

## Cara Therapeutics (CARA : US\$8.39)

### Cara Therapeutics continues downtrend, now plummets 46.1% in third quarter ending

Cara Therapeutics Inc, NASDAQ's 45th largest medical company by market cap, plummeted US\$7.18 (or 46.1%) in the quarter ended September 30 to close at US\$8.39. This loss means the stock is amongst the bottom 3% of NASDAQ-listed stocks in quarter ended September 30. The volume in the quarter was 0.6 times the average trading of 136,214 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price change of -50%. In the third quarter the market cap declined US\$189.1 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 10.5. Compared with the rest of the market the stock is overvalued and ranks in the bottom 2% of stocks by value of Q Ratio.
- In the last three months the number of falls outnumbered rises 29:18 or 1.61:1.
- It is trailing 96.34% of the market the past 6 months.

### Stock Summary

<b>Sector</b>	Medical
<b>Market Cap</b>	US\$189.6 million
<b>Shares Outstanding</b>	22,592,414
<b>ISIN</b>	US1407551092
<b>Relative Strength (3 mo)</b>	2

### Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USD)	11.964M	1.19M	-
Pretax (USD)	(3.993M)	(6.302M)	(9.84M)
Net (USD)	(3.963M)	(6.271M)	(9.81M)
EPS (USD)	(0.74)	(1.9)	(2.37)

### MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	8.4	189.6 million

# Analysis

## Bearish Signals

- In the last 20 trading sessions there has been a net decline of 19.56%; the stock has retreated thirteen times and the biggest one day decline was 9.6% on Sep 19.
- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 4 indicating it is trailing 96.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 8.87 minus the 26-day EMA of 9.54 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 1.3 times its own historical average of 0.2%. It soared 67.2% from the previous day, soared 38.4% from a week ago and soared 21.6% from a month ago, a significant bearish indicator.

### Overvaluation:

- Price/Sales of 15.84 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 10.5. Compared with the rest of the market the stock is overvalued and ranks in the bottom 2% of stocks by value of Q Ratio.

### Other Bearish Signals:

- Total Liabilities/ EBITDA of 11.9 is more than or equal to 5, this compares unfavourably with the Joseph Piotroski benchmark of 5.

### Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	-1.4	In Bottom Quartile
EBITDA Margin %	4.6	In Bottom Quartile
P/E * P/NTA	167.88	In Bottom Quartile
Volatility %	6.1	In Bottom Quartile
Annual Revenue	US\$12 million	In Bottom 7%
Relative Strength (6M)	4	In Bottom 3%
Price to Sales	15.8	In Bottom 2%
Price/MAP50	0.37	In Bottom 1%

## Note

### Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$57.6 million	In 2nd Quartile
MCap	US\$189.6 million	In 3rd Quartile

### Bullish Signals:

- The price is at a discount of 10.9% to the 1-month volume weighted average price of US\$9.42, which may appeal as a value proposition.

### Other Bullish Signals:

- Net Profit margin is negative but improving in recent quarters.

### Quarterly Trend:

[Quarter ended, all figures in %]:

Qtr	Revenue Growth	Net Profit Margin
Jun 14	439.3	-379.7
Mar 14	-	-1,900.6

- Net Profit margin and EBIT margin are negative but improving in recent years.

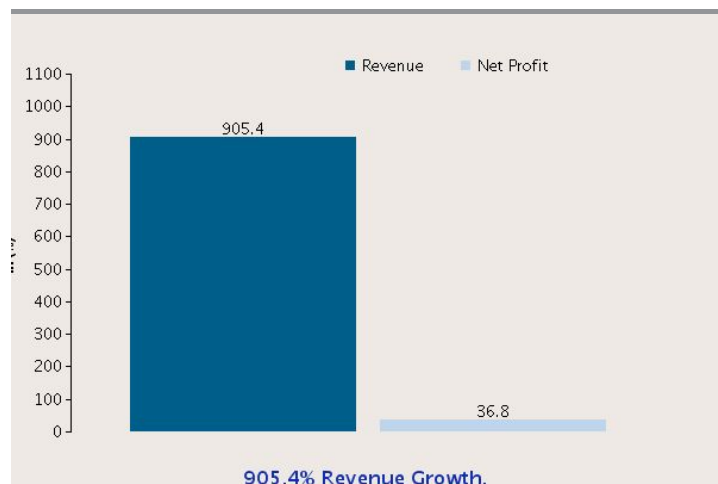
### Annual Trend:

