

## Dicerna Pharmaceuticals (DRNA : US\$12.86)

### Dicerna Pharmaceuticals tumbles 31.8% in third quarter, in bottom 8% of the market

Dicerna Pharmaceuticals Inc, NASDAQ's 39th largest medical company by market cap, tumbled US\$5.98 (or 31.8%) in the quarter ended September 30 to close at US\$12.86. This loss means the stock has underperformed 92% of NASDAQ-listed stocks in quarter ended September 30. The volume in the quarter was 1.0 times the average trading of 170,940 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price change of -35.6%. In the third quarter the market cap declined US\$90.3 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 4.6. Compared with the rest of the market the stock is overvalued and ranks in the bottom 10% of stocks by value of Q Ratio.
- In the last three months the number of falls outnumbered rises 30:18 or 1.67:1.
- It is trailing 95.12% 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 -85.9.
- "A stock price down to two-thirds of "net current asset value" or "net quick liquidation value"; the price is 0 times net current asset value of \$US1486.8 per share.

### Stock Summary

<b>Sector</b>	Medical
<b>Market Cap</b>	US\$228.2 million
<b>Shares Outstanding</b>	17,755,204
<b>ISIN</b>	US2530311081
<b>Relative Strength (3 mo)</b>	8

### Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USD)	-	7.015M	7.91M
Pretax (USD)	-	-	(8.56M)
Net (USD)	(20.906M)	(14.218M)	(12.66M)
EPS (USD)	(709.57)	(516.0)	(1.19)

### MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	12.9	228.2 million

# Analysis

## Bearish Signals

- In the last 17 trading sessions there has been a net decline of 10.17%; the stock has retreated twelve times and the biggest one day decline was 4% on Sep 03.
- 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 13.22 minus the 26-day EMA of 13.65 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 1.5 times its own historical average of 0.3%. It lifted 2.6% from the previous day, a bearish indicator.

### Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 4.6. Compared with the rest of the market the stock is overvalued and ranks in the bottom 10% of stocks by value of Q Ratio.

### Other Bearish Signals:

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

Improvement in current ratio from 1.6 to 6.3.

### Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Relative Strength (6M)	5	In Bottom 4%
Price/MAP50	0.33	In Bottom 1%

## Note

### Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$168.1 million	In 2nd Quartile
MCap	US\$228.2 million	In 3rd Quartile

### Bullish Signals:

- The price is at a discount of 7.1% to the 1-month volume weighted average price of US\$13.84, which may appeal as a value proposition.
- The stock is oversold according to the Williams % R indicator of -85.9.

### Undervaluation:

- The company is cash rich with Cash to Market Capitalisation at 20.4%.

### Other Bullish Signals:

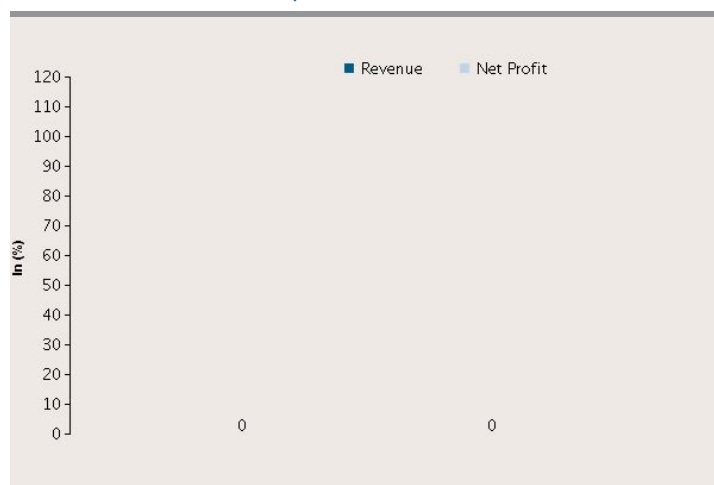
- Return on Assets is negative but improving in recent years.

