

## Cerulean Pharma (CERU : US\$5.24)

### Cerulean Pharma tumbles 26% in 2014, underperforming 86% of the market

Cerulean Pharma Inc, NASDAQ's 30th largest healthcare-products company by market cap, has now tumbled US\$1.81 (or 25.7%) year to date in 2014 to close at US\$5.24. This loss means the stock has underperformed 86% of NASDAQ-listed stocks in 2014. The volume YTD has been 0.4 times average trading of 29,523 shares. Compared with the NASDAQ-100 Index which has risen 9.8% YTD, this represents a relative price change of -35.5%. In 2014 the market cap has jumped US\$4.6 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 15.4. 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 30:29 or 1.03:1.

**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

<b>Sector</b>	Healthcare-Products
<b>Market Cap</b>	US\$105.4 million
<b>Shares Outstanding</b>	20,123,013

### Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USDm)	0	0.6	0.3
Pretax (USDm)	(17.1)	(22.1)	(18.9)
Net (USDm)	(17.1)	(22.2)	(19.6)
EPS (USD)	(1.2)	(1.55)	(1.37)

### MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	5.2	105.4 million

# Analysis

## Bearish Signals

- In the last 17 trading sessions there has been a net decline of 23.95%; the stock has retreated nine times and the biggest one day decline was 14% on Jun 20.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 5.6 minus the 26-day EMA of 5.76 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 15.4. 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:

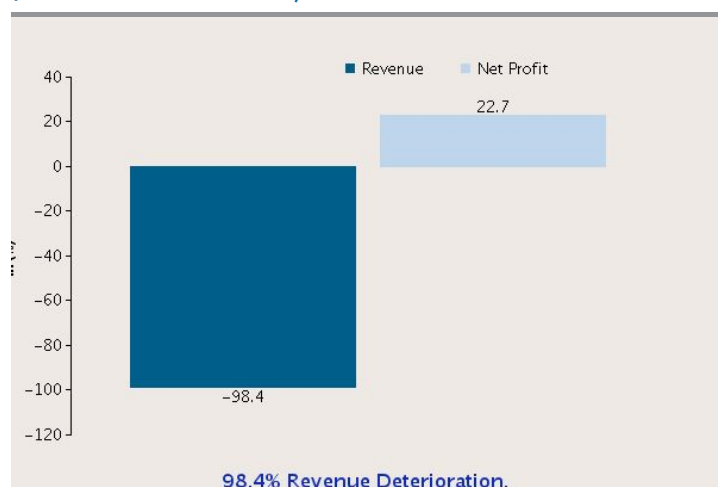
- Return on Assets has been negative in recent years.

### Annual Trend:

[Year ended, all figures in %]:

Year	ROE	ROA	ROCE
Dec 13	-	-251	-
Dec 12	-597.6	-125.5	-193.3
Dec 11	-158.4	-117.2	-143.5

## % 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 0.9 to 0.5;

Total shares on issue unchanged.

### Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	-3.1	In Bottom Quartile
Volatility %	7.3	In Bottom Quartile
Price/MAP50	0.5	In Bottom 3%
Turnover in Quarter	US\$10.9 million	In Bottom 1%
Annual Revenue	US\$10,000	In Bottom 1%

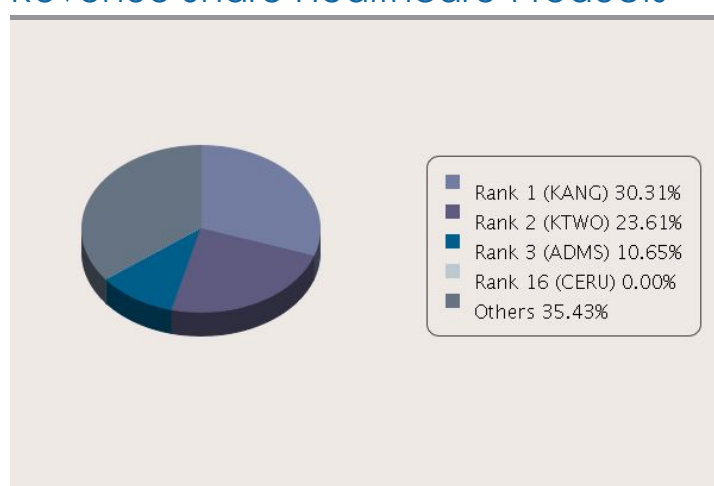
## Note

### Bullish Signals:

- The price is at a discount of 13.5% to the 1-month volume weighted average price of US\$6.06, which may appeal as a value proposition.
- In the NASDAQ Short Selling market of 2437 stocks, short selling as a % of issued shares ranked 2272nd and within the bottom quartile of stocks. This means it was lower than market average of 0.45%, a bullish indicator.
- The current short volume is 0.7 times its own historical average of 0.01%.

