

Celladon (CLDN : US\$10.70)

Celladon tumbles 28.7% in third quarter, in bottom 10% of the market

Celladon Corporation, NASDAQ's 35th largest medical company by market cap, tumbled US\$4.30 (or 28.7%) in the quarter ended September 30 to close at US\$10.70. This loss means the stock has underperformed 90% of NASDAQ-listed stocks in quarter ended September 30. The volume in the quarter was 1.0 times the average trading of 131,285 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price change of -32.5%. In the third quarter the market cap declined US\$16.6 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:

- It has outperformed 50% of the market the past 6 months.

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 11.7. Compared with the rest of the market the stock is overvalued and ranks in the bottom 2% of stocks by value of Q Ratio.

Stock Summary

Sector	Medical
Market Cap	US\$247.5 million
Shares Outstanding	23,134,480
ISIN	US15117E1073
Relative Strength (3 mo)	10

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	10.7	247.5 million

Analysis

Bullish Signals

- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 50 which means it has outperformed 50% of the market.

Other Bullish Signals:

Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 2.8 times current liabilities.

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	8.1	In Top 2%

Bearish Signals

- In the last 20 trading sessions there has been a net decline of 5.81%; the stock has retreated fourteen times and the biggest one day decline was 7% on Sep 04.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 10.24 minus the 26-day EMA of 10.55 is negative suggesting a bearish signal.
- The current short volume is 1.2 times its own historical average of 0.1%. It soared 86.7% from the previous day, soared 89.1% from a week ago, a bearish indicator.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 11.7. 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:

- Return on Assets has been negative in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	ROA
Dec 13	-113.2
Dec 12	-45.1

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price/MAP50	0.55	In Bottom 5%
Volatility %	14.2	In Bottom 3%

Note

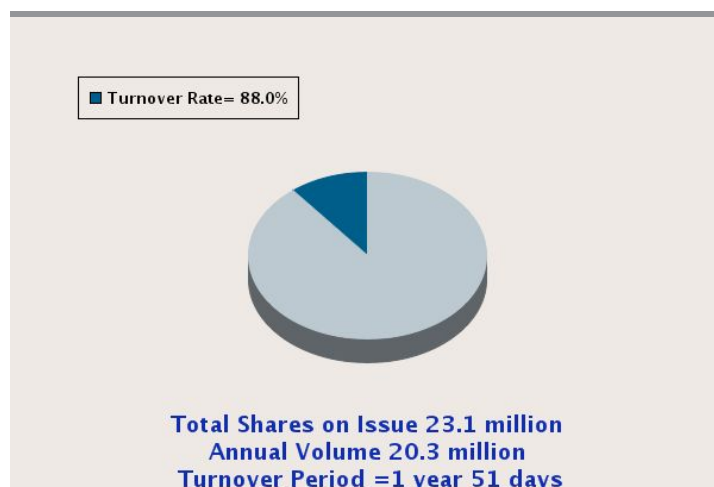
Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$97.3 million	In 3rd Quartile
MCap	US\$247.5 million	In 3rd Quartile