[Year ended, all figures in %]:

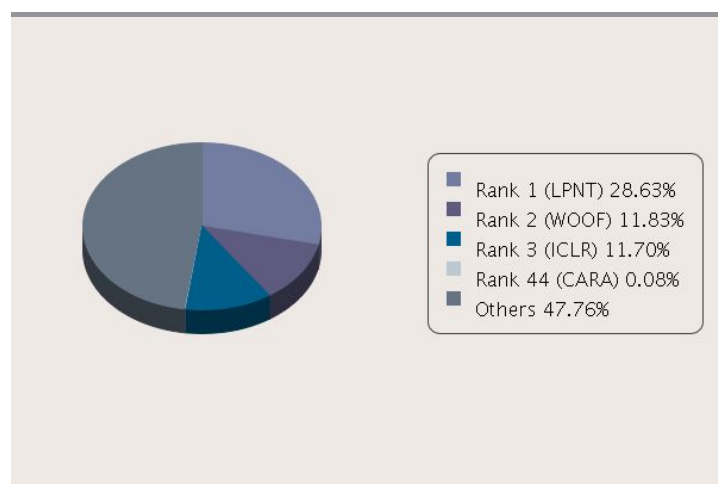
Year	Net Profit Margin	EBIT Margin	EBITDA Margin
Dec 13	-33.1	-2	4.6
Dec 12	-527	-524	-438.2

## Analysis (continued)

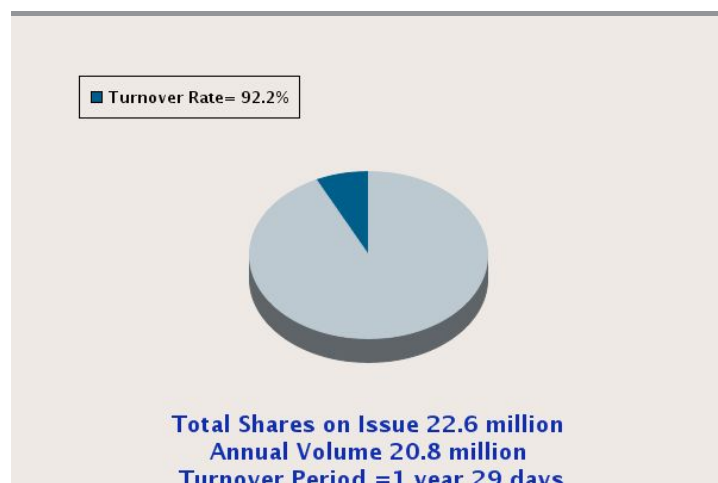
### % Growth Y.O.Y, Revenue & Net Profit



