

Eagle Pharmaceuticals (EGRX : US\$12.10)

Eagle Pharmaceuticals decreases 6% in 2014

Eagle Pharmaceuticals Inc, NASDAQ's 51st largest medical company by market cap, has now decreased 84.0c (or 6.5%) year to date in 2014 to close at US\$12.10. The volume YTD has been 0.7 times average trading of 97,435 shares. Compared with the NASDAQ-100 Index which rose 294.6 points (or 7.8%) in the quarter, this represented a relative price change of 4.0%. In 2014 the market cap has declined US\$11.7 million.

Introduction

We are currently bearish on this stock in the long-term based on fundamental metrics, but are neutral in the short-term based on technical indicators

What makes us bearish on the stock is the following:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 9.3. Compared with the rest of the market the stock is overvalued and ranks in the bottom 4% of stocks by value of Q Ratio.

However, there are some reasons why we remain neutral on the stock for the short-term:

- Its Moving Average Convergence Divergence indicators are falling, with its 12-day EMA lower than its 26-day EMA.
- In the last three months the number of falls outnumbered rises 26:19 or 1.37:1.

Stock Summary

Sector	Medical
Market Cap	US\$168.4 million
Shares Outstanding	13,918,742
ISIN	US2697961082
Relative Strength (3 mo)	74

Financial Summary

Year ended	Sep 2013	Sep 2012	Sep 2011
Sales (USD)	13.68M	2.54M	9.53M
Pretax (USD)	(6.95M)	(20.16M)	(5.51M)
Net (USD)	(9.89M)	(23.32M)	(8.65M)
EPS (USD)	(0.71)	(1.68)	(0.62)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	12.1	168.4 million

Analysis

Bullish Signals

- In the last 20 trading sessions there has been a net rise of 17.18%; the stock has advanced three times and the biggest one day rise was 21.6% on Aug 28.

Other Bullish Signals:

- Net Profit margin is negative but improving in recent quarters.

Quarterly Trend:

[Quarter ended, all figures in %]:

Qtr	Revenue Growth	Net Profit Margin
Jun 14	15.7	-50.7
Mar 14	-	-64.3

- Revenue growth rate has shown signs of recovery in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	Revenue Growth
Sep 13	438.6
Sep 12	-73.3

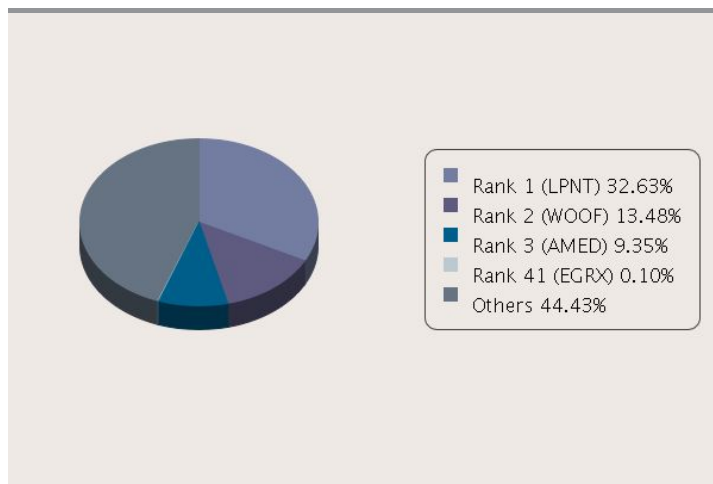
% Growth Y.O.Y, Revenue & Net Profit



Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Price Change %	5.3	In Top 6%

Revenue Share Medical



Bearish Signals

- The price is at a premium of 3.0% to the 1-month volume weighted average price of US\$11.75. Given that this premium has been under 3.0% seventy-nine times and over 3.0% fifty-three times in the last year, the downside:upside probability is estimated at 79:53 or 1.5:1.
- In the NASDAQ market of 2,439 stocks traded today, the stock has a 6-month relative strength of 28 indicating it is trailing 72.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 12.12 minus the 26-day EMA of 12.22 is negative suggesting a bearish signal. Both the 12-day EMA as well as the 26-day EMA are falling, another bearish signal.
- The current short volume is 1.5 times its own historical average of 0.1%.

