

NephroGenex (NRX : US\$4.36)

NephroGenex tumbles 26.7% in third quarter, in bottom 11% of the market

NephroGenex Inc, NASDAQ's 73rd largest medical company by market cap, tumbled US\$1.59 (or 26.7%) in the quarter ended September 30 to close at US\$4.36. This loss means the stock has underperformed 89% of NASDAQ-listed stocks in quarter ended September 30. The volume in the quarter was 0.9 times the average trading of 17,134 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price change of -30.6%. In the third quarter the market cap declined US\$11.4 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.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 14.7. Compared with the rest of the market the stock is overvalued and ranks in the bottom 1% of stocks by value of Q Ratio.
- In the last three months the number of falls outnumbered rises 32:14 or 2.29:1.
- It is trailing 90.68% of the market the past 6 months.

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\$38.6 million
Shares Outstanding	8,855,114
ISIN	US6406671015
Relative Strength (3 mo)	11

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Pretax (USD)	-	-	(1.85M)
Net (USD)	(6.3047M)	(2.9042M)	(1.85M)
EPS (USD)	(19.71)	(9.08)	(0.21)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	4.4	38.6 million

Analysis

Bearish Signals

- In the last 19 trading sessions there has been a net decline of 12.8%; the stock has retreated fourteen times and the biggest one day decline was 13.8% on Sep 15.
- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 9 indicating it is trailing 91.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 4.47 minus the 26-day EMA of 4.54 is negative suggesting a bearish signal. Both the 12-day EMA as well as the 26-day EMA are falling, another bearish signal.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 14.7. 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:

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

Improvement in current ratio from 0 to 0.1; Total shares on issue unchanged.

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	-1.4	In Bottom Quartile
Turnover in Quarter	US\$4.8 million	In Bottom Quartile
MCap	US\$38.6 million	In Bottom Quartile
Relative Strength (6M)	9	In Bottom 8%
Volatility %	8.7	In Bottom 6%
Price/MAP50	0.39	In Bottom 1%

Note

Bullish Signals:

- The price is at a discount of 6.1% to the 1-month volume weighted average price of US\$4.64, which may appeal as a value proposition.
- In the NASDAQ Short Selling market of 2463 stocks, short selling as a % of issued shares ranked 1982nd and within the bottom quartile of stocks. This means it was lower than market average of 0.54%, a bullish indicator.

- The current short volume is 0.9 times its own historical average of 0.02%. It plummeted 51.0% from the previous day, plummeted 16.1% from a week ago and plummeted 42.7% from a month ago, a significant bullish indicator.

Other Bullish Signals:

- Return on Assets is negative but improving in recent years.

Annual Trend:

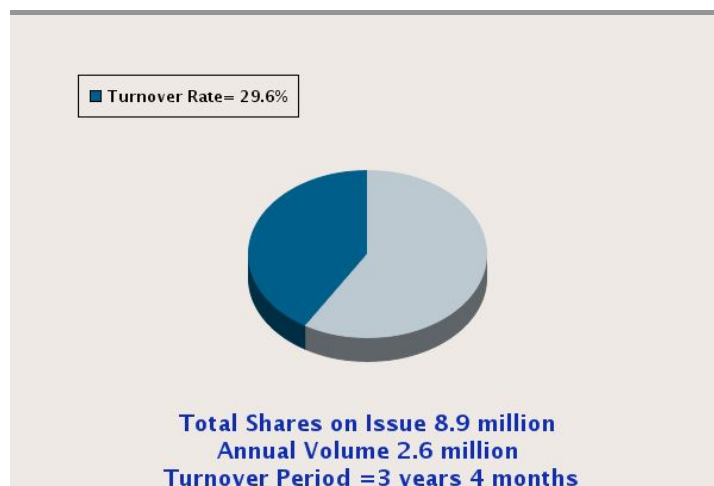
[Year ended, all figures in %]:

Year	ROA
Dec 13	-240.7
Dec 12	-796.9

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
P/E * P/NTA	16.65	In Top Quartile