### Other Bullish Signals:

## Revenue Share Healthcare-Products



## Analysis (continued)

### Insider Trades



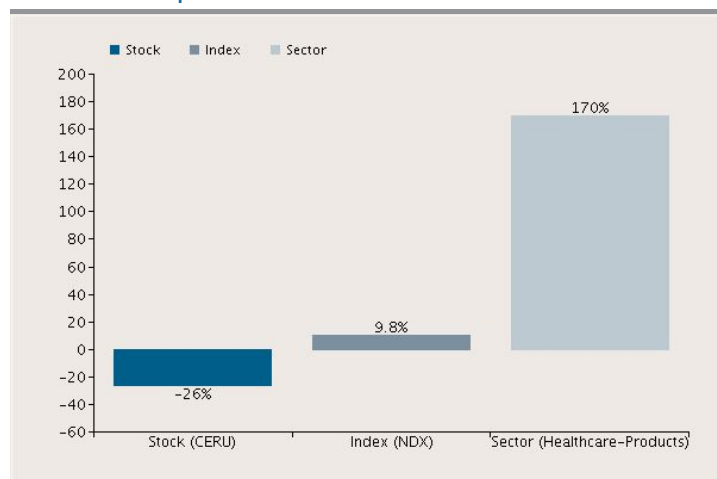
### Turnover Rate & Turnover Period



### Trailing 3 months

Turnover	US\$10.9 million
Volume	1,729,676
Volume Index (1 is avg)	0.9

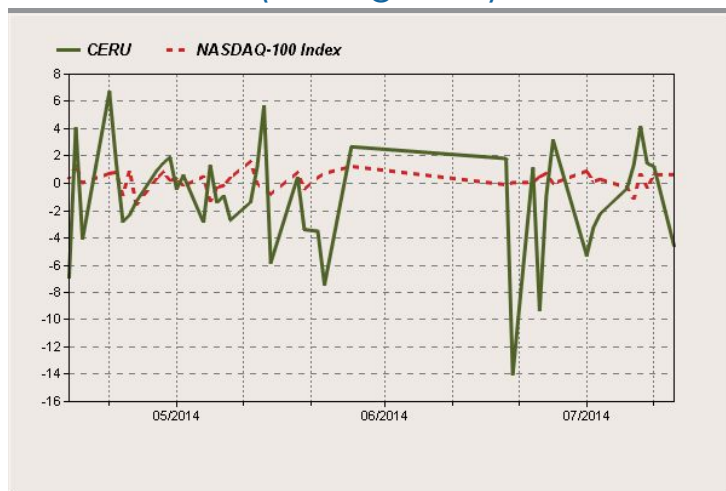
### YTD Comparison Stock Sector Index



## Price Volume Trend: Trailing Quarter



## Stock v Index (Trailing Year)



## Peer Group Analysis

Name	Last Price	Relative strength (6-months)	MCap (Millions)	PV \$1000 (1 yr)	Revenue (Millions)	Net Profit (Millions)	Sector sorting	
							Total Assets (Millions)	
Cerulean Pharma	5.24	-	105	-	0	-17	7	
Parnell Pharmaceuticals Holdings	6.8	-	90	-	-	-	-	

## Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
06-May-2014	Canaccord Genuity	Initiated Coverage	-	Buy	-	11
06-May-2014	Leerink Swann	Initiated Coverage	-	Outperform	-	13
06-May-2014	JMP Securities	Initiated Coverage	-	Outperform	-	14
06-May-2014	Wedbush	Initiated Coverage	-	Outperform	-	12

## Company Overview

### Activities

Cerulean Pharma Inc. designs and develops pharmaceutical products. The Company manufactures therapeutics in the areas of oncology, cardiovascular, autoimmune, and inflammatory diseases as well as tumor cells. Cerulean Pharma operates in the United States.

Source: [www.BuySellSignals.com](http://www.BuySellSignals.com)

Further details can be found at  
[www.ceruleanrx.com](http://www.ceruleanrx.com).

### Regulatory Announcements

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

June 17: Cerulean Pharma to Present at JMP Securities Healthcare Conference

June 09: Mark E. Davis Presents Information About Cerulean's Lead Candidate, CRLX101, at 2014 ASCO Annual Meeting

April 17: Cerulean Pharma insider buys

April 17: Cerulean Pharma substantial shareholder buys

April 16: Cerulean Pharma substantial shareholder buys

April 15: Cerulean Pharma Announces Closing of Initial Public Offering

### Issued Capital

Based on 20,123,013 issued equity shares the market capitalisation is US\$105.4 million. It is NASDAQ's 25th largest Healthcare-Products company by assets.