### Annual Trend:

[Year ended, all figures in %]:

Year	ROA
Dec 13	-42
Dec 12	-139.5

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

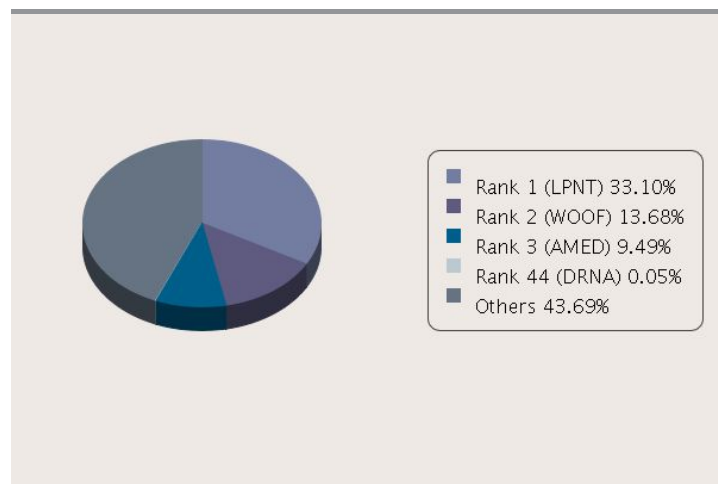


Also, the following criteria set by Benjamin Graham:

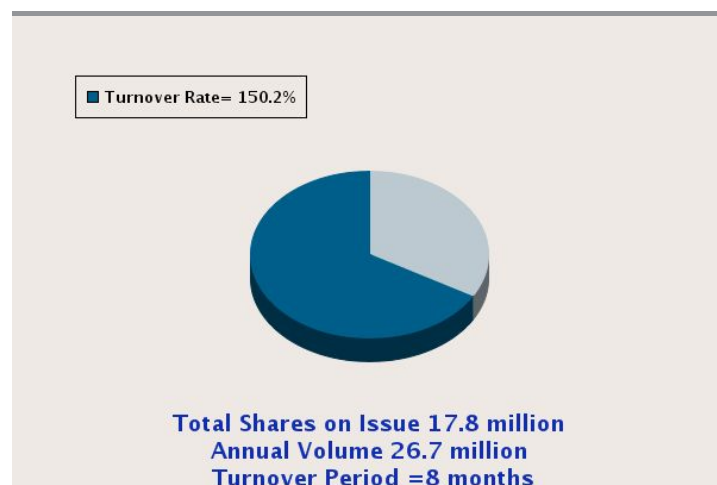
- "A stock price down to two-thirds of "net current asset value" or "net quick liquidation value"; the price is 0 times net current asset value of \$US1486.8 per share.
- "Current ratio of two or more"; current assets are 6.3 times current liabilities.
- "Total debt equal or less than twice the net quick liquidation value"; total debt of USD4.8 Million is 0.1 times the net liquidation value of USD43.81 Million.

