

# Avalanche Biotechnologies (AAVL : US\$55.89)

## Avalanche Biotechnologies continues uptrend, now soars 130% and in top 2% of the market

Avalanche Biotechnologies Inc, NASDAQ's 6th largest healthcare-products company by market cap, has now soared US\$31.64 (or 130.5%) year to date in 2014 to close at US\$55.89. This gain means the stock is among the top 2% of NASDAQ-listed stocks in 2014. The volume YTD has been 0.4 times average trading of 115,489 shares. Compared with the NASDAQ-100 Index which has risen 20.2% YTD, this represents a relative price increase of 110.3%.

## 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.
- In the last three months the number of rises outnumbered falls 35:27 or 1.3:1.
- The price to 50-day EMAP ratio is 1.3, a bullish indicator. The 50-day EMAP has increased to US\$41.98.

## Stock Summary

|                                 |                     |
|---------------------------------|---------------------|
| <b>Sector</b>                   | Healthcare-Products |
| <b>Market Cap</b>               | US\$1.2 billion     |
| <b>Shares Outstanding</b>       | 22,257,278          |
| <b>ISIN</b>                     | US05337G1076        |
| <b>Relative Strength (3 mo)</b> | 97                  |

## MCap: A Historical Perspective

|      | Share Price (USD) | Market Cap (US\$) |
|------|-------------------|-------------------|
| Last | 55.9              | 1.2 billion       |

## Bullish Signals

- In the last 20 trading sessions there has been a net rise of 47.31%; the stock has advanced fifteen times and the biggest one day rise was 7.6% on Dec 30.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 49.96 minus the 26-day EMA of 46.25 is positive suggesting a bullish signal. Both the 12-day EMA as well as the 26-day EMA are rising, another bullish signal.

## Other Bullish Signals:

### Bullish Indicators and Rank in Market:

| Description            | Value | Rank In Market |
|------------------------|-------|----------------|
| %Prem To Vol Wtd Price | 20.6  | In Top 3%      |
| Price Change %         | 7.6   | In Top 3%      |

## Bearish Signals

- The price is at a premium of 20.6% to the 1-month volume weighted average price of US\$46.36. In the past year the premium has been greater than 20.6% just six times, suggesting a topish level and cautious buying at the current price.
- The stock is overbought according to the Williams % R indicator of -0.9.
- In the NASDAQ Short Selling market of 2417 stocks, short selling as a % of issued shares ranked 523rd and within the top quartile of stocks. This means it was higher than market average of 0.5%, a bearish indicator.
- The current short volume is 2.3 times its own historical average of 0.3%. It soared 32.3% from the previous day, jumped 7.7% from a week ago and soared 34.3% from a month ago, a significant bearish indicator.

## Other Bearish Signals:

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

Improvement in current ratio from 0.5 to 0.7; improvement in asset turnover [growth in revenue of 1500% exceeded growth in assets of 181.1%].

## Bearish Indicators and Rank in Market:

| Description          | Value       | Rank In Market |
|----------------------|-------------|----------------|
| Volatility %         | 9.4         | In Bottom 7%   |
| Revenue Per Employee | US\$34,286  | In Bottom 2%   |
| Annual Revenue       | US\$480,000 | In Bottom 1%   |

## Note

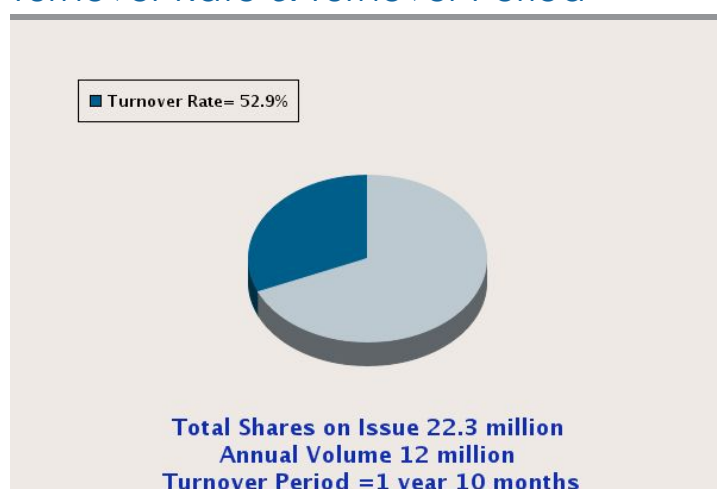
## Neutral Indicators and Rank in Market:

| Description         | Value           | Rank In Market  |
|---------------------|-----------------|-----------------|
| MCap                | US\$1.2 billion | In 2nd Quartile |
| Turnover in Quarter | US\$310 million | In 3rd Quartile |

