

## Egaleet (EGLT : US\$9.69)

### Egaleet tumbles 21% in 2014, underperforming 80% of the market

Egaleet Corporation, NASDAQ's 51st largest medical company by market cap, has now tumbled US\$2.53 (or 20.7%) year to date in 2014 to close at US\$9.69. This loss means the stock has underperformed 80% of NASDAQ-listed stocks in 2014. The volume YTD has been 0.7 times average trading of 48,304 shares. Compared with the NASDAQ-100 Index which has risen 14.6% YTD, this represents a relative price change of -35.3%. In 2014 the market cap has declined US\$11.9 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 8.2. Compared with the rest of the market the stock is overvalued and ranks in the bottom 4% of stocks by value of Q Ratio.
- It is trailing 82.53% of the market the past 6 months.

### Stock Summary

<b>Sector</b>	Medical
<b>Market Cap</b>	US\$167.2 million
<b>Shares Outstanding</b>	17,258,663
<b>ISIN</b>	US28226B1044
<b>Relative Strength (3 mo)</b>	7

### Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USD)	-	1.2M	630,000
Pretax (USD)	(20.19M)	(5.4M)	(6.46M)
Net (USD)	(20.21M)	(5.4M)	(6.46M)

### MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	9.7	167.2 million

## Analysis

### Bullish Signals

- The price is at a discount of 7.3% to the 1-month volume weighted average price of US\$10.46, which may appeal as a value proposition.

### Other Bullish Signals:

### Bearish Signals

- In the last 17 trading sessions there has been a net decline of 18.37%; the stock has retreated once and the biggest one day decline was 23.9% on Aug 28.
- In the NASDAQ market of 2,422 stocks traded today, the stock has a 6-month relative strength of 17 indicating it is trailing 83.0% of the market.
- Also, the relative strength percentile is slipping at 17 for 6 months, 7 for 3 months and 3 for 1 month.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 9.54 minus the 26-day EMA of 10.26 is negative suggesting a bearish signal.
- The current short volume is 2.4 times its own historical average of 0.1%.

### Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 8.2. Compared with the rest of the market the stock is overvalued and ranks in the bottom 4% 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	-	-99.3	-
Dec 12	-147.5	-96.6	-144.8

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

Reduction in total shares on issue.

### Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
P/E * P/NTA	137.2	In Bottom Quartile
Relative Strength (6M)	17	In Bottom Quartile
Price/MAP50	0.42	In Bottom 1%

### Note

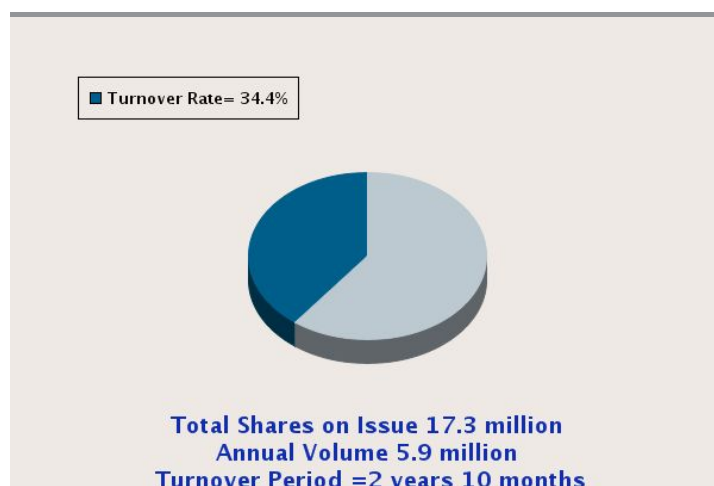
### Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$22 million	In 3rd Quartile
MCap	US\$167.2 million	In 3rd Quartile