## Analysis (continued)

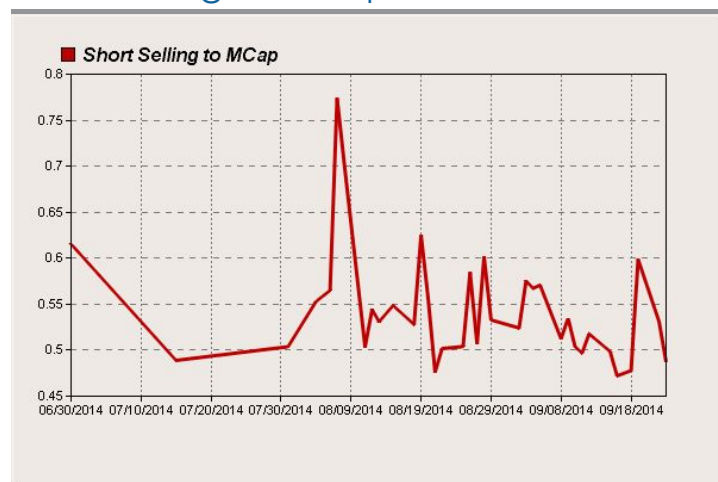
### Revenue Share Medical



### Turnover Rate & Turnover Period



### Short Selling to Mcap



### Trailing 3 months

Turnover	US\$168.1 million
Volume	11,069,436
Volume Index (1 is avg)	1.0

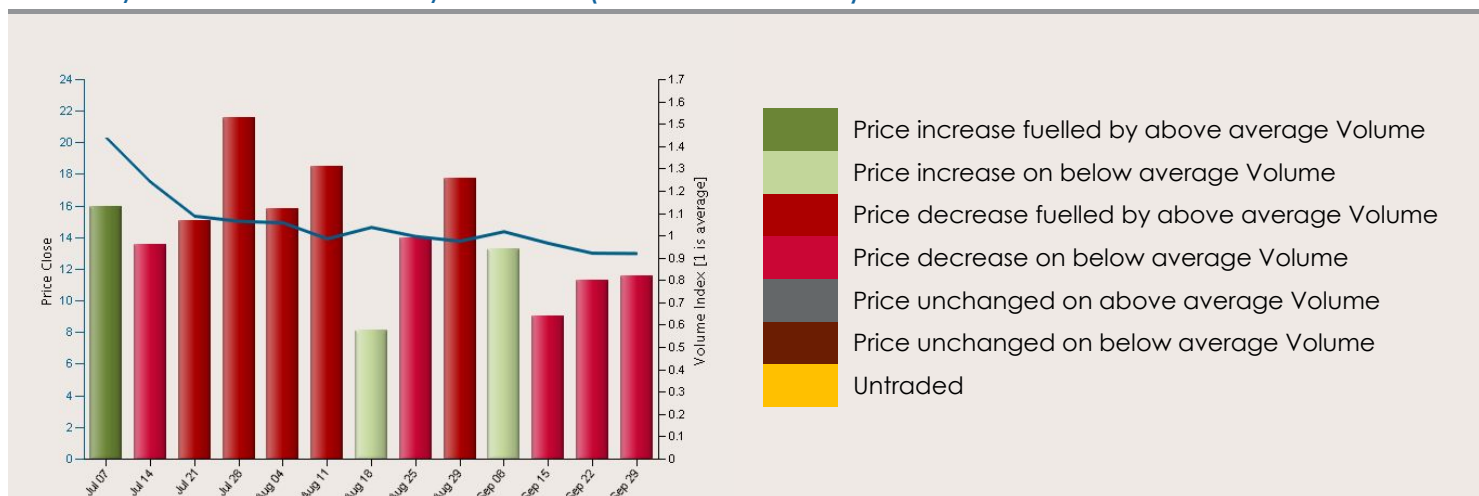
### Insider Trades



## 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
08-Aug-2014	Leerink Swann	Lower Price Target	-	-	48	42

## Company Overview

### Regulatory Announcements

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

September 29: Dicerna to Present at Three Upcoming Investor Conferences

September 15: Dicerna Announces Appointment of Biotech Industry Leader Bruce Peacock to its Board of Directors and Audit Committee

September 02: Dicerna to Present at the Baird 2014 Health Care Conference

August 21: Dicerna Announces the Issuance of Multiple Patents Covering Claims for Dicer Substrate siRNAs

July 25: Dicerna to Announce Second-Quarter 2014 Financial Results and Host Conference Call on August 7, 2014

July 11: Dicerna to Ring the NASDAQ Stock Market Closing Bell July 15th

June 30: Researchers Demonstrate Promise of Dicerna Investigational Therapy in Preclinical Model of Primary Hyperoxaluria Type 1 (PH1)

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

September 15: Dicerna Pharmaceuticals appoints Bruce Peacock as director 16 September 2014

June 19: Dicerna Pharmaceuticals Elects 7 Directors

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

August 07: Dicerna Pharmaceuticals: Results of Operations and Financial Condition

July 15: Dicerna Pharmaceuticals: Entry into a Material Definitive Agreement

### Conference Call-transcripts

To view Conference Call-transcripts, [click here](#)

07 Aug, 2014: Dicerna Pharmaceuticals' (DRNA) CEO Douglas Fambrough on Q2 2014 Results - Earnings Call Transcript

### Issued Capital

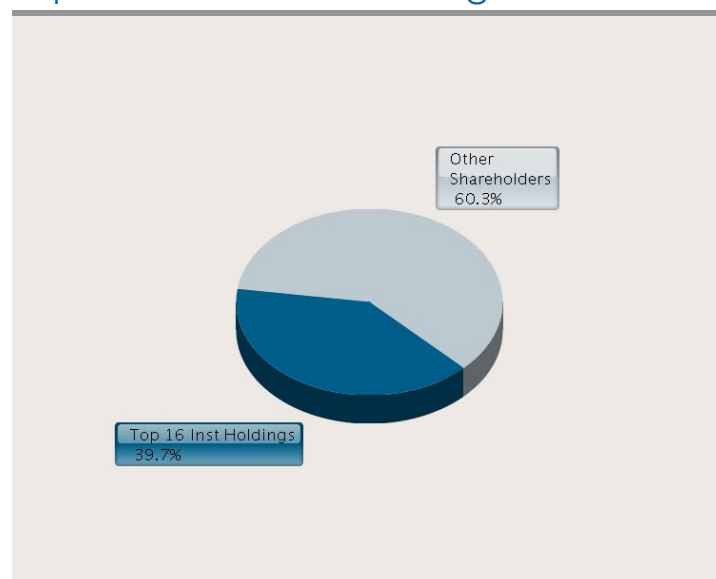
Based on 17,755,204 issued equity shares the market capitalisation is US\$228.2 million.

