

Concert Pharmaceuticals (CNCE : US\$12.60)

Concert Pharmaceuticals continues uptrend, now jumps 26.9% and in top 6% of the market

Concert Pharmaceuticals Inc, NASDAQ's 40th largest medical company by market cap, jumped US\$2.67 (or 26.9%) in the quarter ended September 30 to close at US\$12.60. This gain means the stock is among the top 6% of NASDAQ-listed stocks in quarter ended September 30. The volume in the quarter was 1.2 times the average trading of 154,559 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price increase of 23%. In the third quarter the market cap jumped US\$67.7 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:

- Its Moving Average Convergence Divergence indicators are rising, with its 12-day EMA higher than its 26-day EMA.
- It has outperformed 52% of the market the past 6 months.
- The price to 50-day EMAP ratio is 1.1, a bullish indicator. The 50-day EMAP has increased to US\$11.14.

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 5.7. Compared with the rest of the market the stock is overvalued and ranks in the bottom 7% of stocks by value of Q Ratio.

Stock Summary

Sector	Medical
Market Cap	US\$225.5 million
Shares Outstanding	17,899,585
ISIN	US2060221056
Relative Strength (3 mo)	95

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USD)	25.408M	12.85M	19.47M
Pretax (USD)	-	(20.44M)	(11.32M)
Net (USD)	(6.452M)	(20.83M)	(12.39M)
EPS (USD)	(4.99)	(1.86)	(1.1)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	12.6	225.5 million

Analysis

Bearish Signals

- The price is at a premium of 10.6% to the 1-month volume weighted average price of US\$11.39. Given that this premium has been under 10.6% one hundred twenty-eight times and over 10.6% twenty times in the last year, the downside:upside probability is estimated at 128:20 or 6.4:1.
- The current short volume is 2.1 times its own historical average of 0.1%. It climbed 5.1% from the previous day, a bearish indicator.

Overvaluation:

- Price/Sales of 45.49 versus sector average of 2.5 and market average of 2.3. We estimate the shares are trading at a current year Price/Sales of 13.9 and a forward year Price/Sales of 21.8.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 5.7. Compared with the rest of the market the stock is overvalued and ranks in the bottom 7% of stocks by value of Q Ratio.

Other Bearish Signals:

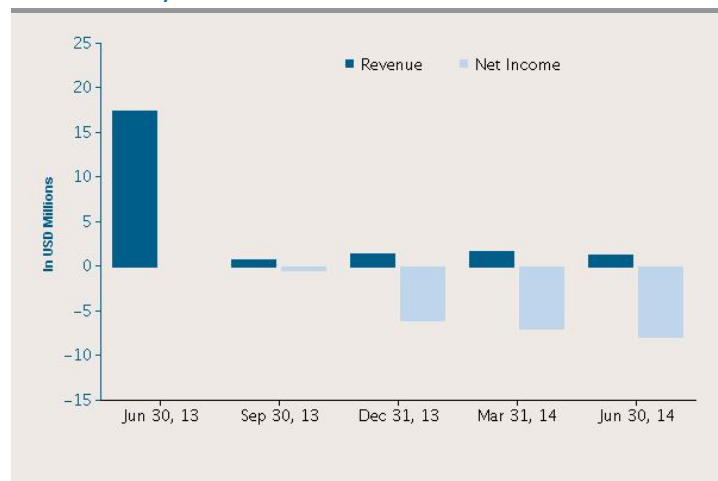
- Net Profit margin has been negative in recent quarters.