## Short Selling to Mcap



## Turnover Rate & Turnover Period



## Trailing 3 months

|                         |                 |
|-------------------------|-----------------|
| Turnover                | US\$310 million |
| Volume                  | 7,429,138       |
| Volume Index (1 is avg) | 1.0             |

## MCap: A Historical Perspective

|      | Share Price (USD) | Market Cap (US\$) |
|------|-------------------|-------------------|
| Last | 55.9              | 1.2 billion       |

## Activities

Avalanche Biotechnologies Inc., develops gene therapies for the treatment of ophthalmologic disorders. The Company creates therapeutic protein for treatments of eye disease. Avalanche operates in the United States.

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

Economic Sector Healthcare

## Regulatory Announcements

### Conferences/Exhibitions

#### November 26 2014: Avalanche Biotechnologies to Present at the 26th Annual Piper Jaffray Healthcare Conference

MENLO PARK, Calif., Nov. 26, 2014 -- Avalanche Biotechnologies, Inc. (Nasdaq:AAVL), a clinical-stage biotechnology company focused on discovering and developing novel gene therapies to transform the lives of patients with sight-threatening ophthalmic diseases, today announced that Thomas W. Chalberg, Jr., Ph.D., Founder and Chief Executive Officer, will present at the 26th Annual Piper Jaffray Healthcare Conference on Wednesday, December 3, 2014 at 1:30 pm EST in New York, NY.

Source: Nasdaq Stock Exchange  
For more details [click here](#).

### Directors Option Buying

#### November 14 2014: Avalanche Biotechnologies Director exercises options and buys shares

Avalanche Biotechnologies, Rubio Roman G., has been awarded Stock Option (Right to Buy) on 180,000 shares at an exercise price of US\$33.70. The exercise date is between October 03, 2014 and November 13, 2014.

### Conferences/Exhibitions

#### November 13 2014: Avalanche Biotechnologies to Present at the Jefferies Global Healthcare Conference

[News Story] MENLO PARK, Calif., Nov. 13, 2014 -- Avalanche Biotechnologies, Inc. (Nasdaq:AAVL), a clinical-stage biotechnology company focused on discovering and developing novel gene therapies to transform the lives of patients with sight-threatening ophthalmic diseases, today announced that Linda C.

For more details [click here](#).

## November 12 2014: Avalanche Biotechnologies, Inc. Reports Third Quarter 2014 Financial Results

[News Story] MENLO PARK, Calif., Nov. 12, 2014 Avalanche Biotechnologies, Inc. (Nasdaq:AAVL), a clinical-stage biotechnology company focused on discovering and developing novel gene therapies to transform the lives of patients with sight-threatening ophthalmic diseases, today reported financial results and operational highlights for the quarter ended September 30, 2014.

"The third quarter of 2014 marked important progress in the history of Avalanche as a leader in the development of gene therapies for diseases of the eye," said Thomas W.

[For more details click here.](#)

### Conferences/Exhibitions

## October 30 2014: Avalanche Biotechnologies to Participate in Nomura's Biotechnology Conference

[News Story] MENLO PARK, Calif., Oct. 30, 2014-- Avalanche Biotechnologies, Inc. (Nasdaq:AAVL), a clinical-stage biotechnology company focused on discovering and developing novel gene therapies to transform the lives of patients with sight-threatening ophthalmic diseases, today announced that Linda C. Bain, Chief Financial Officer, will participate in the "From Successful IPOs to Clinical Success: A Focus on New Crop of Companies Focused on Disorders of the Eye," panel discussion at Nomura's Biotechnology Conference on Thursday, November 6, 2014 at 10:00 am EST in Boston, MA. Source: Nasdaq Stock Exchange

[For more details click here.](#)

## October 09 2014: Avalanche Biotechnologies to Present at the Ophthalmology Innovation Summit at the American Academy of Ophthalmology 2014 Annual Meeting

[News Story]

MENLO PARK, Calif., Oct. 9, 2014-- Avalanche Biotechnologies, Inc. (Nasdaq:AAVL), a clinical-stage biotechnology company focused on discovering and developing novel gene therapies to transform the lives of patients with sight-threatening ophthalmic diseases, today announced that Thomas W.