The top sixteen shareholders hold 39.7% of the issued capital leaving a float of 60.3%.

### Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Fmr Llc	2,602,403	14.66
Deerfield Management Co	2,428,569	13.68
Abingworth Llp	1,182,196	6.66
Jpmorgan Chase & Co	263,125	1.48
Rock Springs Capital Management Lp	105,000	0.59
Blackrock Advisors Llc	86,728	0.49
Janus Capital Management Llc	79,004	0.44
Driehaus Capital Management Llc	61,589	0.35
Barclays Global Investors Uk Holdings Ltd	59,543	0.34
Alyeska Investment Group L.P.	50,000	0.28
<b>Total</b>	<b>6,918,157</b>	<b>38.96</b>

### Top 16 Institutional Holdings





## Board and Management

### **Douglas M. Fambrough** CEO & President

Dr. Douglas M. Fambrough Ph.D. is President, Chief Executive Officer, Director of Dicerna Pharmaceuticals Inc. Dr. Fambrough has served as a member of our board of directors since April 2007 and as our president and chief executive officer since May 2010. From 2000 to May 2010, Dr. Fambrough held various positions at Oxford Bioscience Partners, a life science venture capital firm, most recently as a general partner. During his years at Oxford Bioscience Partners, he specialized in financing innovative life science technology companies, including the Company, Sirna Therapeutics, Inc. (acquired by Merck & Co., Inc.), Solexa, Inc. (acquired by Illumina, Inc.), Solstice Neurosciences (acquired by US WorldMeds, LLC), Xencor, Inc. and Rib-X Pharmaceuticals, and served as a director of each of these companies. Dr. Fambrough has also served as a Trustee of Boston Biomedical Research Institute, a not-for-profit organization. Before joining Oxford Bioscience Partners, he was a genomic scientist at the Whitehead/MIT Center for Genome Research (now known as the Broad Institute). Dr. Fambrough graduated from Cornell University and obtained his Ph.D. in genetics at the University of California, Berkeley.

### **David M Madden** Independent Chairman

Mr. David M Madden is the Independent Chairman of the Board of Dicerna Pharmaceuticals, Inc. Mr. Madden has served as a member and the chairman of our board of directors since June 2009. Mr. Madden is a founder and principal of Narrow River Management, LP, an investment management company with a focus on equity investments in the emerging pharmaceutical industry, where he has been since 2004. Mr. Madden has served as chief executive officer and a member of the board of directors of River Vision Development Corporation since 2011. Mr. Madden also serves as a member of the board of directors of the Hospital for Special Surgery. Mr. Madden previously served as interim president and chief executive officer of Adolor Corporation (NASDAQ: ADLR) from August 2005 to December 2006 and the chairman of its board of directors until it was acquired by Cubist Pharmaceuticals, Inc. (NASDAQ: CBST) in December 2011. Mr. Madden was co-chief executive officer of Royalty Pharma AG, a private investment management firm specializing in the acquisition of royalty interests in pharmaceutical products, from October 2000 to 2003, and a member of its board of directors until March 2004. From 1997 to October 2000, he served as a managing member of Pharmaceutical Partners, LLC. From 1992 to 1995, Mr. Madden was president and chief executive officer and a member of the board of directors of Selectide Corporation. Mr. Madden has a B.S. in Electrical Engineering from Union College and an M.B.A. from Columbia University.

### **James E. Dentzer** CFO

Mr. James E. Dentzer is Chief Financial Officer of Dicerna Pharmaceuticals Inc. James E. Dentzer joined us as chief financial officer in December 2013. Prior to that, he was the chief financial officer of Valeritas, Inc. from March 2010 to December 2013, where he led the finance team in raising a \$150 million Series C equity round and a \$100 million debt financing and helped guide the company through approval by the U.S. Food and Drug Administration, manufacturing scale-up and commercial launch of the V-Go insulin delivery device. Prior to joining Valeritas, Inc., he was the chief financial officer of Amicus Therapeutics, Inc. (NASDAQ: FOLD) from October 2006 to October 2009, where he led the company through a Series D preferred stock financing and subsequent initial public share offering. In prior positions, he spent six years as corporate controller of Biogen Idec and six years in various senior financial roles at E.I. du Pont de Nemours and Company in the U.S. and Asia. Mr. Dentzer holds a B.A. in philosophy from Boston College and an M.B.A. from the University of Chicago.