### Insider Trades



### Turnover Rate & Turnover Period



## Analysis (continued)

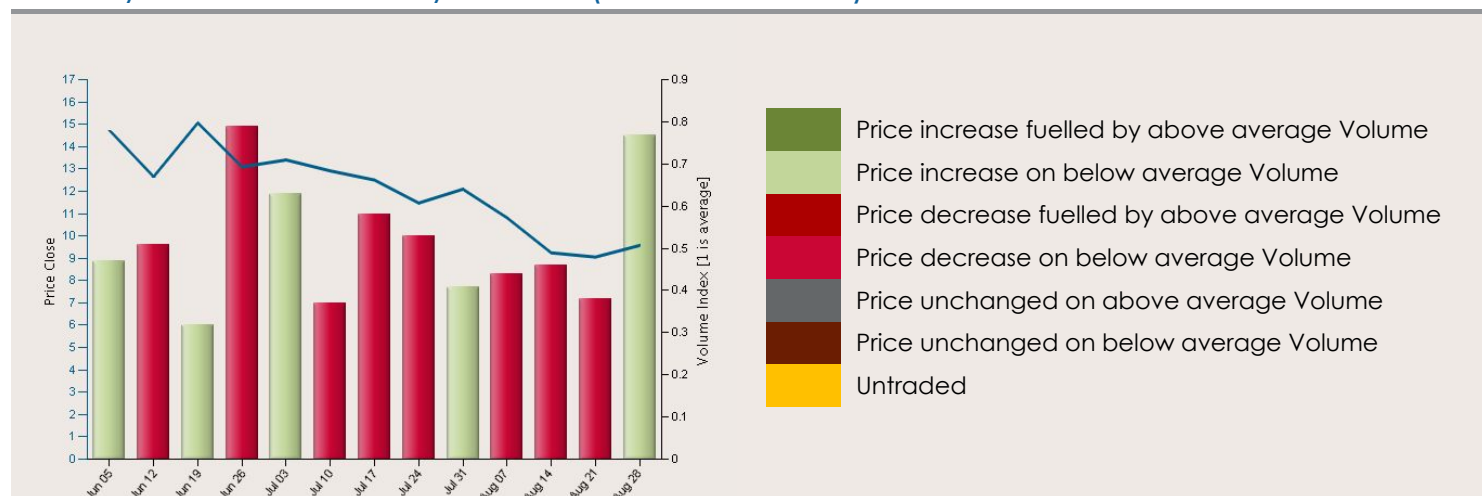
### Trailing 3 months

<b>Turnover</b>	US\$22 million
<b>Volume</b>	1,792,193
<b>Volume Index (1 is avg)</b>	0.6

## Price Volume Trend: Trailing Quarter



## Weekly Price Volume Dynamics (Last 12 Weeks)



## Reported Buying Selling by Insiders

Insider	Date	Transaction Type	No. of Shares	Price, US\$	Value, US\$
Strobeck Mark	Aug 12, 2014	Sold	2,500	9.26	23,150
Strobeck Mark	Aug 13, 2014	Sold	2,635	9.15	24,110
Strobeck Mark	Aug 11, 2014	Sold	3,300	10.16	33,528
Strobeck Mark	Aug 08, 2014	Sold	2,400	10.45	25,080
Strobeck Mark	Aug 06, 2014	Sold	1,885	11.89	22,413
Musial Stan	Aug 07, 2014	Sold	6,272	11.03	69,180
Musial Stan	Aug 06, 2014	Sold	7,648	11.06	84,587
Strobeck Mark	Aug 07, 2014	Sold	1,200	10.9	13,080

## Company Overview

### Activities

Egalet Corporation is a specialty pharmaceutical company. The Company develops and markets oral products for the treatment of pain and in other indications.

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

### Regulatory Announcements

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

August 18: Egalet Announces Successful End-of-Phase 2 Meeting with the FDA for Egalet-002  
August 14: Egalet insider sells  
August 14: Egalet insider sells  
August 12: Egalet insider sells; shares at a four-month low  
August 12: Egalet Reports Second Quarter 2014 Financial Results and Provides Business Update  
August 06: Egalet Announces Topline Results from Bioequivalence Studies of Abuse-Deterrent Morphine, Egalet-001  
July 30: Egalet to Present at the Canaccord Genuity Growth Conference on August 13