Overvaluation:

- Price/Sales of 12.31 versus sector average of 2.7 and market average of 2.3. We estimate the shares are trading at a current year Price/Sales of 8.2 and a forward year Price/Sales of 5.4.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 9.3. Compared with the rest of the market the stock is overvalued and ranks in the bottom 4% of stocks by value of Q Ratio.

Analysis (continued)

Other Bearish Signals:

The stock has a score of merely 3 out of 9 set by Joseph Piotroski [pass mark ≥ 5]:

Improvement in current ratio from 0.4 to 1.2; Total shares on issue unchanged; improvement in asset turnover [growth in revenue of 438.6% exceeded growth in assets of 91.7%].

Bearish Indicators and Rank in Market:

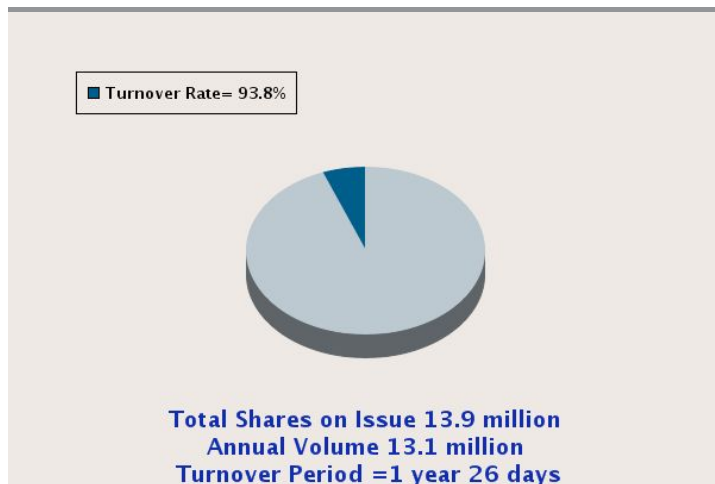
Description	Value	Rank In Market
Volatility %	5.9	In Bottom Quartile
Annual Revenue	US\$13.7 million	In Bottom 8%
Price/MAP50	0.55	In Bottom 5%
Price to Sales	12.3	In Bottom 3%

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$55.4 million	In 3rd Quartile
MCap	US\$168.4 million	In 3rd Quartile

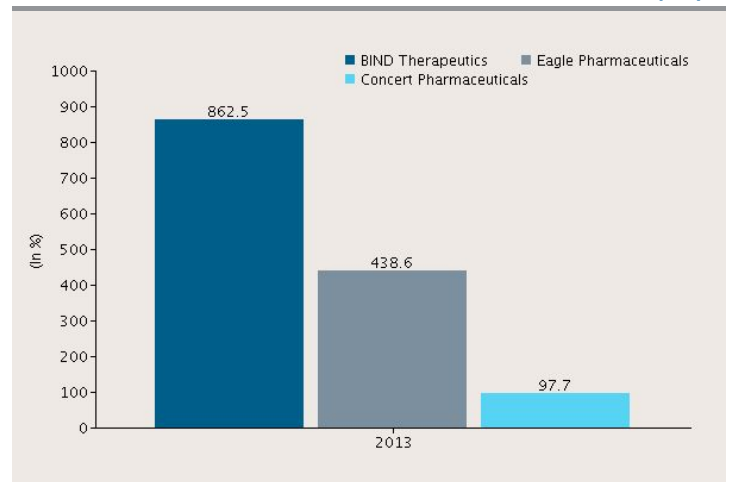
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$55.4 million
Volume	4,272,444
Volume Index (1 is avg)	0.7