### Revenue Share Medical



### Turnover Rate & Turnover Period



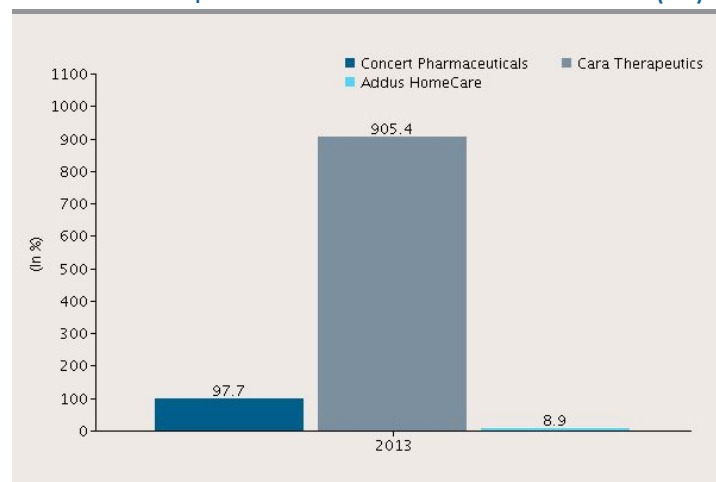
### Trailing 3 months

Turnover US\$57.6 million

Volume 5,170,595

Volume Index (1 is avg) 0.6

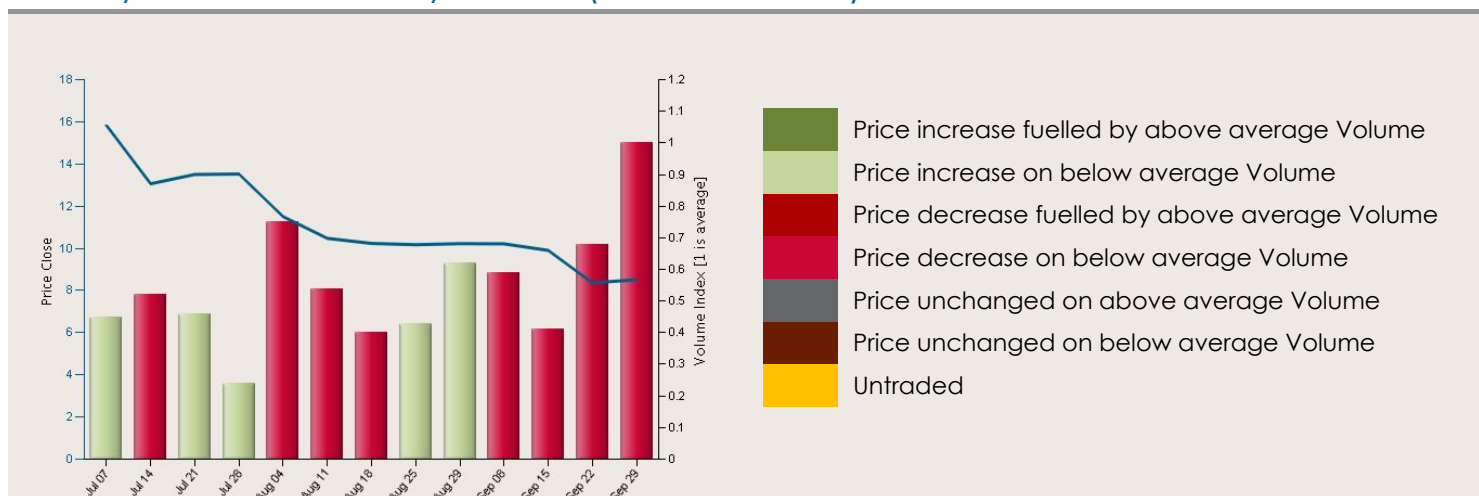
### Peer Comparison Revenue Growth (%)



## 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 ()
Derma Sciences	8.4	16	211.1M	651	83.5M	-29,335,817	88.6M
Amarin Corporation	1.1	8	193.8M	164	26.4M	-166,230,000	252.5M
Cara Therapeutics	8.4	4	189.6M	0	12M	-3,963,000	18.1M
Eleven Biotherapeutics	11.3	13	181.9M	0	2.5M	-26,792,000	11.2M
BioTelemetry	6.7	11	177.1M	676	129.3M	-7,319,000	87.5M
Eagle Pharmaceuticals	12.5	58	173.7M	0	13.7M	-9,890,000	18.1M

## Company Overview

### Regulatory Announcements

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

September 17: Cara Therapeutics to Sponsor Symposium at American Academy of Pain Management 2014 Annual Clinical Meeting

August 06: Cara Therapeutics Initiates Proof-of-Concept Phase II Trial of I.V. CR845 in Uremic Pruritus

July 31: Cara Therapeutics to Announce Second Quarter 2014 Financial Results on August 7, 2014