Turnover Rate & Turnover Period



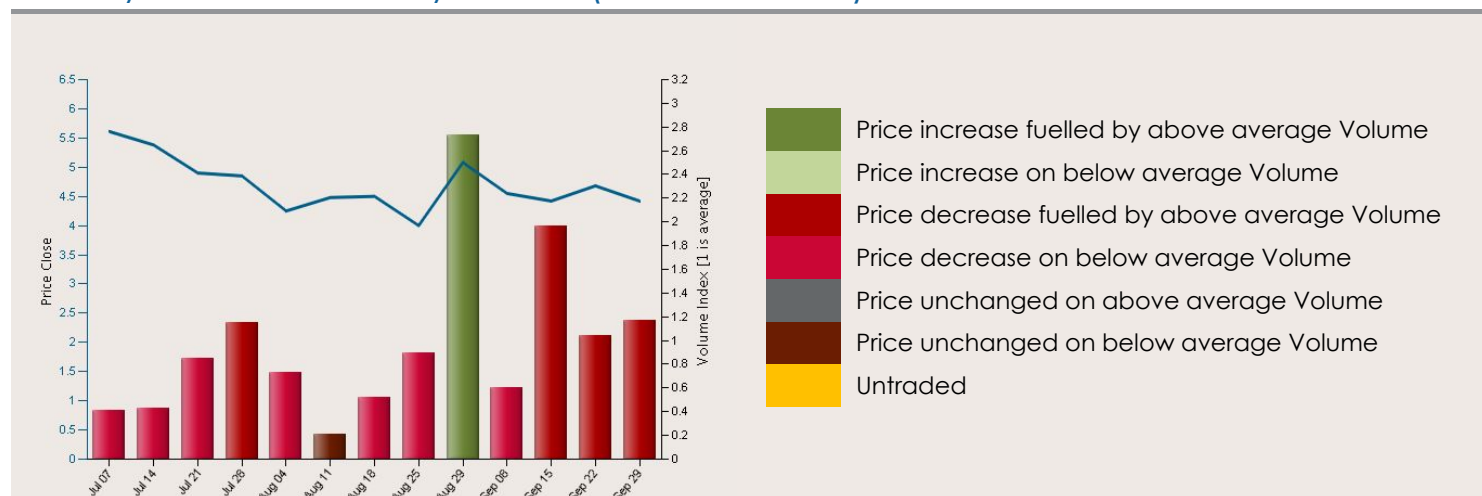
Trailing 3 months

Turnover	US\$4.8 million
Volume	1,005,106
Volume Index (1 is avg)	0.9

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: NephroGenex To Participate in Four Healthcare Conferences in September NeuroMetrix to Present at Rodman & Renshaw Annual Global Investment Conference

August 11: NephroGenex Reports Second Quarter 2014 Financial Results

July 31: NephroGenex Announces Date of Conference Call to Discuss Second Quarter 2014 Financial Results

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

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

September 15: NephroGenex: Entry into a Material Definitive Agreement

August 29: NephroGenex: Regulation FD Disclosure

August 11: NephroGenex: Results of Operations and Financial Condition

June 20: NephroGenex: Other Events

Issued Capital

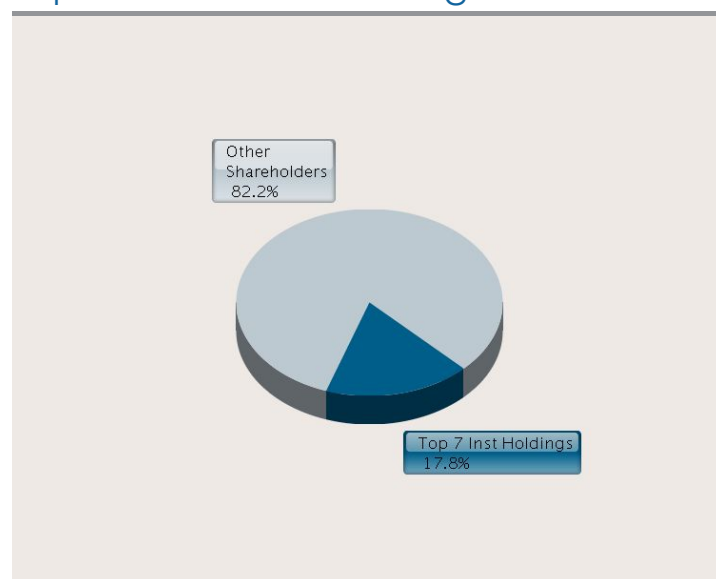
Based on 8,855,114 issued equity shares the market capitalisation is US\$38.6 million.

The top seven shareholders hold 17.8% of the issued capital leaving a float of 82.2%.

Top 7 Shareholders

Name of Shareholder	No. of Shares	% Held
Rho Capital Partners Inc	1,326,826	14.98
Lmr Partners Llp	150,000	1.69
Knoll Capital Management Lp	50,000	0.56
First Western Capital Management Co	23,900	0.27
First New York Securities Llc /Ny	19,550	0.22
Tower Research Capital Llc	2,255	0.03
Ubs Ag	236	0
Total	1,572,767	17.76

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)

30 June, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
Expenses:			
Research and development	3,875	221	Up 1,653.4
General and administrative	1,560	154	Up 913.0
Total expenses	5,435	375	Up 1,349.3
Loss from operations	-5,435	-375	Deterioration 1,349.3
Other income (expense):			
Change in value of preferred stock warrants		-341	
Interest expense		87	
Interest income	12		
Net loss	-5,423	-803	Deterioration 575.3
Net loss per share - basic and diluted	-61.0c	-251.0c	Reduced 75.7
Weighted average shares outstanding - basic and diluted	8,855,114	319,882	Up 2,668.2

BALANCE SHEET

Currency in Thousand of USD	2014-06-30	2013-12-31	Change %
Assets			
Current assets			
Cash and cash equivalents	11,619	2,132	Up 445.0
Short-term investments	18,267		
Prepaid expenses and other assets	444	12	Up 3,600.0
Total current assets	30,330	2,144	Up 1,314.6
Property and equipment, net	11	11	Steady
Deferred initial public offering costs		461	
Other assets	173	4	Up 4,225.0
Total assets	30,514	2,620	Up 1,064.7
Liabilities and Stockholders' Equity (Deficit)			
Current liabilities			
Accounts payable	927	48	Up 1,831.2
Accrued and other liabilities	1,191	1,858	Down 35.9
Preferred stock warrant liability		6,983	
Convertible notes payable		7,917	
Total current liabilities	2,118	16,806	Down 87.4
Stockholders' equity (deficit)			
Series A preferred stock: .001 par value; 32,690,676 shares authorized; 0 and 23,688,396 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively		24	

Financial Results (Quarterly) (continued)

30 June, 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; 9 8,855,114 and 319,882 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively

Additional paid-in capital	76,546	26,789	Up 185.7
Accumulated other comprehensive loss	-37		
Accumulated deficit	-48,122	-40,999	Deterioration 17.4
Total stockholders' equity (deficit)	28,396	-14,186	Recovery
Total liabilities and stockholders' equity (deficit)	30,514	2,620	Up 1,064.7

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-25.08	8.99	
Return on Assets(%)	-23.34	-48.7	Reduced 52.1

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-106.0c	-399.0c	Reduced 73.4

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