Short Selling to MCap



Turnover Rate & Turnover Period



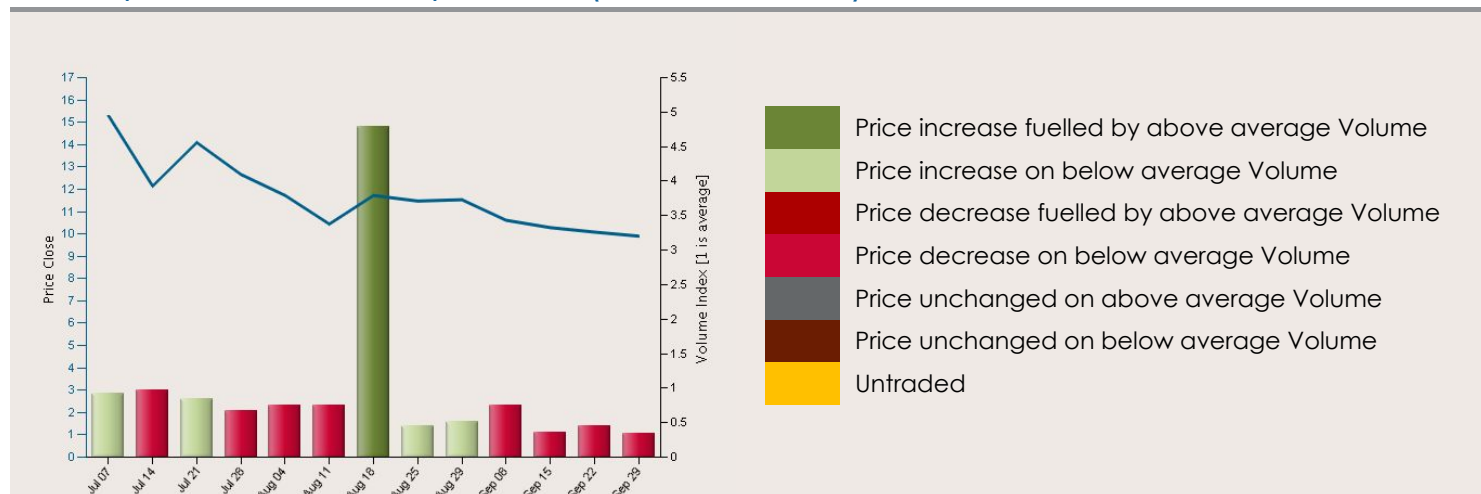
Trailing 3 months

Turnover	US\$97.3 million
Volume	8,559,113
Volume Index (1 is avg)	1.0

Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Company Overview

Regulatory Announcements

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

September 22: Celladon Corporation Appoints Scott Garrett Vice President, Commercial Planning

August 18: Celladon Announces Closing of Public Offering of Common Stock and Exercise in Full of Underwriters' Option to Purchase Additional Shares

August 12: Celladon Announces Pricing of Public Offering of Common Stock

August 11: Celladon Announces Initiation of Clinical Trial to Investigate MYDICAL in Patients With Heart Failure and a Left Ventricular Assist Device (LVAD)

August 07: Celladon Reports Second Quarter 2014 Financial Results and Recent Highlights

August 07: Celladon Announces Commencement of Public Offering of Common Stock

August 01: Celladon Corporation Secures \$25 Million Credit Facility From Hercules Growth Capital

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

February 27: Johan Kordel - Celladon director resigns

February 27: Celladon appoints Peter K. Honig as director

February 27: Celladon appoints Patrick Y. Yang as director

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

August 13: Celladon: Other Events

August 08: Celladon: Results of Operations and Financial Condition

August 05: Celladon: Entry into a Material Definitive Agreement

April 10: Celladon: Other Events

March 31: Celladon: Results of Operations and Financial Condition

February 24: Celladon: Entry into a Material Definitive Agreement

February 10: Celladon: Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

Conference Call-transcripts

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

07 Aug, 2014: Celladon's (CLDN) CEO Krisztina Zsebo on Q2 2014 Results - Earnings Call Transcript

Issued Capital

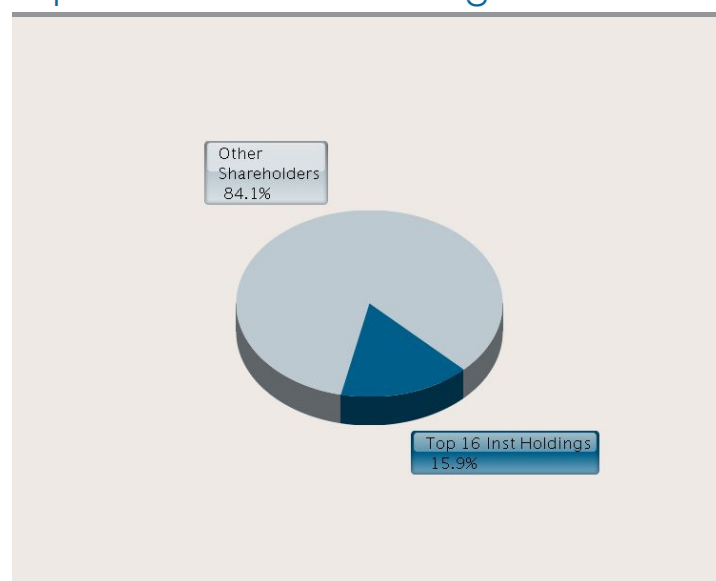
Based on 23,134,480 issued equity shares the market capitalisation is US\$247.5 million.

The top sixteen shareholders hold 15.9% of the issued capital leaving a float of 84.1%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Palo Alto Investors Llc	1,491,500	6.45
Tekla Capital Management Llc	970,495	4.2
Partner Fund Management L.P.	385,110	1.66
California Public Employees Retirement System	300,000	1.3
Blackrock Fund Advisors	173,276	0.75
Vanguard Group Inc	100,842	0.44
Shaker Investments Llc/Oh	71,000	0.31
Sac Capital Advisors Lp	34,821	0.15
Goldman Sachs Group Inc	33,815	0.15
Geode Capital Management Llc	25,778	0.11
Total	3,586,637	15.5

Top 16 Institutional Holdings



Board and Management

Paul Cleveland President & CFO

Mr. Cleveland brings decades of industry experience to his new leadership position. Most recently, Mr. Cleveland was Executive Vice President of Corporate Strategy and Chief Financial Officer of Aragon Pharmaceuticals, Inc. Aragon was sold to Johnson & Johnson in August 2013 for \$1 billion. Prior to that, he was a General Partner and the Chief Operating Officer of Mohr Davidow Ventures, a venture capital firm. From 2006 to 2011 he was Executive Vice President, Corporate Development and Chief Financial Officer of Affymax, Inc. Earlier in his career, Mr. Cleveland was an investment banker at JP Morgan and Hambrecht & Quist, and a corporate lawyer at Davis Polk & Wardwell, Sidley & Austin and Cooley LLP. Mr. Cleveland serves on the board of directors of Sangamo BioSciences (SGMO), a public biotechnology company, where he chairs the audit committee. He received a J.D. from Northwestern University School of Law, and an A.B. from Washington University in St. Louis.