July 31: Cara Therapeutics Initiates Human Abuse Liability Trial of CR845

July 16: Cara Therapeutics Earns Milestone Payment From Maruishi Pharmaceutical for Completion of Phase 1 Clinical Trial of I.V. CR845 in Japan

June 24: Cara Therapeutics Announces Appointment of Robert Medve, M.D., as Chief Medical Officer

June 18: Cara Therapeutics Initiates Phase Ia/Ib Trial of Tablet Formulation of Oral CR845 for the Treatment of Acute and Chronic Pain

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

July 17: Ed Hurwitz - Cara Therapeutics director resigns 21 July 2014

July 17: Cara Therapeutics appoints Jeffrey L. Ives as director 21 July 2014

July 17: Cara Therapeutics appoints Harrison M. Bains as director 21 July 2014

July 17: Charles Moller - Cara Therapeutics director resigns 21 July 2014

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

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

### Issued Capital

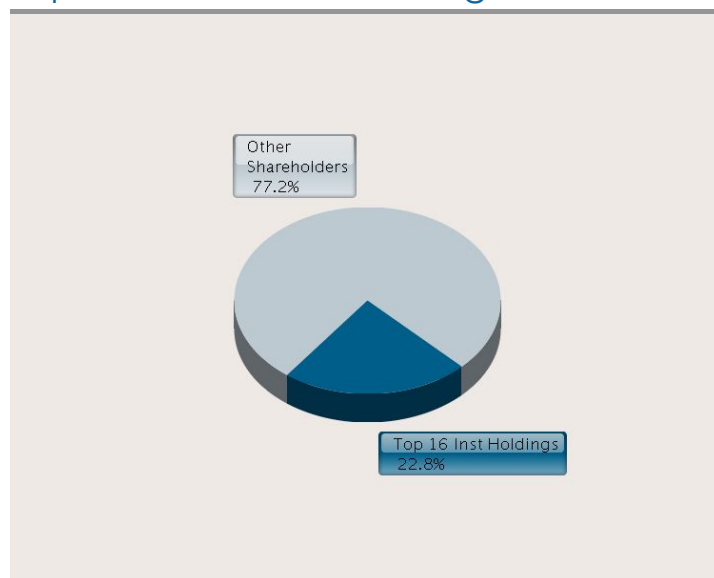
Based on 22,592,414 issued equity shares the market capitalisation is US\$189.6 million. It is NASDAQ's 69th largest Medical company by assets.

The top sixteen shareholders hold 22.8% of the issued capital leaving a float of 77.2%.

### Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Rho Capital Partners Inc	2,668,057	11.81
Lloyds Banking Group Plc	889,637	3.94
Jpmorgan Chase & Co	364,350	1.61
Wall Street Associates	325,400	1.44
Wellington Management Co Llp	184,600	0.82
Chesapeake Partners Management Co Inc/Md	160,320	0.71
Blackrock Fund Advisors	148,322	0.66
Emerald Mutual Fund Advisers Trust	102,280	0.45
Vanguard Group Inc	96,036	0.43
Grt Capital Partners Llc	53,210	0.24
<b>Total</b>	<b>4,992,212</b>	<b>22.1</b>

### Top 16 Institutional Holdings



## Board and Management

### Derek Chalmers CEO & President



Dr. Chalmers has 17 years experience in the biotechnology industry with increasing levels of corporate and business responsibilities. Dr. Chalmers served as a Principal Investigator at Neurocrine Biosciences (Nasdaq; NBIX) prior to co-founding Arena Pharmaceuticals (Nasdaq; ARNA) in 1997. He served as Vice President and Executive Director of Arena until May 2004, prior to co-founding Cara. Dr. Chalmers has extensive corporate financing experience, having led both private and IPO road-show teams. Dr. Chalmers is an inventor or co-inventor on over 50 issued or pending US patents.