Quarterly Trend:

[Quarter ended, all figures in %]:

Qtr	Revenue Growth	Net Profit Margin
Jun 14	-22.6	-647
Mar 14	-	-430.9
Dec 13	-	-427
Sep 13	-	-64.7

Quarterly Revenue & Net Income



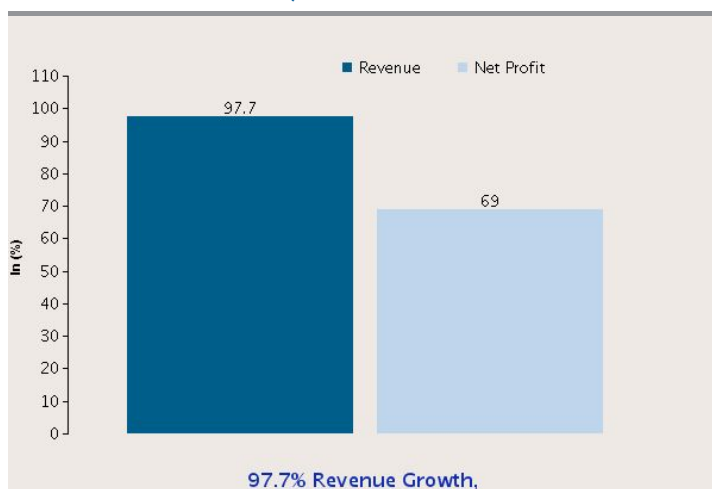
- Return on Equity has been negative in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	ROE	ROA	ROCE
Dec 13	-	-16.2	-
Dec 12	-403.7	-62.9	-73.8
Dec 11	-50.1	-25.1	-28.9

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



The stock has a score of merely 2 out of 9 set by Joseph Piotroski [pass mark >=5]:

Positive operating cashflow; Reduction in total shares on issue.

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price/MAP50	0.66	In Bottom Quartile
Volatility %	8.0	In Bottom 7%
Annual Revenue	US\$5 million	In Bottom 4%
Price Change %	-6.7	In Bottom 2%

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$120.3 million	In 3rd Quartile
MCap	US\$225.5 million	In 3rd Quartile

Bullish Signals:

- In the last 16 trading sessions there has been a net rise of 43.18%; the stock has advanced twelve times and the biggest one day rise was 25.3% on Sep 15.

Analysis (continued)

- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 52 which means it has outperformed 52% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 12.83 minus the 26-day EMA of 11.67 is positive suggesting a bullish signal.

Other Bullish Signals:

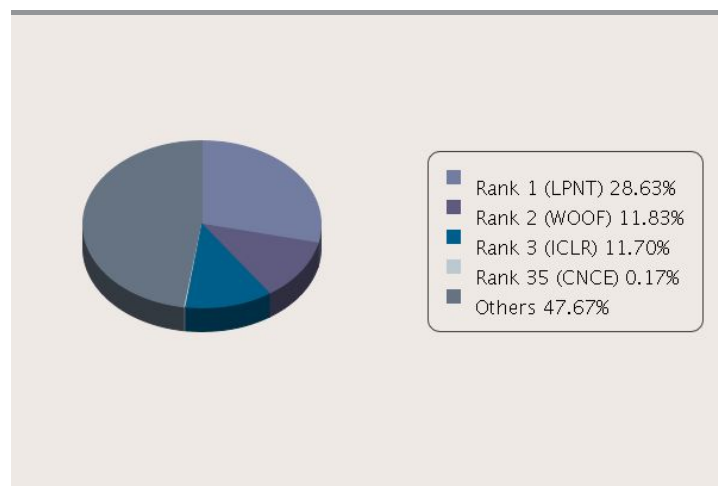
Also, the following criteria set by Benjamin Graham:

- "A stock price down to two-thirds of "net current asset value" or "net quick liquidation value"; the price is 0.5 times net current asset value of \$US25.8 per share.
- "Current ratio of two or more"; current assets are 2.1 times current liabilities.

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
%Prem To Vol Wtd Price	10.6	In Top 9%