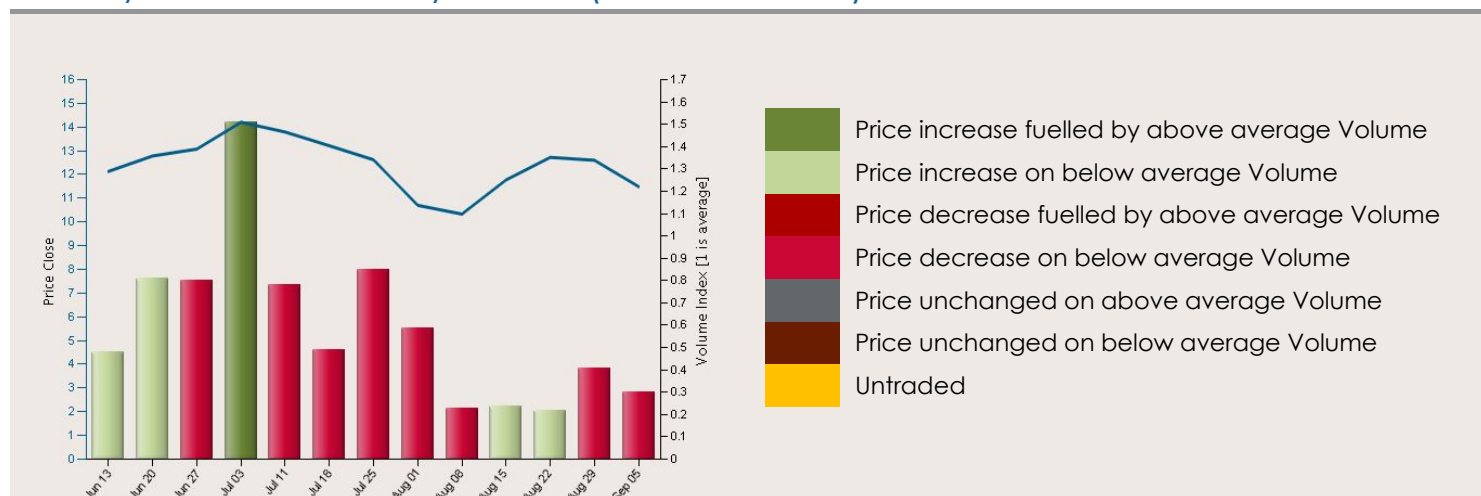
Peer Comparison Revenue Growth (%)



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
13-Aug-2014	Cantor Fitzgerald	Reiterated Rating	-	Buy	22	30

Company Overview

Activities

Eagle Pharmaceuticals, Inc. is a specialty pharmaceutical company. The Company develops and distributes injectable products, primarily in the critical care and oncology areas. Eagle Pharmaceuticals offers its products to the healthcare and medical industries.

Further details can be found at www.eagleus.com.

Regulatory Announcements

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

August 11: Eagle Pharmaceuticals Reports Third Quarter 2014 Results

July 30: Eagle Pharmaceuticals Schedules Third Quarter Earnings Release and Conference Call

July 23: FDA Approves Eagle Pharmaceuticals' Ryanodex(Registered) for the Treatment of Malignant Hyperthermia

July 08: Eagle Pharmaceuticals Receives Orphan Drug Designation for Lower Volume, Shorter Infusion Time Bendamustine Hydrochloride Product for Chronic Lymphocytic Leukemia and Indolent B-Cell Non-Hodgkin's Lymphoma

July 02: Eagle Pharmaceuticals Receives Tentative Approval for Patented, Ready-to-Dilute Bendamustine Hydrochloride Injection NDA

May 22: Eagle Pharmaceuticals to Present at Jefferies 2014 Global Healthcare Conference

May 01: Eagle Pharmaceuticals Schedules Second Quarter Earning Release and Conference Call

