

## Genocea Biosciences (GNCA : US\$9.13)

### Genocea Biosciences continues downtrend, now plummets 52.4% in third quarter ending

Genocea Biosciences Inc, NASDAQ's 51st largest medical company by market cap, plummeted US\$10.05 (or 52.4%) in the quarter ended September 30 to close at US\$9.13. This loss means the stock is amongst the bottom 2% of NASDAQ-listed stocks in quarter ended September 30. The volume in the quarter was 0.5 times the average trading of 56,203 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price change of -56.2%. In the third quarter the market cap declined US\$198.7 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 10.1. Compared with the rest of the market the stock is overvalued and ranks in the bottom 3% of stocks by value of Q Ratio.
- In the last three months the number of falls outnumbered rises 29:17 or 1.71:1.
- It is trailing 94.82% of the market the past 6 months.

**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 -93.5.
- "Current ratio of two or more"; current assets are 2.9 times current liabilities.

### Stock Summary

<b>Sector</b>	Medical
<b>Market Cap</b>	US\$159 million
<b>Shares Outstanding</b>	17,406,977
<b>ISIN</b>	US3724271040
<b>Relative Strength (3 mo)</b>	2

### Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USD)	730,000	1.98M	1.82M
Pretax (USD)	(20.81M)	(13.37M)	(14.69M)
Net (USD)	(22.41M)	(15.15M)	(16.29M)

### MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	9.1	159 million

# Analysis

## Bullish Signals

- The price is at a discount of 20.4% to the 1-month volume weighted average price of US\$11.47, which may appeal as a value proposition.
- The Stochastic indicator of 3.1 has broken through the oversold line of 20; the stock is also oversold according to the Williams % R indicator of -93.5.

### Other Bullish Signals:

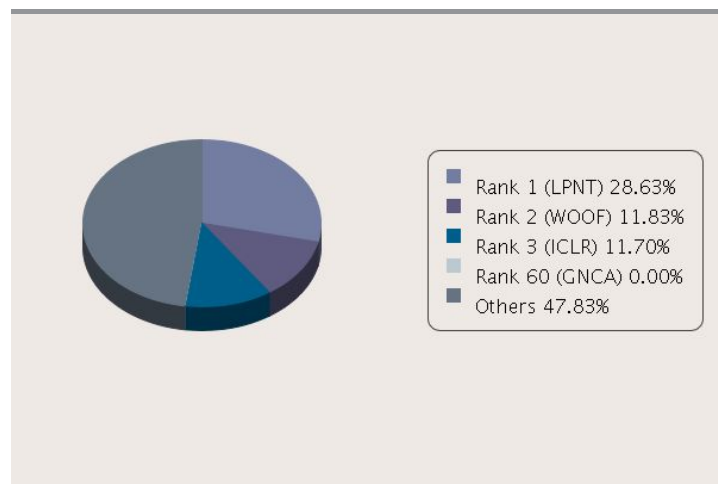
Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 2.9 times current liabilities.

### Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	1.1	In Top Quartile

## Revenue Share Medical



## Bearish Signals

- In the last 18 trading sessions there has been a net decline of 26.59%; the stock has retreated fourteen times and the biggest one day decline was 12.3% on Sep 22.
- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 5 indicating it is trailing 95.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 10.09 minus the 26-day EMA of 11.21 is negative suggesting a bearish signal. Both the 12-day EMA as well as the 26-day EMA are falling, another bearish signal.
- The current short volume is 1.1 times its own historical average of 0.1%. It increased 1.2% from the previous day, a bearish indicator.

### Overvaluation:

- Price/Sales of 217.77 versus sector average of 2.5 and market average of 2.3.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 10.1. 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:

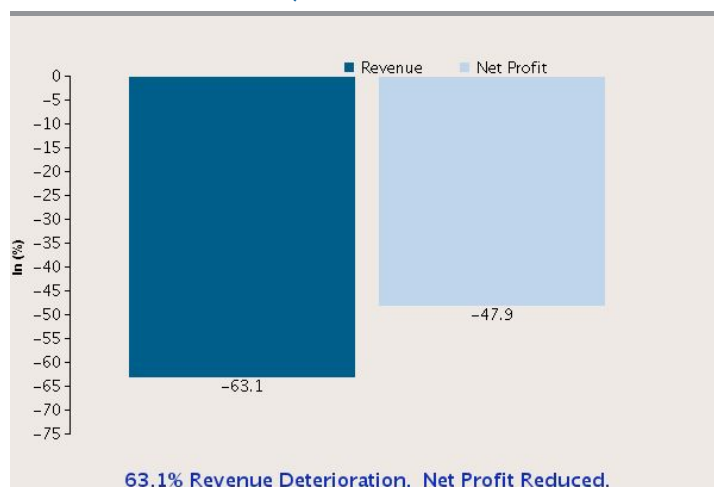
- Net Profit margin and EBIT margin has been negative in recent years.