[For more details click here.](#)

## October 01 2014: Avalanche Biotechnologies to Participate in Gene Therapy Panel at the BIO Investor Forum

[News Story] MENLO PARK, Calif., Oct. 1, 2014 Avalanche Biotechnologies, Inc. (Nasdaq:AAVL), a clinical-stage biotechnology company focused on discovering and developing novel gene therapies to transform the lives of patients with sight-threatening ophthalmic diseases, today announced that Thomas W. Chalberg, Jr., Ph.D., Founder and Chief Executive Officer, will participate in the "Gene Therapy Ascending? Today's Advancements Over Past Hurdles" panel at the 13th BIO Investor Forum on Wednesday, October 8, 2014 at 10:30 am PDT in San Francisco, CA.

Source: Nasdaq Stock Exchange

[For more details click here.](#)

## 8-K people news

### September 26: Avalanche Biotechnologies appoints Roman G. Rubio as senior vice president 30 September 2014

Avalanche Biotechnologies has appointed Roman G. Rubio as Senior Vice President. The appointment takes effect from Sep 22, 2014.

## 8-K other news

### November 12: Avalanche Biotechnologies: Results of Operations and Financial Condition

[News Story]

[http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=\\_Archives\\_edgar\\_data\\_1501756\\_000119312514408126\\_0001193125-14-408126.txt](http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1501756_000119312514408126_0001193125-14-408126.txt)

Source: 8-K United States Securities and Exchange Commission

### November 04: Avalanche Biotechnologies: Entry into a Material Definitive Agreement

[News Story]

[http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=\\_Archives\\_edgar\\_data\\_1501756\\_000119312514394981\\_0001193125-14-394981.txt](http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1501756_000119312514394981_0001193125-14-394981.txt)

Source: 8-K United States Securities and Exchange Commission

### September 11: Avalanche Biotechnologies: Results of Operations and Financial Condition

[News Story]

[http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=\\_Archives\\_edgar\\_data\\_1501756\\_000119312514338711\\_0001193125-14-338711.txt](http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1501756_000119312514338711_0001193125-14-338711.txt)

Source: 8-K United States Securities and Exchange Commission

### August 06: Avalanche Biotechnologies: Unregistered Sales of Equity Securities

[News Story]

[http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=\\_Archives\\_edgar\\_data\\_1501756\\_000119312514297583\\_0001193125-14-297583.txt](http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1501756_000119312514297583_0001193125-14-297583.txt)