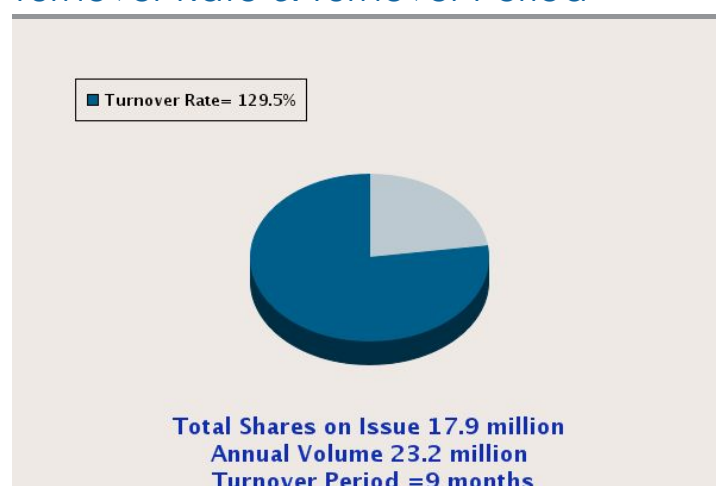
Revenue Share Medical



Short Selling to Mcap



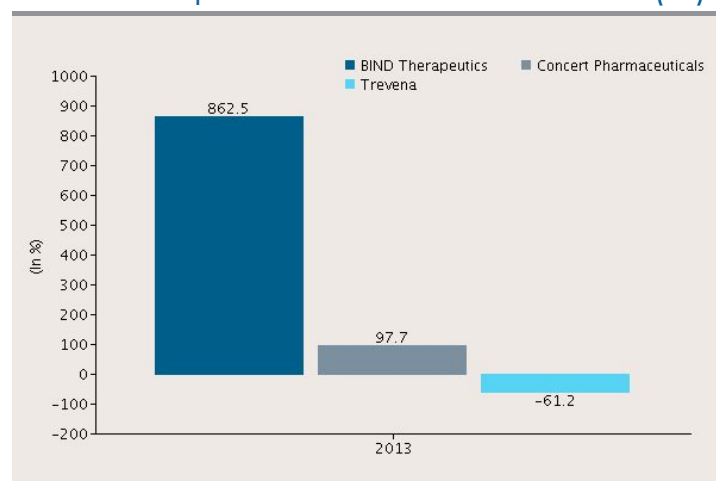
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$120.3 million
Volume	11,654,469
Volume Index (1 is avg)	1.2

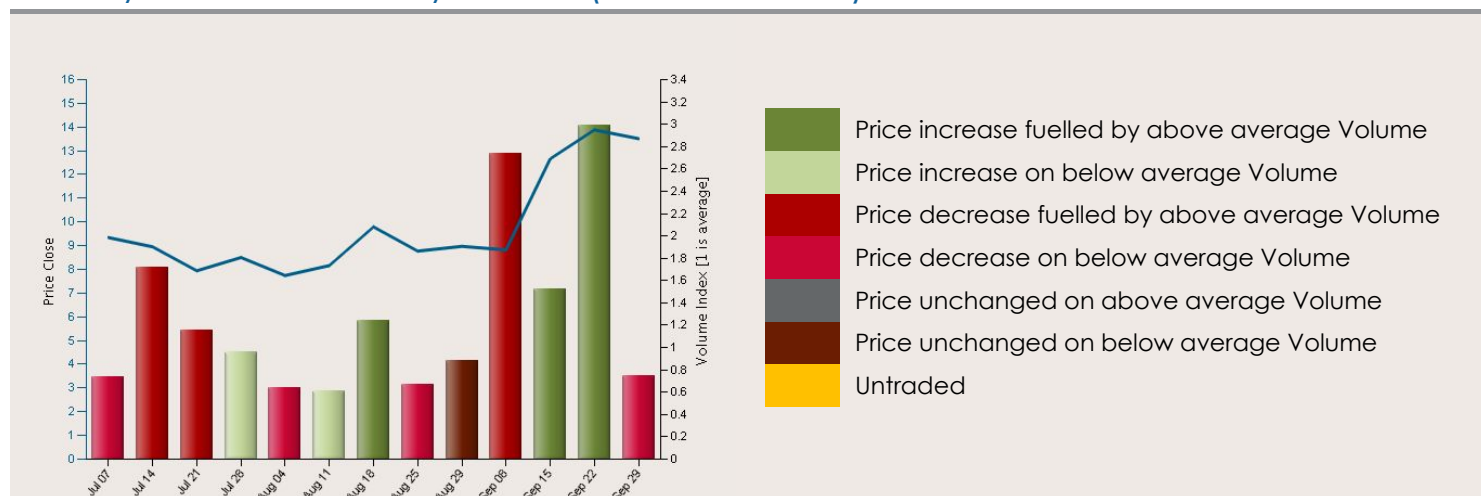
Peer Comparison Revenue Growth (%)