### Annual Trend:

[Year ended, all figures in %]:

Year	Net Profit Margin	EBIT Margin
Dec 13	-3,069.9	-2,757.5
Dec 12	-765.2	-654.5

## % Growth Y.O.Y, Revenue & Net Profit



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

Improvement in long-term debt to total assets from 0.2 to 0.6; Total shares on issue unchanged.

### Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Volatility %	5.6	In Bottom Quartile
Relative Strength (6M)	5	In Bottom 4%
Price/MAP50	0.36	In Bottom 1%
Annual Revenue	US\$730,000	In Bottom 1%
Total Debt to Equity	6.8	In Bottom 1%

## Analysis (continued)

### Note

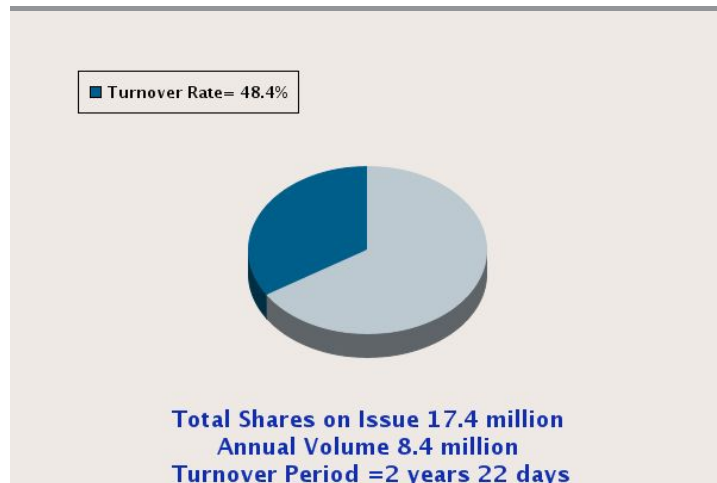
#### Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$24.5 million	In 3rd Quartile
MCap	US\$159 million	In 3rd Quartile