Source: 8-K United States Securities and Exchange Commission

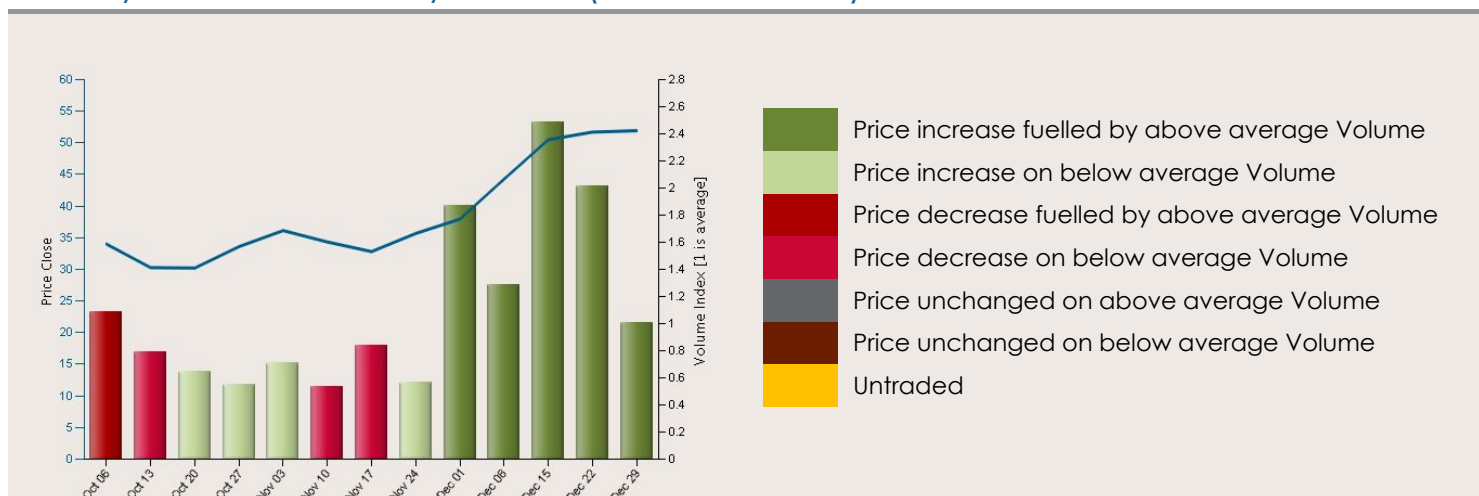
## Issued Capital

Based on 22,257,278 issued equity shares the market capitalisation is US\$1.2 billion. It is NASDAQ's 37th largest Healthcare-Products company by assets.

## 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 |
|-------------|---------------|--------------------|-------------|----------------|-------------|--------------|
| 02-Dec-2014 | Piper Jaffray | Boost Price Target | -           | -              | -           | 47           |



## Board and Management

### Thomas W. Chalberg CEO & Director

Dr. Chalberg is a co-founder of Avalanche and has been a member of our board of directors since July 2006. He has also served as our President and Chief Executive Officer since October 2010. Prior to joining Avalanche, from December 2005 to October 2010, Dr. Chalberg worked at Genentech, a publicly-traded biotechnology company, where he held a number of roles in ophthalmology and oncology, including Market Development Senior Manager for Lucentis and Avastin, Group Manager leading the Lucentis strategy team and Global Business Lead for Lucentis. From September 2001 to December 2005, Dr. Chalberg was a Howard Hughes Medical Institute Fellow at Stanford University, where his research focused on retinal diseases and new technologies for gene therapy. Dr. Chalberg is currently a member of the Board of Visionary Scientists for Hope for Vision, a nonprofit charity supporting vision research. Dr. Chalberg holds an A.B. in Biochemical Sciences from Harvard University, a Ph.D. in Genetics from the Stanford University School of Medicine and an M.B.A. from the Haas School of Business at the University of California, Berkeley. Dr. Chalberg has been chosen to serve on our board of directors due to his role as our President and Chief Executive Officer, as well as his many years of experience in ophthalmology research and development and commercialization.

### Mark S. Blumenkranz Chairman & Director

Dr. Blumenkranz has served as a member of our board of directors since our inception in July 2006 and is a co-founder of Avalanche. Dr. Blumenkranz is a trained vitreoretinal surgeon and Chairman of the Department of Ophthalmology at the Byers Eye Institute at Stanford University. Prior to that, he served on the faculty of the Bascom Palmer Eye Institute in Miami, Florida. Previously, from October 1985 to August 1992, Dr. Blumenkranz founded and served as Director of the Vitreoretinal Fellowship Program at William Beaumont Hospital in Royal Oak, Michigan. From 2000 to 2004, Dr. Blumenkranz served on the scientific advisory board of Eyetech, a biopharmaceutical company. Dr. Blumenkranz currently serves on the boards of directors of Vantage Surgical Systems Inc., Oculogics, Inc., Presbia Holdings, Digsight Technologies Inc. and Oculeve, Inc., all privately held biotechnology or medical device companies. Dr. Blumenkranz received his A.B. in Biology, his M.M.S. in Biochemical Pharmacology and his M.D. all from Brown University, followed by a residency in ophthalmology at Stanford University. Dr. Blumenkranz has been chosen to serve on our board of directors due to his experience as a director and founder of several biotechnology companies, as well as his significant medical expertise in ophthalmology and biotechnology.

### Linda C. Bain CFO

Ms. Bain has served as our Chief Financial Officer and Treasurer since April 2014. Linda has more than 20 years of finance, strategic business partner and audit experience in the biotech and pharmaceutical industries, in both large and small company settings. Prior to joining Avalanche, she served in a variety of senior finance management roles, most recently at bluebird bio where she helped lead the company through a successful IPO process. Preceding her tenure at bluebird bio, Ms. Bain was at Genzyme Corporation, Fidelity Investments and AstraZeneca Pharmaceuticals. Linda began her career as an auditor at Deloitte in Touche. She received her B.S. in Accounting and Business Administration and an Honors Degree in Accounting and Business Administration from the University of the Free State in South Africa. Ms. Bain is a Certified Public Accountant.