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

June 05: Eagle Pharmaceuticals: Other Events

Issued Capital

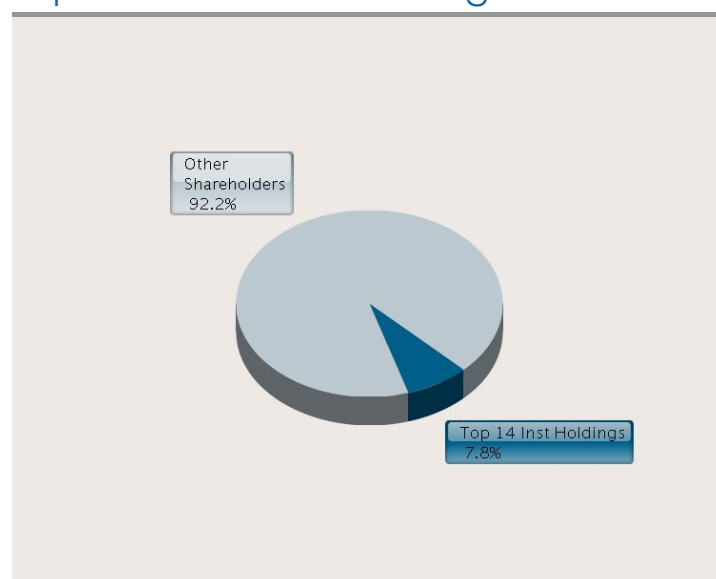
Based on 13,918,742 issued equity shares the market capitalisation is US\$168.4 million. It is NASDAQ's 64th largest Medical company by assets.

The top fourteen shareholders hold 7.8% of the issued capital leaving a float of 92.2%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Cormorant Asset Management Llc	400,000	2.87
Park West Asset Management Llc	209,200	1.5
Jpmorgan Chase & Co	177,650	1.28
Allianz Asset Management Ag	125,940	0.9
Blackrock Fund Advisors	78,665	0.57
Sac Capital Advisors Lp	27,288	0.2
State Street Corp	21,290	0.15
Millennium Management Llc	12,900	0.09
Banque Pictet & Cie Sa	11,557	0.08
First Allied Advisory Services Inc.	10,600	0.08
Total	1,075,090	7.72

Top 14 Institutional Holdings



Board and Management

Scott Tarriff CEO & President & Director

Mr. Tarriff is the founder and has served as our President and Chief Executive Officer and as a member of our board of directors since our inception in January 2007. Prior to joining Eagle, Mr. Tarriff held various executive positions at Par Pharmaceutical Companies, Inc., a publicly traded developer, manufacturer and marketer of specialty pharmaceuticals, including as president and chief executive officer from September 2003 to September 2006, after joining Par in 1998. Mr. Tarriff also served on Par's board of directors from 2002 to September 2006. Prior to that, Mr. Tarriff held various positions with Bristol-Meyers Squibb, a publicly-traded biopharmaceutical company, including senior director-marketing. Mr. Tarriff has served as a director of Synthetic Biologics, Inc., a publicly traded biotechnology company, since February 2012 and previously served on the board of directors of Clinical Data, Inc., a publicly-traded pharmaceutical company, from September 2009 to April 2011 when Clinical Data was acquired by Forest Laboratories, Inc. Mr. Tarriff holds a B.S. in marketing from Pennsylvania State University and an M.B.A. from Rider College. The board of directors believes that Mr. Tarriff's extensive knowledge of our business, his management experience in the pharmaceutical industry, as well as his operational expertise, qualifies him to serve on our board of directors and as our President and Chief Executive Officer.