## Board and Management (continued)

### Vincent J. Miles Independent Director

Dr. Vincent J. Miles, Ph.D., is Independent Director of Dicerna Pharmaceuticals Inc. Dr. Miles has served as a member of our board of directors since November 2013. Dr. Miles is an executive partner of Abingworth, a venture capital firm in the life sciences and healthcare sectors. Before joining Abingworth, Dr. Miles was senior vice president, business development, of Alnylam Pharmaceuticals, Inc. (NASDAQ: ALNY) from 2003 to 2007. From 1997 to 2003, Dr. Miles held various positions at Millennium Pharmaceuticals, Inc., including vice president positions in business development, strategic planning and scientific affairs. Prior to that, Dr. Miles served as the director of the Office of Technology Transfer, Dana Farber Cancer Institute from 1996 to 1997, and vice president of various research and development and business functions at RiboGene, Inc. (a predecessor of Questcor Pharmaceuticals (NASDAQ: QCOR)) from 1992 to 1996 and at Pharmacia P-L Biolchemicals Inc. from 1986 to 1992. Dr. Miles currently serves on the boards of directors of PrimeraDx, Inc., Hydra Biosciences, Inc. and Chiasma, Inc. Dr. Miles holds a B.Sc. in biochemistry and Ph.D. in biochemical embryology from University College London. We believe that Dr. Miles' scientific and business experience serving as an executive officer, director and venture capital investor in biopharmaceutical companies provides him with the qualifications and skills to serve as a member of our board of directors.

### Bruce Peacock Independent Director

Mr. Peacock has served as the chief financial and business officer and treasurer of Ophotech Corporation since August 2013. Mr. Peacock served as Ophotech Corporation's chief business officer from September 2010 to August 2013. Since May 2006, Mr. Peacock also has served as a Venture Partner at SV Life Sciences, a venture capital firm. Mr. Peacock served as President and Chief Executive Officer of Alba Therapeutics, a biopharmaceutical company, from April 2008 to February 2011, and has served as Co-Chairman of the board of directors of Alba Therapeutics since April 2008. Prior to joining SV Life Sciences, Mr. Peacock served as Chief Executive Officer and a Director of The Little Clinic, a medical care services company. Previously, Mr. Peacock served as President and Chief Executive Officer and a director of Adolor Corporation, a publicly-held biotechnology company; as President, Chief Executive Officer and a member of the board of directors of Orthovita, Inc., a publicly-held orthopedic biomaterials company; as Executive Vice President, Chief Operating Officer and a member of the board of directors of Cephalon, Inc.; as Chief Financial Officer of Cephalon, Inc.; and as Chief Financial Officer of Centocor, Inc. Mr. Peacock serves as a member of the boards of directors of Discovery Laboratories, Inc., and Invisible Sentinel Inc. and has served as a member of the boards of directors of Pharmacopeia, Inc., Ligand Pharmaceuticals Incorporated, and NeurogesX, Inc. Mr. Peacock earned a bachelor's degree in Business Administration from Villanova University and is a certified public accountant.

#### Creation of shareholder value in Dicerna Pharmaceuticals:

Since appointment as Independent Director: The present value of USD1,000 invested on the appointment date of September 09, 2014 at close price of US\$13.97 is US\$920, for a capital loss of US\$80.

### Bob D. Brown Senior Vice President

Dr. Bob D. Brown Ph.D. is Senior Vice President, Chief Scientific Officer of Dicerna Pharmaceuticals Inc. Dr. Brown initially served as our senior vice president of research beginning in May 2008 and has served as our chief scientific officer since January 2012. From March 2003 to March 2008, Dr. Brown held various positions at Genta Incorporated, most recently as its vice president of research and technology. Previously, he was a co-founder and vice president of research and development of Oasis Biosciences Inc., which was acquired by Gen-Probe Incorporated. Dr. Brown is an inventor or co-inventor on 16 issued patents and dozens of patent applications covering oligonucleotide and conventional small molecule therapeutic agents, diagnostic tool and oligonucleotide and small molecule drug delivery technologies. Dr. Brown holds a Ph.D. in molecular biology from the University of California, Berkeley, and a B.S. in chemistry and biology from the University of Washington, Seattle.