### Steven D. Schwartz Director

## Board and Management (continued)

### Paul D. Wachter Director

Mr. Wachter has served as a member of our board of directors since April 2014. Mr. Wachter has been the Chief Executive Officer of Main Street Advisors, which he also founded, since 1997. Prior to forming Main Street Advisors, from June 1993 to March 1997, Mr. Wachter was Managing Director of Schroder & Co. Incorporated, an asset management company. From December 1991 to June 1993, Mr. Wachter was a managing director at Kidder, Peabody & Co., an investment banking firm. Since October 2010, Mr. Wachter has served on the board of directors and audit committee of Time Warner, Inc., a publicly-traded media company, and he also currently serves on the boards of directors of several private media companies, including Beats Electronics LLC and Haworth Marketing + Media. Mr. Wachter received his B.S. in Business Administration from the Wharton School of the University of Pennsylvania and his J.D. from the Columbia University School of Law. Mr. Wachter is a member of the New York State Bar and a Series 7 licensed stockbroker.

### John P. McLaughlin Director

John P. McLaughlin was elected a director of the Company in October 2008. Mr. McLaughlin has been our President and Chief Executive Officer since December 18, 2008 after the Company spun-off Facet Biotech Corporation (Facet Biotech). From November 6, 2008 until the spin-off, he served as a Senior Advisor to the Company. He was the Chief Executive Officer and a director of Anesiva, Inc., formerly known as Corgentech, Inc., a publicly-traded biopharmaceutical company, from January 2000 to June 2008. From December 1997 to September 1999, Mr. McLaughlin was President of Tularik Inc., a biopharmaceutical company. From September 1987 to December 1997, Mr. McLaughlin held a number of senior management positions at Genentech, Inc., a biopharmaceutical company, including Executive Vice President and General Counsel. From January 1985 to September 1987, Mr. McLaughlin was a partner at a Washington, D.C. law firm specializing in food and drug law. Prior to that, Mr. McLaughlin served as counsel to various subcommittees in the United States House of Representatives, where he drafted numerous measures that became FDA laws. Mr. McLaughlin cofounded and served as Chairman of the Board of Directors of Eyetech Pharmaceuticals, Inc., a publicly-traded biopharmaceutical company subsequently bought by OSI Pharmaceuticals, Inc. He also co-founded and served as a director of Peak Surgical, Inc., a privately-held medical device company subsequently purchased by Medtronic, Inc. He also served as a director of AxoGen, Inc., a publicly-traded biopharmaceutical company. Mr. McLaughlin currently serves as a director of Seattle Genetics, Inc., a publicly-traded biopharmaceutical company, and Avalanche Biotechnologies, Inc., a publicly-traded biopharmaceutical company. He received a B.A. from the University of Notre Dame and a J.D. from the Catholic University of America.

### Roman G. Rubio Senior Vice President

Dr. Rubio, age 43, joins the Company after eleven years at Genentech, Inc., a biotechnology company and member of the Roche Group ("Genentech"), where he served most recently as Global Head of Ophthalmology from March 2014 until September 2014. In this role, he was responsible for leading clinical development and overseeing medical affairs for the Lucentis(Registered) and lmpalizumab programs. Prior to this, Dr. Rubio served in Genentech's Immunology, Infectious Diseases & Ophthalmology business unit in several roles, including Group Director from October 2009 to March 2014, and Medical Director from June 2006 to September 2009. Dr. Rubio received his M.D. from the University of California, San Francisco, an M.B.A. from The Wharton School of the University of Pennsylvania, an M.S. from the University of California, Berkeley, and a B.S. from the University of Notre Dame.

#### **Creation of shareholder value in Avalanche Biotechnologies:**

Since appointment as Senior Vice President: The present value of USD1,000 invested on the appointment date of September 22, 2014 at close price of US\$32.88 is US\$1,700, for a capital gain of US\$700.