David E. Riggs CFO

David E. Riggs has served as our Chief Financial Officer since November 2013. From May 2010 until October 2013 Mr. Riggs served as a healthcare consultant to biotechnology and pharmaceutical companies. From March 2006 until May 2010 Mr. Riggs was Chief Financial Officer of Ferring Pharmaceuticals, Inc. a research-driven biopharmaceutical company devoted to isolating, developing and marketing innovative products in the fields of reproductive health, urology, gastroenterology, endocrinology and osteoarthritis. From January 2003 until September 2005, Mr. Riggs held various positions at eXegenics Inc. (now OPCO Health Inc.) finally as Chief Executive Officer. From March 2000 until December 2001 Mr. Riggs was Senior Vice President and CFO of Axys Pharmaceuticals, Inc. (acquired by Celera Genomics Inc.) a biopharmaceutical company focused on discovery, design, and development of therapeutic small molecules for large worldwide medical markets. From February 1992 until February 2000 Mr. Riggs held various positions at Unimed Pharmaceuticals, Inc., a company focused on developing and commercializing products in HIV, oncology and Urology specialty markets. Prior to that, Mr. Riggs held various positions at Fujisawa Pharmaceuticals, Inc. (acquired by Astellas Pharma, Inc.), including Treasurer and Director of Financial Planning and Analysis. Mr. Riggs holds a B.S. in Accounting from the University of Illinois and M.B.A. from DePaul University.

Michael Graves Director

Michael Graves has served as a member of our board of directors since November 2013. In January 2012 Mr. Graves joined the board of directors of RiboCor, Inc. and in December 2011, Mr. Graves was appointed chairman of the board of directors of Nanocopoeia, Inc., both private pharmaceutical companies. From May 2007 to July 2011, Mr. Graves served as the chief executive officer and president of Paddock Laboratories, Inc., a pharmaceutical company engaged in the manufacture, distribution and marketing of bioequivalent generic pharmaceuticals. From September 2005 to November 2006, Mr. Graves served as president of the generic products division at Par Pharmaceutical Companies, Inc., a publicly-traded developer, manufacturer and marketer of specialty pharmaceuticals. While at Par, Mr. Graves oversaw the strategy development of Par's generic pharmaceutical business. Beginning in 1998, Mr. Graves served as director of marketing and sales operations of Par, and in 2004, Mr. Graves was promoted to senior vice president of corporate development and strategic planning. Mr. Graves served in this position until his promotion to president of the generic products division in September 2005. Mr. Graves holds a B.S. from State University College of New York at Buffalo. The board of directors believes that Mr. Graves' extensive experience in marketing, sales, business development and operations qualifies him to serve on our board of directors.

Board and Management (continued)

Sander Flaum Director

Sander Flaum has served as a member of our board of directors since February 2008. Since January 2005, Mr. Flaum has served as a principal of Flaum Navigators, a healthcare consultancy firm that he founded. Mr. Flaum has also served as the chief executive officer of Flaum Partners, Inc., a healthcare consultancy firm he founded, since August 2004. From 1991 to 2002, Mr. Flaum served as chief executive officer of Robert A. Becker EURO/RSCG, a predecessor to Euro RSCG Life. Prior to that, Mr. Flaum held various positions during an 18-year career at Lederle Laboratories, a private vaccine manufacturer that is now Wyeth Pharmaceuticals, including as marketing director of prescription products, vaccines and generics. Mr. Flaum is a member of the Euro RSCG Healthcare Global Network, and he has served as its co-chairman since 1998. Mr. Flaum also serves on the board of directors of The Fisher College of Business at The Ohio State University, The James Cancer Center at the OSU Medical Center and the Fordham Graduate School of Business. Mr. Flaum is an adjunct professor of leadership at the Fordham University Graduate School of Business, where he chairs the Fordham Leadership Forum. Mr. Flaum holds a B.A. from The Ohio State University and an M.B.A. from Fairleigh Dickinson University. Our board of directors believes that Mr. Flaum's extensive experience in the pharmaceutical and biotech industries qualifies him to serve on our board of directors.