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-Jul-2014	Roth Capital	Reiterated Rating	-	Buy	-	-

Company Overview

Regulatory Announcements

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

September 17: Concert Pharmaceuticals Announces Initiation of CTP-730 Phase 1 Clinical Trial Under Celgene Collaboration

August 26: Concert Pharmaceuticals Achieves \$2 Million Milestone for AVP-786 Under Avanir Pharmaceuticals Collaboration

August 21: Concert Pharmaceuticals to Present at Robert W. Baird 2014 Healthcare Conference on September 4, 2014

August 12: Concert Pharmaceuticals Reports Second Quarter 2014 Financial Results and Provides Company Update

August 05: Concert Pharmaceuticals to Report Second Quarter 2014 Results on August 12, 2014

July 21: Jazz Pharmaceuticals and Concert Pharmaceuticals Provide a Phase 1 Clinical Trial Update on JZP-386

July 16: Concert Pharmaceuticals Announces FDA Lifts Partial Clinical Hold for CTP-354, A Novel Drug Candidate for Spasticity

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

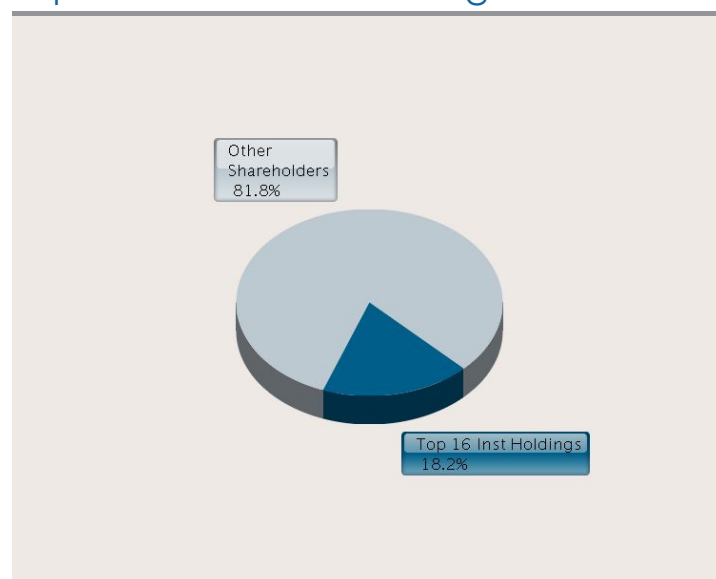
August 12: Concert Pharmaceuticals: Results of Operations and Financial Condition

Issued Capital

Based on 17,899,585 issued equity shares the market capitalisation is US\$225.5 million. It is NASDAQ's 53rd largest Medical company by assets.

The top sixteen shareholders hold 18.2% of the issued capital leaving a float of 81.8%.

Top 16 Institutional Holdings



Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Brookside Capital Management Llc	1,147,833	6.41
Deerfield Management Co	617,649	3.45
Wall Street Associates	321,200	1.79
Blackrock Advisors Llc	233,102	1.3
Broadfin Capital Llc	200,000	1.12
Putnam Investments Llc	163,131	0.91
Principal Financial Group Inc	108,515	0.61
Blackrock Group Ltd	82,200	0.46
Deutsche Bank Ag\	73,401	0.41
Morgan Stanley	64,053	0.36
Total	3,011,084	16.82

Board and Management

Wendell Wierenga
CEO

Creation of shareholder value in Concert Pharmaceuticals:

Since appointment as CEO: The present value of USD1,000 invested on the appointment date of March 14, 2014 at close price of US\$13.64 is US\$924, for a capital loss of US\$76.