### Insider Trades



### Turnover Rate & Turnover Period



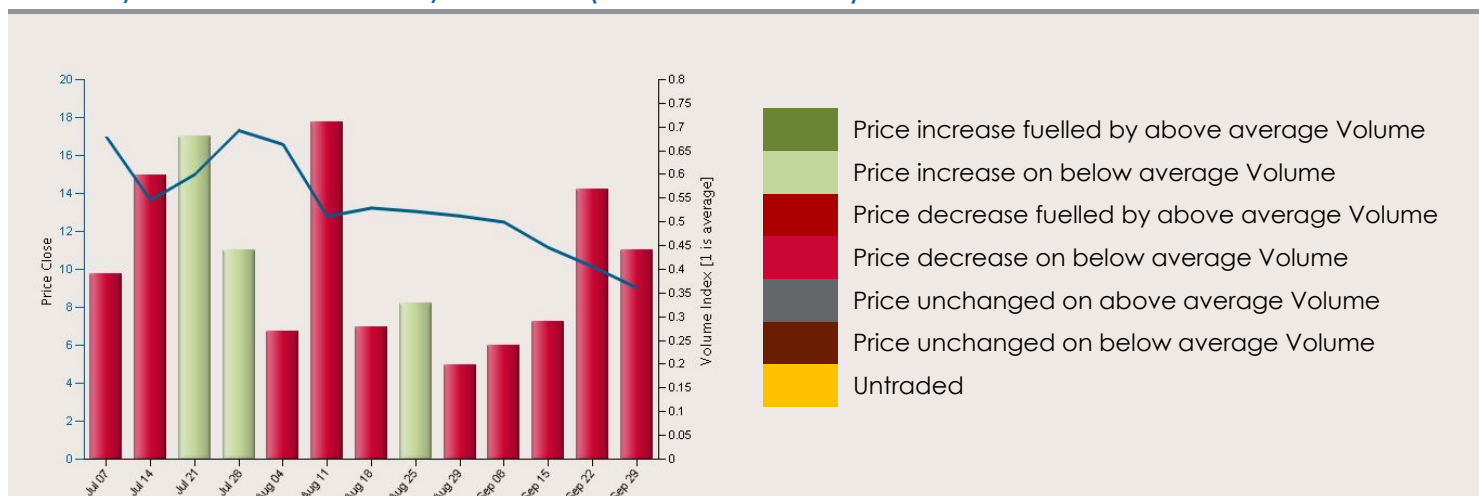
### Trailing 3 months

Turnover	US\$24.5 million
Volume	1,771,229
Volume Index (1 is avg)	0.5

## Price Volume Trend: Trailing Quarter



## Weekly Price Volume Dynamics (Last 12 Weeks)



## Peer Group Analysis

							Sector sorting
Name	Last Price	Relative strength (6-months)	MCap ()	PV \$1000 (1 yr)	Revenue ()	Net Profit ()	Total Assets ()
Eagle Pharmaceuticals	12.5	58	173.7M	0	13.7M	-9,890,000	18.1M
Stemline Therapeutics	12.5	10	164.9M	291	370,823	-28,256,624	85.3M
Genocea Biosciences	9.1	5	159M	0	730,000	-26,645,000	15.8M
uniQure	9.0	0	158.9M	0	4.6M	-33,852,204	49.2M
Nymox Pharmaceutical	4.2	22	149.4M	648	3.4M	-4,908,603	966,385

## Reported Buying Selling by Insiders

Insider	Date	Transaction Type	No. of Shares	Price, US\$	Value, US\$
Giannasca Paul	Sep 11, 2014	Sold	4,071	11.84	48,201
Giannasca Paul	Sep 08, 2014	Sold	2,970	12.8	38,016
Giannasca Paul	Sep 10, 2014	Sold	834	12.35	10,300
Giannasca Paul	Sep 02, 2014	Sold	5,398	12.51	67,529
Giannasca Paul	Aug 28, 2014	Sold	4,602	12.36	56,881
Giannasca Paul	Aug 27, 2014	Sold	1,303	12.77	16,639
Giannasca Paul	Aug 29, 2014	Sold	855	12.86	10,995

# Company Overview

## Regulatory Announcements

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

September 23: Genocera Announces \$1.2 Million Grant for Malaria Vaccine Discovery

September 19: Genocera to Present at the 21st Annual NewsMakers in the Biotech Industry Conference

September 16: Virology Publishes Genocera HSV-2 Antigen Discovery Paper

September 15: Genocera Biosciences insider sells; shares at a one-month low

September 11: Genocera Appoints Kenneth Bate to its Board of Directors

September 11: Genocera Commences Phase 2a Trial for GEN-004, Universal Pneumococcal Vaccine Candidate

September 10: Genocera Biosciences insider sells; shares at a one-month high

To view 8-K people news for Genocera-Biosciences, [click here](#)

September 11: Genocera Biosciences appoints Kenneth Bate as director 12 September 2014

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

August 06: Genocera Biosciences: Results of Operations and Financial Condition

July 16: Genocera Biosciences: Regulation FD Disclosure

July 14: Genocera Biosciences: Regulation FD Disclosure

July 01: Genocera Biosciences: Regulation FD Disclosure

June 23: Genocera Biosciences: Regulation FD Disclosure

## Issued Capital

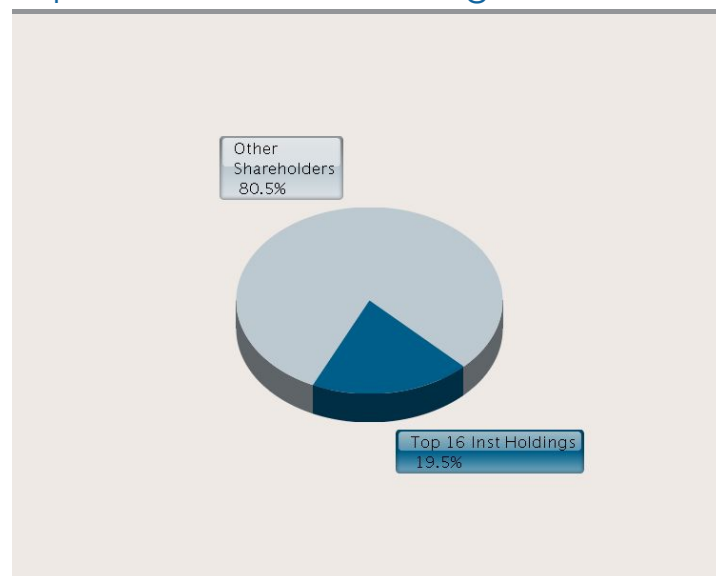
Based on 17,406,977 issued equity shares the market capitalisation is US\$159 million. It is NASDAQ's 73rd largest Medical company by assets.