# Financial Results (Half Year)

30 June, 2014

## INCOME STATEMENT

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
Operating expenses:			
Research and development	12,057	4,931	Up 144.5
General and administrative	7,213	2,278	Up 216.6
Total operating expenses	19,270	7,209	Up 167.3
Loss from operations	-19,270	-7,209	Deterioration 167.3
Other income (expense):			
Preferred stock warrant remeasurement	-2,559	123	Deterioration
Loss on extinguishment of debt	-143		
Interest income	12		
Interest expense	199	519	Down 61.7
Total other income (expense)	-2,889	-396	Deterioration 629.5
Net loss	-22,159	-7,605	Deterioration 191.4
Less: Accretion and dividends on redeemable convertible preferred stock	204	2,033	Down 90.0
Net loss attributable to common stockholders	-22,363	-9,638	Deterioration 132.0
Net loss per share attributable to common stockholders-basic and diluted	-157.0c	-34,392.0c	Reduced 99.5
Weighted average shares outstanding-basic and diluted	14,272,401	28,024	Up 50,829.2

## BALANCE SHEET

Currency in Thousand of USD	2014-06-30	2013-12-31	Change %
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	77,732	46,595	Up 66.8
Held-to-maturity investments	22,526		
Prepaid expenses and other current assets	1,016	2,058	Down 50.6
Total current assets	101,274	48,653	Up 108.2
NONCURRENT ASSETS:			
Held-to-maturity investments	20,026		
Property and equipment-net	1,473	877	Up 68.0
Assets held in restriction	1,380	264	Up 422.7
Total noncurrent assets	22,879	1,141	Up 1,905.2
TOTAL ASSETS	124,153	49,794	Up 149.3
LIABILITIES AND STOCKHOLDERS' EQUITY / (DEFICIT)			



# Financial Results (Half Year) (continued)

30 June, 2014

<b>CURRENT LIABILITIES:</b>			
Accounts payable	1,062	1,700	Down 37.5
Accrued expenses and other current liabilities	2,808	1,286	Up 118.4
Current portion of long-term debt		4,587	
Deferred rent	88	105	Down 16.2
Total current liabilities	3,958	7,678	Down 48.5
<b>NONCURRENT LIABILITIES:</b>			
Long-term debt-net of current portion		260	
Preferred stock warrant liability		529	
Total noncurrent liabilities		789	
<b>TOTAL LIABILITIES</b>	<b>3,958</b>	<b>8,467</b>	<b>Down 53.3</b>
<b>REDEEMABLE CONVERTIBLE PREFERRED STOCK, 0.0001 PAR VALUE-NO SHARES AND 11,070,000 SHARES AUTHORIZED AT JUNE 30, 2014 AND DECEMBER 31, 2013, RESPECTIVELY; NO SHARES AND 10,589,434 SHARES ISSUED AND OUTSTANDING AT JUNE 30, 2014 AND DECEMBER 31, 2013, RESPECTIVELY:</b>			
Series A-880,000 shares designated, 855,996 shares issued and outstanding at December 31, 2013 (aggregate liquidation preference of 21,400 at December 31, 2013)		21,400	
Series B-1,190,000 shares designated, 1,162,021 shares issued and outstanding at December 31, 2013 (aggregate liquidation preference of 29,050 at December 31, 2013)		29,050	
Series C-9,000,000 shares designated, 8,571,417 shares issued and outstanding at December 31, 2013 (aggregate liquidation preference of 60,000 at December 31, 2013)		59,796	
<b>STOCKHOLDERS' EQUITY/(DEFICIT):</b>			
Preferred stock, 0.0001 par value-5,000,000 shares and no shares authorized at June 30, 2014 and December 31, 2013, respectively; no shares issued and outstanding at June 30 2014 and December 31, 2013, respectively			
Common stock, 0.0001 par value-150,000,000 shares and 15,000,000 2 shares authorized at June 30, 2014 and December 31, 2013, respectively; 17,763,051 shares and 38,226 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively		1	Up 100.0
Additional paid-in capital	228,007	16,545	Up 1,278.1
Accumulated deficit	-107,814	-85,465	Deterioration 26.1
Total stockholders' equity/(deficit)	120,195	-68,919	Recovery
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY / (DEFICIT)</b>	<b>124,153</b>	<b>49,794</b>	<b>Up 149.3</b>

## PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-18.61	13.98	Deterioration
Return on Assets(%)	-18.01	-19.36	Reduced 6.9

## PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-157.0c	-34,392.0c	Reduced 99.5

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