Financial Results (Quarterly)

30 June, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
Revenue:			
License and research and development revenue	1,235	17,441	Down 92.9
Milestone revenue			
Total revenue	1,235	17,441	Down 92.9
Operating expenses:			
Research and development	6,243	5,753	Up 8.5
General and administrative	2,718	2,273	Up 19.6
Total operating expenses	8,961	8,026	Up 11.6
(Loss) Income from operations	-7,726	9,415	Deterioration
Investment income	16	3	Up 433.3
Interest and other expense	280	653	Down 57.1
Net (loss) income	-7,990	8,765	Deterioration
Other comprehensive (loss) income:			
Unrealized gain (loss) on investments	15	-3	Recovery
Comprehensive (loss) income	-7,975	8,762	Deterioration
Reconciliation of net (loss) income to net (loss) income applicable to common stockholders:			
Net (loss) income	-7,990	8,765	Deterioration
Accretion on redeemable convertible preferred stock		-99	
Undistributed earnings applicable to participating preferred shareholders		-8,666	
Net (loss) income applicable to common stockholders-basic and diluted	-7,990		
Net (loss) income per share applicable to common stockholders-basic and diluted	-45.0c		
Weighted-average number of common shares used in net (loss) income per share applicable to common stockholders-basic	17,937,000	1,290,000	Up 1,290.5
Weighted-average number of common shares used in net (loss) income per share applicable to common stockholders-diluted	17,937,000	2,638,000	Up 579.9

BALANCE SHEET

Currency in Thousand of USD	2014-06-30	2013-12-31	Change %
Assets			

Financial Results (Quarterly) (continued)

30 June, 2014

Current assets:			
Cash and cash equivalents	17,916	9,638	Up 85.9
Investments, available for sale	80,413	23,039	Up 249.0
Interest receivable	336	92	Up 265.2
Accounts receivable	96	170	Down 43.5
Prepaid expenses and other current assets	2,204	1,106	Up 99.3
Total current assets	100,965	34,045	Up 196.6
Property and equipment, net	2,011	2,473	Down 18.7
Restricted cash	706	706	Steady
Other assets	25	2,549	Down 99.0
Total assets	103,707	39,773	Up 160.7
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)			
Current liabilities:			
Accounts payable	992	971	Up 2.2
Accrued expenses and other liabilities	3,612	2,475	Up 45.9
Deferred revenue, current portion	6,548	4,321	Up 51.5
Leasehold improvement loan, current portion	332	332	Steady
Loan payable, net of discount	8,164	7,818	Up 4.4
Total current liabilities	19,648	15,917	Up 23.4
Deferred revenue, net of current portion	11,146	15,310	Down 27.2
Leasehold improvement loan, net of current portion	83	249	Down 66.7
Deferred lease incentive, net of current portion	128	385	Down 66.8
Deferred rent, net of current portion	69	208	Down 66.8
Warrant to purchase redeemable securities		463	
Loan payable, net of current portion and discount	2,930	7,101	Down 58.7
Total liabilities	34,004	39,633	Down 14.2
Commitments			
Redeemable convertible preferred stock; 0.001 par value per share; 0 and 62,916,667 shares (Series A, B, C, D) authorized, respectively; no shares and 56,047,067 shares issued and outstanding, in 2014 and 2013 respectively		112,244	
Stockholders' equity (deficit):			
Preferred stock, 0.001 par value per share; 5,000,000 shares authorized, no shares issued and outstanding			
Common stock, 0.001 par value per share; 100,000,000 and 83,716,667 shares authorized, 18,013,810 and 1,298,300 shares issued and outstanding in 2014 and 2013, respectively	18	1	Up 1,700.0
Additional paid-in capital	198,251	1,528	Up 12,874.5
Accumulated other comprehensive income	11	4	Up 175.0
Accumulated deficit	-128,577	-113,637	Deterioration 13.1
Total stockholders' equity (deficit)	69,703	-112,104	Recovery
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	103,707	39,773	Up 160.7



Financial Results (Quarterly) (continued)

30 June, 2014

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-21.51		
Return on Assets(%)	-14.46		

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-111.0c		

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