2013-06-30	Change %
Revenue			
Operating expenses:			
Research and development	7,765,440	6,254,691	Up 24.2
General and administrative	4,518,145	2,943,024	Up 53.5
Total operating expenses	12,283,585	9,197,715	Up 33.6
Loss from operations	-12,283,585	-9,197,715	Deterioration 33.6
Other income (expense):			
Interest income	165,402	179,985	Down 8.1
Interest expense	217,704	221,111	Down 1.5
Other income (expense), net	-136,959	-157,018	Reduced 12.8
Total other income (expense)	-189,261	-198,144	Reduced 4.5
Net loss	-12,472,846	-9,395,859	Deterioration 32.7
Net loss attributable to common stockholders	-12,472,846	-9,395,859	Deterioration 32.7
Net loss per share attributable to common stockholders, basic and diluted	-107.0c	-1,191.0c	Reduced 91.0
Weighted average common shares outstanding, basic and diluted	11,670,281	789,222	Up 1,378.7

BALANCE SHEET

Currency in USD	2014-06-30	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	12,015,370	16,188,254	Down 25.8
Marketable securities	59,976,606	250,047	Up 23,886.1
Prepaid expenses and other current assets	684,067	181,962	Up 275.9
Total current assets	72,676,043	16,620,263	Up 337.3
Property and equipment, net	387,730	375,239	Up 3.3
Deferred offering costs		1,623,540	
Other assets	20,626	28,875	Down 28.6
Restricted cash	128,000	128,000	Steady
Total assets	73,212,399	18,775,917	Up 289.9
Liabilities, Convertible Preferred Stock and Stockholders' Equity (Deficit)			
Current liabilities:			
Accounts payable	964,617	1,279,874	Down 24.6
Accrued expenses and other current liabilities	1,482,110	2,256,680	Down 34.3
Current portion of long-term debt	2,000,000	1,500,000	Up 33.3
Total current liabilities	4,446,727	5,036,554	Down 11.7
Long-term debt	2,570,000	3,546,667	Down 27.5
Other long-term liabilities	68,640	90,373	Down 24.0
Total liabilities	7,085,367	8,673,594	Down 18.3
Commitments and contingencies			

Financial Results (Half Year) (continued)

30 June, 2014

Preferred Stock, 0.001 par value; 10,000,000 and 0 shares authorized, at June 30, 2014 and December 31, 2013, respectively, and 0 shares issued and outstanding at June 30, 2014 and December 31, 2013

Convertible preferred stock (Series A and B), 0.001 par value; 0 and 73,780,250 shares authorized, 0 shares and 72,780,250 shares issued and outstanding, and aggregate liquidation preference of 0 and 75,043,464, at June 30, 2014 and December 31, 2013, respectively

74,806,213

Stockholders' equity (deficit):

Common stock, 0.001 par value; 100,000,000 and 94,000,000 shares authorized; 15,624,290 and 794,090 shares issued and outstanding, at June 30, 2014 and December 31, 2013, respectively

15,624

794

Up 1,867.8

Additional paid-in capital

144,744,191

1,458,503

Up 9,824.2

Accumulated other comprehensive income

3,222

-28

Recovery

Accumulated deficit

-78,636,005

-66,163,159

Deterioration 18.9

Total stockholders' equity (deficit)

66,127,032

-64,703,890

Recovery

Total liabilities, convertible preferred stock, and stockholders' equity (deficit)

73,212,399

18,775,917

Up 289.9

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-18.86	14.52	Deterioration
Return on Assets(%)	-17.04	-50.04	Reduced 66.0

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-107.0c	-1,191.0c	Reduced 91.0

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