# Financial Results (Annual)

31 December, 2013

## Annual Report for the year ended December 31, 2013

year-on-year comparisons with previous corresponding period

### Favourable Changes

- Current ratio up 54.3% to 0.7
- Retained earnings to total assets up 20.3% to 2.5%.

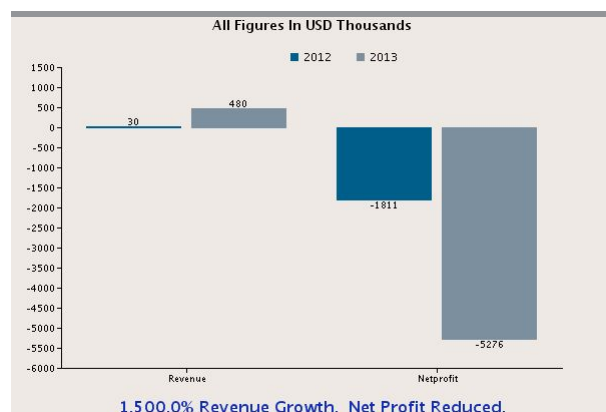
### Unfavourable Changes

- Operating cash flow is negative.

### Major Common Size Ratios

- Total current assets to total assets down from 99.0% to 75.8%
- Cash to total assets down from 92.5% to 52.0%
- Fixed assets to total assets up from 1.0% to 6.4%
- Current debtors to total assets up from 0.3% to 0.7%
- Interest expenses to sales down from 26.7% to 15.2%.

## Year on Year Revenue & Net Profit (In USD millions)



## INCOME STATEMENT

| Currency in Thousand of USD                 | 2013-12-31 | 2012-12-31 | Change %           |
|---|------------|------------|--------------------|
| License revenue                             |            |            |                    |
| Government grant revenue                    | 480        | 30         | Up 1,500.0         |
| Total revenue                               | 480        | 30         | Up 1,500.0         |
| Operating expenses:                         |            |            |                    |
| Research and development                    | 2,151      | 1,310      | Up 64.2            |
| General and administrative                  | 1,783      | 536        | Up 232.6           |
| Total operating expenses                    | 3,934      | 1,846      | Up 113.1           |
| Operating loss                              | -3,454     | -1,816     | Deterioration 90.2 |
| Other (expense) income:                     |            |            |                    |
| Interest expense                            | 73         | 8          | Up 812.5           |
| Other income (expense), net                 | -96        | 7          | Deterioration      |
| Change in fair value of embedded derivative | 18         | 6          | Up 200.0           |

# Financial Results (Annual) (continued)

31 December, 2013

|   |           |           |                     |
|---|-----------|-----------|---------------------|
| Loss on extinguishment of related-party convertible                               | -1,671    |           |                     |
| Total other (expense) income, net   | -1,822    | 5         | Deterioration       |
| Net loss  | -5,276    | -1,811    | Deterioration 191.3 |
| Other comprehensive income (loss):  |           |           |                     |
| Foreign currency translation adjustment   | 19        | 8         | Up 137.5            |
| Comprehensive loss  | -5,257    | -1,803    | Deterioration 191.6 |
| Net loss per share attributable to common stockholdersbasic and diluted           | -144.0c   | -50.0c    | Deterioration 188.0 |
| Weighted-average common shares outstandingbasic and diluted                       | 3,672,885 | 3,642,503 | Up 0.8              |
| Pro forma net loss per share attributable to common stockholdersbasic and diluted | -0.74     |           |                     |
| Pro forma weighted-average common shares outstanding basic and diluted            | 6,889,774 |           |                     |

## BALANCE SHEET

| Currency in Thousand of USD                                       | 2013-12-31 | 2012-12-31 | Change %   |
|---|------------|------------|------------|
| ASSETS  |            |            |            |
| Current assets:   |            |            |            |
| Cash  | 564        | 357        | Up 58.0    |
| Accounts receivable   | 8          | 1          | Up 700.0   |
| Prepaid expenses and other current assets                         | 250        | 24         | Up 941.7   |
| Total current assets  | 822        | 382        | Up 115.2   |
| Property and equipment, net                                       | 69         | 4          | Up 1,625.0 |
| Deposit and other assets  | 194        |            |            |
| Total assets  | 1,085      | 386        | Up 181.1   |
| LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY |            |            |            |
| (DEFICIT)   |            |            |            |
| Current liabilities:  |            |            |            |
| Accounts payable  | 769        | 522        | Up 47.3    |
| Accrued expenses and other current liabilities                    | 393        | 317        | Up 24.0    |
| Total current liabilities   | 1,162      | 839        | Up 38.5    |