Creation of shareholder value in Celladon:

Since appointment as CFO: The present value of USD1,000 invested on the appointment date of June 02, 2014 at close price of US\$8.93 is US\$1,198, for a capital gain of US\$198.

Patrick Y. Yang Director

Creation of shareholder value in Celladon:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of March 02, 2014 at close price of US\$11.30 is US\$947, for a capital loss of US\$53.

Peter K. Honig Director

Creation of shareholder value in Celladon:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of March 02, 2014 at close price of US\$11.30 is US\$947, for a capital loss of US\$53.

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	10,199	7,136	Up 42.9
General and administrative	3,730	1,328	Up 180.9
Total operating expenses	13,929	8,464	Up 64.6
Loss from operations	-13,929	-8,464	Deterioration 64.6
Other income (expense):			
Interest income	29	44	Down 34.1
Interest expense	59		
Other income (expense)	-12	-39	Reduced 69.2
Change in fair value of warrant liability	-183		
Consolidated net loss	-14,154	-8,459	Deterioration 67.3
Net loss attributable to non-controlling interest		96	
Net loss attributable to Celladon Corporation	-14,154	-8,363	Deterioration 69.2
Accretion to redemption value of redeemable convertible preferred stock			
Change in fair value of non-controlling interest		-3,105	
Deemed dividend			
Net loss attributable to common stockholders	-14,154	-11,468	Deterioration 23.4
Other comprehensive income (loss):			
Unrealized gain (loss) on investments	16	-7	Recovery
Comprehensive loss	-14,138	-8,466	Deterioration 67.0
Net loss per share attributable to common stockholders, basic and diluted	-94.0c	-1,297.0c	Reduced 92.8
Weighted-average shares outstanding, basic and diluted	15,092,098	884,179	Up 1,606.9

BALANCE SHEET

Currency in Thousand of USD	2014-06-30	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	13,371	7,903	Up 69.2
Short-term investments	37,801	10,467	Up 261.1
Prepaid expenses and other assets	590	180	Up 227.8
Total current assets	51,762	18,550	Up 179.0
Property and equipment, net	367	308	Up 19.2
Other assets	149	2,296	Down 93.5
Total assets	52,278	21,154	Up 147.1
Liabilities, preferred stock and stockholders' equity (deficit)			

Financial Results (Half Year) (continued)

30 June, 2014

Current liabilities:			
Accounts payable and accrued expenses	2,145	2,908	Down 26.2
Accrued clinical expenses	1,523	1,478	Up 3.0
Accrued interest		14	
Convertible notes, net of discount		1,044	
Warrant liability		1,116	
Total current liabilities	3,668	6,560	Down 44.1
Non-current liabilities	46	37	Up 24.3
Commitments and contingencies			
Series A-1 redeemable convertible preferred stock, 0.0001 par value:			
Authorized shares - none and 135,826,497 at June 30, 2014 and December 31, 2013,			
respectively; issued and outstanding shares - none and 127,140,530 at June 30, 2014 and			
December 31, 2013, respectively; liquidation preference - none and 114,172 at June 30,			
2014 and December 31, 2013, respectively		60,098	
Convertible preferred stock, 0.0001 par value:			
Authorized shares - none and 12,138,080 at June 30, 2014 and December 31, 2013,			
respectively; issued and outstanding shares - none and 12,138,080 at June 30, 2014 and			
December 31, 2013, respectively; liquidation preference - none and 5,450 at June 30,			
2014 and December 31, 2013, respectively		5,450	
Stockholders' equity (deficit):			
Preferred stock, 0.001 par value; authorized shares - 10,000,000 and none at June 30, 2014			
and December 31, 2013, respectively; no shares issued and outstanding			
Common stock, 0.001 par value; authorized shares - 200,000,000 and 180,000,000 at			
June 30, 2014 and December 31, 2013, respectively; issued and outstanding- 18,534,480			
and 884,179 at June 30, 2014 and December 31, 2013, respectively	18		
Additional paid-in capital	175,268	61,593	Up 184.6
Accumulated other comprehensive income	18	2	Up 800.0
Deficit accumulated during the development stage	-126,740	-112,586	Deterioration 12.6
Total stockholders' equity (deficit)	48,564	-50,991	Recovery
Total liabilities, preferred stock and stockholders' equity (deficit)	52,278	21,154	Up 147.1

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-29.15	22.49	Deterioration
Return on Assets(%)	-27.07	-54.21	Reduced 50.1



Financial Results (Half Year) (continued)

30 June, 2014

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-94.0c	-1,297.0c	Reduced 92.8

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