### Josef Schoell CFO



Mr. Schoell has over twenty years of financial and accounting experience, including ten years in the Biotechnology industry. From 2003 until joining the Company, Mr. Schoell was a consultant with Robert Half Management Resources. From 1995 to 2002, he served as the Chief Financial Officer and Vice President-Finance of the American Biogenetic Sciences Inc. and Controller from 1992 to 1995. From 1988 until joining American Biogenetic Sciences Inc., Mr. Schoell was an independent consultant providing financial accounting and computer services. From 1978 until 1988, Mr. Schoell served in various financial and accounting positions with JP Stevens. Mr. Schoell is a graduate of New York University Stern School of Business, is a Certified Public Accountant in New York State and a member of the New York State Society of Certified Public Accountants, American Institute of Certified Public Accountants and Financial Executives International.

### Dean Slagel Director

Dean Slagel brings 12 years of pharmaceutical industry experience in 4 countries to Cara's Board. After 4 years of international marketing at Tillotts Pharma, Switzerland, he joined Ferring Pharmaceuticals in 1995, moving from regional management to Global Business Development, becoming Global Business Development Director in 2000. He established Esperante Ventures' operations in late 2003.



## Board and Management (continued)

### Harrison M. Bains Director

From 1988 through his retirement in 2004, Mr. Bains served in multiple roles at Bristol Myers Squibb Company, including Vice President, Treasurer and acting Chief Financial Officer. Mr. Bains's career also includes serving as Senior Vice President of the Primary Industries group at Chase Manhattan Bank and 11 years with RJR Nabisco and two of its predecessor companies as Senior Vice President and Treasurer. He currently serves as a director of BG Medicine, Inc., as a director and former chairman of the Mercer Funds, Inc., a registered investment company, and as a director of Bank of America Funds. He has served as a member of the board of trustees of the Park Avenue Armory since October 2007 and the Civil War Trust since September 2007, and previously served as a member of the board of trustees of the University of Redlands from October 1989 to May 2013. Mr. Bains earned an M.B.A from the University of California, Berkeley and a B.A. in economics from the University of Redlands. He also completed the Advanced Management Program at Harvard Business School.

#### **Creation of shareholder value in Cara Therapeutics:**

Since appointment as Director: The present value of USD1,000 invested on the appointment date of July 16, 2014 at close price of US\$13.16 is US\$638, for a capital loss of US\$362.

### Martin Vogelbaum Director

Martin Vogelbaum is a partner of Rho Ventures. He has more than 17 years of experience investing in the life sciences sector, having been involved with companies at all stages of development, including co-founding more than a half dozen companies. He joined Rho in 2005 and primarily focuses on investments in biotechnology, biopharmaceuticals and medical devices. Prior to Rho, he was a partner of Apple Tree Partners, a life sciences venture firm focused on early-stage companies. While at Apple Tree, Martin co-founded four start-ups, including Gloucester Pharmaceuticals where he served as interim CEO and chairman. Martin began his venture capital career in 1993 at Oxford Bioscience Partners, where he served as a general partner. Prior to Oxford, he was a research associate in the bone marrow transplantation unit at Memorial-Sloan Kettering Hospital, where he conducted research in graft-versus-host-disease (GVHD).

### Jeffrey L. Ives Director

From 2008 until 2013, Dr. Ives served as the Chief Executive Officer of Satori Pharmaceuticals, Inc., a neurodegenerative disease company focused on discovery and development of breakthrough therapies for the treatment and prevention of Alzheimer's disease. Prior to Satori, Dr. Ives led the CNS, pain and oncology research teams at Pfizer for over two decades and, from 2001-2007, served as a Senior Vice President leading the global Pharmacokinetics, Dynamics and Metabolism organization. Dr. Ives received his doctorate and master degrees from Yale University and received his bachelor of arts degree from Colgate University.