The top sixteen shareholders hold 19.5% of the issued capital leaving a float of 80.5%.

## Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Polaris Venture Management Co. V L.L.C.	2,128,678	12.23
Deerfield Management Co	659,983	3.79
Jennison Associates Llc	200,000	1.15
Redmile Group Llc	125,244	0.72
Blackrock Fund Advisors	106,642	0.61
Barclays Global Investors Uk Holdings Ltd	49,932	0.29
Geode Capital Management Llc	33,464	0.19
Oppenheimer & Co Inc	28,620	0.16
State Street Corp	24,641	0.14
Morgan Stanley	13,264	0.08
<b>Total</b>	<b>3,370,468</b>	<b>19.36</b>

## Top 16 Institutional Holdings





## Board and Management

### Jonathan Poole CFO

Prior to joining Genocoea, Mr. Poole was senior vice president of finance for pipeline and technical operations, leading finance support for Shire's global business development, R&D and technical operations activities. Mr. Poole previously served for three years as divisional CFO of Shire HGT, Shire's \$1.5 billion rare disease division. He began his career in the UK in investment banking at UBS Warburg and ING Barings and also worked as an investment manager for Avanti Capital Plc, a UK private equity investment firm. Mr. Poole has a MBA from London Business School and a BSc in biological sciences from Durham University in the UK.

#### **Creation of shareholder value in Genocoea Biosciences:**

Since appointment as CFO: The present value of USD1,000 invested on the appointment date of April 07, 2014 at close price of US\$17.89 is US\$511, for a capital loss of US\$489.

### Kenneth Bate Independent Director

Mr. Bate currently is chairman of the board of Cubist Pharmaceuticals, Inc., and is a director of BioMarin Pharmaceuticals, AVEO Pharmaceuticals and Catabasis Pharmaceuticals. Mr. Bate previously served as president and chief executive officer of Archemix Corp. and NitroMed Inc., chief financial officer of Millennium Pharmaceuticals Inc. and Biogen Inc., and co-founded JSB Partners LLC, a banking and advisory services firm for biopharmaceutical and life sciences companies. He holds a MBA from the Wharton School of the University of Pennsylvania and a BA from Williams College.

#### **Creation of shareholder value in Genocoea Biosciences:**

Since appointment as Independent Director: The present value of USD1,000 invested on the appointment date of September 11, 2014 at close price of US\$12.0 is US\$761, for a capital loss of US\$239.

### Paul Giannasca Vice President- Biopharmaceutical Development and Production

Paul Giannasca, Ph.D. has served as our Vice President of Development since joining our Company in January 2010. Prior to joining our Company, Dr. Giannasca served as Vice President, Development at Acambis (now Sanofi Pasteur) from 2004 to 2010. Prior to Acambis, he was a senior scientist at OraVax from 1995 to 1999, where he contributed to the company's research initiatives for several vaccines, focusing on evaluating vaccine adjuvants and elucidating mechanisms of vaccine-induced protection. Dr. Giannasca holds multiple patents covering active and passive immunization against Clostridium difficile disease and has published more than 25 papers in the areas of infectious diseases, vaccine-induced protection and vaccine development. Dr. Giannasca received his B.S. in Biology from Fairleigh Dickinson University and his Ph.D. in Molecular and Cellular Biology from the University of Massachusetts-Amherst. He completed his post-doctoral training at Harvard Medical School/Children's Hospital Boston.