# Financial Results (Annual) (continued)

31 December, 2013

## Long-term liabilities:

|   |       |       |          |
|---|-------|-------|----------|
| Related-party convertible notes               |       | 485   |          |
| Common stock warrant liability                | 42    | 5     | Up 740.0 |
| Convertible preferred stock warrant liability | 91    | 36    | Up 152.8 |
| Embedded derivative liability                 |       | 18    |          |
| Deferred rent                                 | 8     |       |          |
| Total liabilities                             | 1,303 | 1,383 | Down 5.8 |

## Commitments and contingencies

### Convertible preferred stock

Series A convertible preferred stock, par value 0.0001 per share 2,123,681 and

4,233,295 and 4,233,295 shares authorized at December 31, 2012, December 31,

2013 and March 31, 2014 (unaudited), respectively; 1,789,618 and 3,899,232 and

3,899,232 shares issued and outstanding at December 31, 2012 and December 31,

2013 and March 31, 2014 (unaudited), respectively; (liquidation preference of 2,595

and 5,654 and 5,654 at December 31, 2012 and December 31, 2013 and

March 31, 2014 (unaudited), respectively); no issued and outstanding, pro forma

|             |       |       |          |
|-------------|-------|-------|----------|
| (unaudited) | 7,992 | 2,471 | Up 223.4 |
|-------------|-------|-------|----------|

## Stockholders' deficit:

Common stock, par value 0.0001 per share 8,068,951 and 15,000,000 and

15,000,000 shares authorized at December 31, 2012, December 31, 2013 and

March 31, 2014 (unaudited), respectively; 3,672,885 shares issued and outstanding

at December 31, 2012, December 31, 2013 and March 31, 2014 (unaudited),

respectively; 14,769,043 issued and outstanding, pro forma (unaudited)

|   |        |        |                     |
|---|--------|--------|---------------------|
| Additional paid-in capital  | 632    | 117    | Up 440.2            |
| Accumulated other comprehensive income  | 27     | 8      | Up 237.5            |
| Deficit accumulated during the development stage                                  | -8,869 | -3,593 | Deterioration 146.8 |
| Total stockholders' equity (deficit)  | -8,210 | -3,468 | Deterioration 136.7 |
| Total liabilities, convertible preferred stock and stockholders' equity (deficit) | 1,085  | 386    | Up 181.1            |

## CASH FLOW

| Currency in Thousand of USD | 2013-12-31 | 2012-12-31 | Change % |
|-----------------------------|------------|------------|----------|
|-----------------------------|------------|------------|----------|

# Financial Results (Annual) (continued)

31 December, 2013

## CASH FLOWS FROM OPERATING ACTIVITIES:

|   |        |        |                          |
|---|--------|--------|--------------------------|
| Net loss  | -5,276 | -1,811 | Deterioration<br>191.3   |
| Adjustments to reconcile net loss to net cash used in operating activities:                           |        |        |                          |
| Depreciation  | 26     | 1      | Up 2,500.0               |
| Stock-based compensation  | 515    | 76     | Up 577.6                 |
| Non-cash research and development expense   |        | 8      |                          |
| Non-cash interest expense   | 53     | 5      | Up 960.0                 |
| Amortization of debt issuance costs   | 20     | 3      | Up 566.7                 |
| Change in fair value of embedded derivative liability   | -18    | -6     | Deterioration<br>200.0   |
| Change in fair value of warrants liabilities  | 92     | -13    | Recovery                 |
| Loss on extinguishment of related-party convertible notes   | 1,671  |        |                          |
| Non-cash collaboration acquisition costs associated with sale of Series A convertible preferred stock | 812    |        |                          |
| Changes in operating assets and liabilities:  |        |        |                          |
| Accounts receivable   | -7     |        |                          |
| Prepaid expenses and other assets   | -293   | -18    | Deterioration<br>1,527.8 |
| Deposit   | -144   |        |                          |
| Accounts payable  | 286    | 445    | Down 35.7                |
| Accrued expenses and other liabilities  | 80     | 43     | Up 86.0                  |
| Deferred rent   | 8      |        |                          |
| Net cash used in operating activities   | -2,175 | -1,267 | Deterioration 71.7       |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |        |        |                          |
| Purchase of property and equipment  | -91    | -3     | Deterioration<br>2,933.3 |
| Net cash used in investing activities   | -91    | -3     | Deterioration<br>2,933.3 |
| CASH FLOWS FROM FINANCING ACTIVITIES:   |        |        |                          |
| Proceeds from issuance of convertible preferred stock   | 1,000  |        |                          |
| Issuance costs related to convertible preferred stock   | -20    |        |                          |
| Proceeds from issuance of convertible notes   |        |        |                          |
| Proceeds from issuance of related-party convertible notes   | 1,500  | 500    | Up 200.0                 |
| Net cash provided by financing activities   | 2,480  | 500    | Up 396.0                 |
| Effect of foreign exchange rate on cash   | -7     | 9      | Deterioration            |
| NET INCREASE (DECREASE) IN CASH   | 207    | -761   | Recovery                 |
| CASH Beginning of period  | 357    | 1,118  | Down 68.1                |
| CASH End of period  | 564    | 357    | Up 58.0                  |