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## Board and Management (continued)

### **Christopher Moller** **Director**

Chris Moller is a founder and General Partner of Devon Park Bioventures, a \$110M venture capital organization located in Wayne, Pennsylvania. Devon Park was specifically formed to invest in promising therapeutics companies. In 1990, Chris left academic medical research at the University of Pennsylvania to join Radnor Venture Partners, which subsequently became TL Ventures. The TL Ventures organization created six venture funds with \$1.5 billion under management. For 16 years Chris lead the TL Ventures biotechnology group and was responsible for evaluating, selecting and managing biotech companies in TL Venture's portfolio. Chris's educational and research background have allowed him to become highly skilled in the evaluation of the science and technology of therapeutics companies. He earned a Ph.D. in Immunology from the University of Pennsylvania in 1986 and was a post-doctoral fellow at the Roche Institute for Molecular Biology. He also holds a B.A. degree in Chemistry from Pomona College. Chris is a past director of the Lankenau Medical Research Institute and the Delaware Valley Venture Group



# Financial Results (Half Year)

30 June, 2014

## INCOME STATEMENT

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
Revenue:			
License fees	302	9,637	Down 96.9
Collaborative revenue	836	336	Up 148.8
Total revenue	1,138	9,973	Down 88.6
Operating expenses:			
Research and development	5,401	2,943	Up 83.5
General and administrative	2,870	1,621	Up 77.1
Total operating expenses	8,271	4,564	Up 81.2
Operating (loss) income	-7,133	5,409	Deterioration
Interest income (expense), net	78	-2,731	Recovery
(Loss) income before benefit from income taxes	-7,055	2,678	Deterioration
Benefit from income taxes	-27	-27	Steady
Net (loss) income	-7,028	2,705	Deterioration
Net (loss) income available to common stockholders -Basic	-7,028	940	Deterioration
Net (loss) income available to common stockholders -Diluted	-7,028	3,596	Deterioration
(Loss) income per share available to common stockholders - Basic	-37.0c	24.0c	Deterioration
(Loss) income per share available to common stockholders - Diluted	-37.0c	23.0c	Deterioration
Weighted average shares:			
Basic	19,150,412	3,975,463	Up 381.7
Diluted	19,150,412	15,668,778	Up 22.2

## BALANCE SHEET

Currency in Thousand of USD	2014-06-30	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	62,812	12,357	Up 408.3
Other receivable	480		
Income tax receivable	57	61	Down 6.6
Prepaid expenses & other current assets	1,706	2,140	Down 20.3
Total current assets	65,055	14,558	Up 346.9
Property and equipment, net	2,439	2,825	Down 13.7
Restricted cash	700	700	Steady
Total assets	68,194	18,083	Up 277.1
Liabilities, convertible preferred stock and stockholders' (deficit) equity			
Current liabilities:			
Accounts payable and accrued expenses	2,548	1,958	Up 30.1
Deferred revenue	3,069	3,475	Down 11.7
Total current liabilities	5,617	5,433	Up 3.4
Deferred lease obligation	1,009	1,139	Down 11.4

# Financial Results (Half Year) (continued)

30 June, 2014

## Commitments and contingencies

Convertible Preferred stock; 0.001 par value; zero shares and 29,402,200 shares authorized at June 30, 2014 and December 31, 2013, respectively; zero shares and 29,186,929 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively; aggregate liquidation preference of zero and 65,969 at June 30, 2014 and December 31, 2013, respectively

## Stockholders' (deficit) equity:

Preferred stock; 0.001 par value; 5,000,000 shares and zero shares authorized at June 30, 2014 and December 31, 2013, respectively, zero shares issued and outstanding at June 30, 2014 and December 31, 2013

Common stock; 0.001 par value; 100,000,000 shares and 50,000,000 shares authorized at June 30, 2014 and December 31, 2013, respectively, 22,638,414 shares and 4,288,243 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	23	4	Up 475.0
Additional paid-in capital	131,029	8,377	Up 1,464.2
Accumulated deficit	-69,484	-62,456	Deterioration 11.3
Total stockholders' (deficit) equity	61,568	-54,075	Recovery
Total liabilities, convertible preferred stock and stockholders' (deficit) equity	68,194	18,083	Up 277.1

## PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-11.42	-1.74	
Return on Assets(%)	-10.31	5.2	Deterioration

## PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-37.0c	23.0c	Deterioration

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