## Board and Management

### **Rastetter William H** **Director**

William has served as a director since January 2014. He is a Co-Founder of Receptos, Inc., a biopharmaceutical company, where he has been a director and Chairman of the Board since May 2009 and was Acting Chief Executive Officer from May 2009 to November 2010. Dr. Rastetter served as a Partner at the venture capital firm of Venrock Associates from 2006 to February 2013. Prior to his tenure with Venrock, Dr. Rastetter was Executive Chairman of Biogen Idec, from the merger of the two companies (Biogen and Idec Pharmaceuticals) in 2003 through the end of 2005. He joined Idec Pharmaceuticals in 1986 and served as Chairman and Chief Executive Officer. Prior to Idec, he was Director of Corporate Ventures at Genentech, Inc. and served as well in a scientific capacity at Genentech. Dr. Rastetter also serves as the Chairman of public life sciences companies Illumina, Inc., Neurocrine Biosciences, Inc. and Fate Therapeutics Inc. and as a director of Regulus Therapeutics, Inc., a public biopharmaceutical company. Dr. Rastetter has held various faculty positions at the Massachusetts Institute of Technology and Harvard University and is an Alfred P. Sloan Fellow. Dr. Rastetter holds a B.S. in Chemistry from the Massachusetts Institute of Technology and received his M.A. and Ph.D. in Chemistry from Harvard University.

## Financial Results (Quarterly)

31 March, 2014

### INCOME STATEMENT

Currency in USD	2014-03-31	2013-03-31	Change %
Revenue	47,000		
Operating expenses:			
Research and development	1,495,000	3,479,000	Down 57.0
General and administrative	1,510,000	1,972,000	Down 23.4
Total operating expenses	3,005,000	5,451,000	Down 44.9
Other income (expense):			
Interest income	1,000	1,000	Steady
Interest expense	461,000	353,000	Up 30.6
Decrease in value of preferred stock warrant liability	504,000	231,000	Up 118.2
Total other income (expense) -et	44,000	-121,000	Recovery
Net loss	-2,914,000	-5,572,000	Reduced 47.7
Accretion of redeemable convertible preferred stock			
Net loss attributable to common stockholders	-2,914,000	-5,572,000	Reduced 47.7
Net loss per share attributable to common stockholders:			
Basic and diluted	-370.0c	-909.0c	Reduced 59.3
Weighted-average common shares outstanding:			
Basic and diluted	786,986	612,836	Up 28.4

### BALANCE SHEET

Currency in USD	2014-03-31	2013-12-31	Change %
ASSETS			
Current assets:			
Cash and cash equivalents	8,468,000	5,488,000	Up 54.3
Accounts receivable, prepaid expenses, and other current assets	3,033,000	959,000	Up 216.3
Total current assets	11,501,000	6,447,000	Up 78.4
Property and equipment - Net	223,000	245,000	Down 9.0
Other assets	130,000	135,000	Down 3.7
Total	11,854,000	6,827,000	Up 73.6
Current liabilities:			
Current portion of loan payable	3,203,000	3,134,000	Up 2.2
Convertible promissory notes payable to shareholders	17,324,000	8,824,000	Up 96.3
Accounts payable	2,160,000	914,000	Up 136.3
Accrued expenses	1,493,000	2,274,000	Down 34.3
Total current liabilities	24,180,000	15,146,000	Up 59.6
Long-term liabilities:			
Loan payable - net of current portion	2,297,000	3,124,000	Down 26.5
Preferred stock warrant liability	424,000	928,000	Down 54.3
Noncurrent accrued interest	452,000	391,000	Up 15.6
Other	14,000	12,000	Up 16.7
Total long-term liabilities	3,187,000	4,455,000	Down 28.5
Redeemable convertible preferred stock	81,525,000	81,525,000	Steady





## Financial Results (Quarterly) (continued)

31 March, 2014

### Commitments

#### Stockholders' deficit:

Common stock, 0.0001 par value; 132,000,000 shares and designated, 793,561 and

785,531 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively

Additional paid-in capital	4,315,000	4,140,000	Up 4.2
Deficit accumulated during the development stage	-101,353,000	-98,439,000	Deterioration 3.0
Total stockholders' deficit	-97,038,000	-94,299,000	Deterioration 2.9
Total	11,854,000	6,827,000	Up 73.6

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