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

February 11: Egalet appoints Gregory Weaver as director

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

August 18: Egalet: Other Events  
August 14: Egalet: Regulation FD Disclosure  
August 12: Egalet: Results of Operations and Financial Condition  
August 06: Egalet: Other Events  
July 15: Egalet: Other Events  
May 13: Egalet: Results of Operations and Financial Condition  
March 31: Egalet: Other Events  
March 26: Egalet: Results of Operations and Financial Condition  
February 20: Egalet: Other Events

### Conference Call-transcripts

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

13 Aug, 2014: Egalet's (EGLT) CEO Bob Radie on Q2 2014 Results - Earnings Call Transcript

### Issued Capital

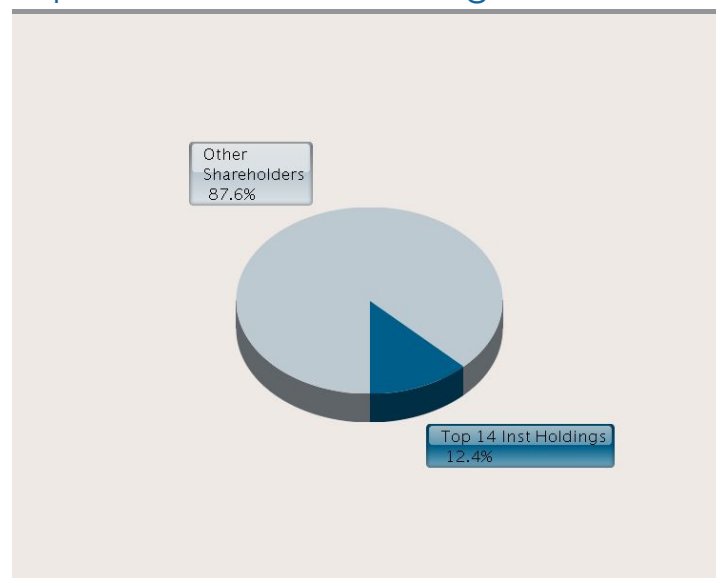
Based on 17,258,663 issued equity shares the market capitalisation is US\$167.2 million.

The top fourteen shareholders hold 12.4% of the issued capital leaving a float of 87.6%.

### Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Federated Investors Inc /Pa/	1,458,800	8.45
Jpmorgan Chase & Co	235,925	1.37
Tiverton Asset Management Llc	150,000	0.87
Iguana Healthcare Management Llc	100,000	0.58
Wells Fargo & Company/Mn	70,052	0.41
Sac Capital Advisors Lp	31,594	0.18
Northern Trust Corp	23,310	0.14
Geode Capital Management Llc	20,160	0.12
Vanguard Group Inc	19,756	0.11
Nationwide Fund Advisors	14,530	0.08
<b>Total</b>	<b>2,124,127</b>	<b>12.31</b>

### Top 14 Institutional Holdings



## Board and Management

### Stan Musial CFO

Mr. Musial has served as our chief financial officer since April 2013. From June 2011 to March 2013, Mr. Musial was self-employed, acting as an independent consultant in the fields of financial management and accounting services. From January 2005 to May 2011, Mr. Musial served as chief financial officer of Prism Pharmaceuticals, Inc., a specialty pharmaceutical and drug development company. Prior to joining Prism Pharmaceuticals, Mr. Musial was vice president, finance, and chief financial officer for Strategic Diagnostics, Inc., a publicly-held biotechnology company, from 2002 to 2004. Mr. Musial began his career with KPMG LLP, a professional services company. Mr. Musial received a B.S. in accounting from the Pennsylvania State University and an M.B.A. from Temple University. He is a certified public accountant in the Commonwealth of Pennsylvania.

### Gregory Weaver Director

### Timothy P. Walbert Director

#### **Creation of shareholder value in Egalet:**

Since appointment as Director: The present value of USD1,000 invested on the appointment date of March 11, 2014 at close price of US\$18.61 is US\$521, for a capital loss of US\$479.