## EBITDA AND MARGINS

|                     | 2013-12-31 | 2012-12-31 |
|---------------------|------------|------------|
| Net Income Margin % | -1,099.17  | -6,036.67  |

# Financial Results (Annual) (continued)

31 December, 2013

## PERFORMANCE RATIOS

|  | 2013-12-31 | 2012-12-31 | Change %          |
|--|------------|------------|-------------------|
| Return on Assets (%)                     | -486.27    | -469.17    | Deterioration 3.6 |
| Total Liabilities to Operating Cash Flow | -0.6       | -1.09      | Reduced 45.1      |
| Total Liabilities/Total Assets           | 1.2        | 3.58       | Down 66.5         |
| Current Ratio                            | 0.71       | 0.46       | Up 55.4           |

## PER SHARE FIGURES

|                                   | 2013-12-31 | 2012-12-31 | Change %            |
|-----------------------------------|------------|------------|---------------------|
| Revenue from operating activities | 13.07c     | 0.82c      |                     |
| Cash                              | 15.36c     | 9.80c      | Up 56.7             |
| Working Capital                   | -9.26c     | -12.55c    | Reduced 26.2        |
| Shareholders' Funds               | -223.53c   | -95.21c    | Deterioration 134.8 |
| Total Liabilities                 | 35.48c     | 37.97c     | Down 6.6            |
| Total Assets                      | 29.54c     | 10.60c     | Up 178.8            |
| Net Tangible Assets               | -223.53c   | -95.21c    | Deterioration 134.8 |
| EPS Final                         | -144.0c    | -50.0c     | Deterioration 188.0 |

BuySellSignals Financial Research provides equity research on over 48,000 companies listed in more than 90 countries and 120 markets across the world. BuySellSignals believes that every stock has a story to tell and that this story changes every day. To capture this story, BuySellSignals offers the latest pertinent and comprehensive information so that investors can make well-informed investment decisions.

BuySellSignals publishes equity research reports on each stock, sector and index daily to capture the latest market movements and sentiments. BuySellSignals eschews "hot tip" or headline investing in favour of high-quality, ultra-current, targeted technical and fundamental information including specific bullish and bearish signals for each stock. Insights that will guide you to the investments that are hard to find in today's hyperactive mainstream markets.

For further details on definitions and quotations from investing legends, [Click here](#)

---

Disclaimer: While this document is based on information sources which are considered reliable, it has been prepared without consideration of your specific investment objectives, financial situation or needs, so you should carry out your own analysis or seek professional investment advice before an investment decision is made. The document contains unbiased, independent equities data from BuySellSignals (AFS Licence 222756) and News Bites Pty Ltd, who provide round the clock data on every Australian stock and sector. Neither BuySellSignals nor News Bites are brokers, and neither have an executing, corporate advisory or investment banking function. BuySellSignals and News Bites Pty Ltd, its directors, employees and consultants do not represent, warrant or guarantee, expressly or impliedly, that the information contained in this document is complete or accurate. The data is sourced from annual reports and company releases and may not be fully up to date. It should be used as a guide only.

---