# Financial Results (Half Year)

30 June, 2014

## INCOME STATEMENT

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
Grant revenue		488	
Operating expenses:			
Research and development	8,958	8,079	Up 10.9
General and administrative	4,324	1,690	Up 155.9
Total operating expenses	13,282	9,769	Up 36.0
Loss from operations	-13,282	-9,281	Deterioration 43.1
Other expense:			
Change in fair value of warrant	-725	-106	Deterioration 584.0
Interest expense, net	468	234	Up 100.0
Other expense	-1,193	-340	Deterioration 250.9
Net loss	-14,475	-9,621	Deterioration 50.5
Comprehensive loss	-14,476	-9,621	Deterioration 50.5
Reconciliation of net loss to net loss applicable to common stockholders Net loss	-14,475	-9,621	Deterioration 50.5
Accretion of redeemable convertible preferred stock to redemption value	-180	-796	Reduced 77.4
Net loss attributable to common stockholders	-14,655	-10,417	Deterioration 40.7
Net loss per share attributable to common stockholders-basic and diluted	-108.0c	-3,519.0c	Reduced 96.9
Weighted-average number of common shares used in net loss per share attributable to common stockholders - basic and diluted	13,623,000	296,000	Up 4,502.4

## BALANCE SHEET

Currency in Thousand of USD	2014-06-30	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	32,128	12,208	Up 163.2
Marketable securities	27,047		
Restricted cash		157	
Prepaid expenses and other current assets	1,141	510	Up 123.7
Total current assets	60,316	12,875	Up 368.5
Property and equipment, net	1,073	865	Up 24.0
Restricted cash	316	158	Up 100.0
Other assets	145	1,863	Down 92.2
Total assets	61,850	15,761	Up 292.4
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)			



# Financial Results (Half Year) (continued)

30 June, 2014

Current liabilities:			
Accounts payable	1,209	2,176	Down 44.4
Accrued expenses and other current liabilities	1,449	1,418	Up 2.2
Deferred revenue	30	12	Up 150.0
Current portion of long-term debt	2,679	861	Up 211.1
Current portion of deferred rent	43	26	Up 65.4
Total current liabilities	5,410	4,493	Up 20.4
Non-current liabilities: Long-term debt, net of current portion	7,147	8,933	Down 20.0
Accrued interest payable	48	11	Up 336.4
Deferred rent, net of current portion	210	237	Down 11.4
Warrant to purchase redeemable securities		656	
Total liabilities	12,815	14,330	Down 10.6
Commitments and contingencies			
Redeemable convertible preferred stock:			
Seed convertible preferred stock, 0.001 par value; Authorized - 0 and 4,615 shares; Issued and outstanding - 0 and 4,615 shares at June 30, 2014 and December 31, 2013, respectively; aggregate liquidation preference of 0 and 3,000 at June 30, 2014 and December 31, 2013, respectively		3,000	
Series A redeemable convertible preferred stock, 0.001 par value;			
Authorized - 0 and 36,662 shares; Issued and outstanding - 0 and 35,577 shares at June 30, 2014 and December 31, 2013, respectively; aggregate liquidation preference of 0 and 23,125 at June 30, 2014 and December 31, 2013, respectively		23,125	
Series B redeemable convertible preferred stock, 0.001 par value;			
Authorized - 0 and 35,099 shares; Issued and outstanding - 0 and 34,581 shares at June 30, 2014 and December 31, 2013, respectively; aggregate liquidation preference of 0 and 24,937 at June 30, 2014 and December 31, 2013, respectively		24,937	
Series C redeemable convertible preferred stock, 0.001 par value;			
Authorized - 0 and 53,276 shares; Issued and outstanding - 0 and 53,276 shares at June 30, 2014 and December 31, 2013, respectively; aggregate liquidation preference of 0 and 30,500 at June 30, 2014 and December 31, 2013, respectively		30,500	
Stockholders' equity (deficit):			
Common stock, 0.001 par value; Authorized -191,690 shares; Issued - 17 17,407 and 327 shares at June 30, 2014 and December 31, 2013, respectively; outstanding - 17,386 and 303 at June 30, 2014 and December 31, 2013, respectively			
Additional paid-in-capital	143,625		
Accumulated other comprehensive loss	-1		
Accumulated deficit	-94,606	-80,131	Deterioration 18.1
Total stockholders' equity (deficit)	49,035	-80,131	Recovery
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	61,850	15,761	Up 292.4

## Financial Results (Half Year) (continued)

30 June, 2014

### PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-29.89	13	
Return on Assets(%)	-23.69	-66.09	Reduced 64.2

### PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-108.0c	-3,519.0c	Reduced 96.9

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