## Financial Results (Quarterly)

31 March, 2014

### INCOME STATEMENT

Currency in USD	2014-03-31	2013-03-31	Change %
Related party revenues	256,000		
Operating expenses:			
General and administrative	3,269,000	855,000	Up 282.3
Research and development	2,780,000	963,000	Up 188.7
Total operating expenses	6,049,000	1,818,000	Up 232.7
Loss from operations	-5,793,000	-1,818,000	Deterioration 218.6
Other (income) expense:			
Interest expense	7,092,000		
Gain on foreign currency exchange	-4,000	-22,000	Reduced 81.8
	7,088,000	-22,000	Recovery
Loss before provision for income taxes	-12,881,000	-1,796,000	Deterioration 617.2
Provision for income taxes	35,000		
Net loss	-12,916,000	-1,796,000	Deterioration 619.2
Per share information:			
Net loss per share of common stock, basic and diluted	-134.0c	-139.0c	Reduced 3.6
Weighted average shares outstanding, basic and diluted	9,638,260	1,292,307	Up 645.8

### BALANCE SHEET

Currency in USD	2014-03-31	2013-12-31	Change %
Assets			
Current assets:			
Cash	77,450,000	15,700,000	Up 393.3
Related party receivable	141,000		
Prepaid expenses	659,000	1,774,000	Down 62.9
Other receivables	231,000	231,000	Steady
Total current assets	78,481,000	17,705,000	Up 343.3
Property and equipment, net	2,292,000	2,378,000	Down 3.6
Intangible asset	209,000	209,000	Steady
Deposits and other assets	182,000	71,000	Up 156.3
Total assets	81,164,000	20,363,000	Up 298.6
Liabilities, redeemable convertible preferred stock and stockholders' (deficit) equity			



## Financial Results (Quarterly) (continued)

31 March, 2014

<b>Current liabilities:</b>			
Related party senior convertible debt, net of discount		17,209,000	
Accounts payable	1,378,000	1,046,000	Up 31.7
Accrued expenses	680,000	1,755,000	Down 61.3
Deferred revenue	551,000		
Other current liabilities	80,000	55,000	Up 45.5
Total current liabilities	2,689,000	20,065,000	Down 86.6
Deferred income tax liability	21,000	22,000	Down 4.5
Deferred revenue non-current portion	9,334,000	10,149,000	Down 8.0
Total liabilities	12,044,000	30,236,000	Down 60.2
<b>Commitments and contingencies</b>			
<b>Redeemable convertible preferred stock:</b>			
Redeemable convertible Series A-1 preferred stock-0.01 par value; 1,406,894 shares and 0 shares issued and outstanding at December 31, 2013 and March 31, 2014, respectively		1,443,000	
Redeemable convertible Series A-2 preferred stock-0.01 par value; 593,106 shares and 0 shares issued and outstanding at December 31, 2013 and March 31, 2014, respectively		770,000	
Redeemable convertible Series B preferred stock-0.01 par value; 2,327,301 shares and 0 shares issued and outstanding at December 31, 2013 and 2014, respectively		12,628,000	
Redeemable convertible Series B-1 preferred stock-0.01 par value; 113,916 shares and 0 shares issued and outstanding at December 31, 2013 and March 31, 2014, respectively		116,000	
Total redeemable convertible preferred stock		14,957,000	
<b>Stockholders' (deficit) equity:</b>			
Common stock-0.01 par value and 0.001 par value at December 31, 2013 and March 31, 2014, respectively; 75,000,000 shares authorized at March 31, 2014; 1,292,307 and 17,000,863 shares issued and outstanding at December 31, 2013 and March 31, 2014, respectively	17,000	13,000	Up 30.8
Additional paid-in capital	114,189,000	7,431,000	Up 1,436.7
Accumulated other comprehensive income	1,229,000	1,125,000	Up 9.2
Accumulated deficit	-46,315,000	-33,399,000	Deterioration 38.7
Total stockholders' (deficit) equity	69,120,000	-24,830,000	Recovery
Total liabilities, redeemable convertible preferred stock and stockholders' (deficit) equity	81,164,000	20,363,000	Up 298.6



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