Alain Schreiber Director

Alain Schreiber, M.D. has served as a member of our board of directors since September 2012. Since 2000, Dr. Schreiber has served as a general partner of ProQuest Investments. From 1992 to 2000, Dr. Schreiber served as president, chief executive officer and a director of Vical, Inc., a publicly-traded biopharmaceutical company. Prior to that, Dr. Schreiber held various management positions with Rhône-Poulenc Rorer Inc., a French chemical and pharmaceutical company that is now Sanofi-Aventis, including senior vice president of discovery research. Dr. Schreiber served on the board of directors of Cadence Pharmaceuticals, Inc., a publicly-traded biopharmaceutical company, from July 2004 to June 2007. Dr. Schreiber also served on the board of directors of Optimer Pharmaceuticals Inc., a publicly-traded biopharmaceutical company, from May 2001 to May 2010. Dr. Schreiber also currently serves on the board of directors of numerous private pharmaceutical companies. Dr. Schreiber holds a B.S. in chemistry and an M.D. from the Free University in Brussels, Belgium. Subsequently, he was a postdoctoral fellow at the Weizmann Institute of Science in Israel. Our board believes that Dr. Schreiber's extensive industry experience and a depth of drug development expertise, as well as his service on the board of directors of public and private companies, qualifies him to serve on our board of directors.

Jay Moorin Director

Jay Moorin has served as a member of our board of directors since March 2007. In October 2013, our board of directors elected Mr. Moorin chairman of the board. Since 1998, Mr. Moorin has served as a founding general partner of ProQuest Investments, a healthcare venture capital firm. From 1991 to 1998, Mr. Moorin served as president and chief executive officer of Magainin Pharmaceuticals Inc., a publicly-traded biopharmaceutical company that is now named Genaera Corp., and also served as chairman of its board of directors from 1996 to 1998. Previously, Mr. Moorin served as managing director of healthcare banking at Bear Stearns & Co. Inc. and vice president of marketing and business development at a division of the ER Squibb Pharmaceutical Company. Currently, Mr. Moorin serves on the board of directors of a private radiation therapy company, is an advisor to DPT Capital Management, LLC, an investment firm, and serves as a trustee of the Equinox Funds Trust. Mr. Moorin held the position of adjunct senior fellow of the Leonard Davis Institute of Health Economics at the University of Pennsylvania from 1997 to 2012. Previously, Mr. Moorin served on the board of directors of numerous public and private healthcare companies. Mr. Moorin holds a B.A. in economics from the University of Michigan. Our board of directors believes that Mr. Moorin's extensive senior management background and experience in the biotech, investment banking and pharmaceutical industries as well as his service on the board of directors of public and private companies qualifies him to serve on our board of directors.

Financial Results (Half Year)

30 June, 2014

INCOME STATEMENT

Currency in USD	2014-06-30	2013-06-30	Change %
Revenue:			
Product sales	3,748,800	3,689,640	Up 1.6
Royalty income	8,774,407	5,349,289	Up 64.0
Other income	3,765,000		
Total revenue	16,288,207	9,038,929	Up 80.2
Operating expenses:			
Cost of revenue	9,539,436	4,449,337	Up 114.4
Research and development	10,927,912	6,375,896	Up 71.4
Selling, general and administrative	5,471,727	6,130,634	Down 10.7
Professional fee benefit		-1,993,099	
Total operating expenses	25,939,075	14,962,768	Up 73.4
Income/(loss) from operations	-9,650,868	-5,923,839	Deterioration 62.9
Interest income	26,647	2,156	Up 1,135.9
Interest expense	6,244	309,121	Down 98.0
Deferred financing costs		-96,417	
Amortization of debt discount		-1,090,878	
Change in value of warrant liability	-573,582	-15,608	Deterioration 3,574.9
Other income	35,590	3,202	Up 1,011.5
Total other income/(expense)	-517,589	-1,506,666	Reduced 65.6
Net Income/(Loss) before income tax benefit	-10,168,457	-7,430,505	Deterioration 36.8
Income tax benefit	-1,294,905	-898,703	Deterioration 44.1
Net Income/(Loss)	-8,873,552	-6,531,802	Deterioration 35.9
Less dividends on Series A, B, B-1 and C Convertible Preferred Stock	-1,666,063	-2,704,567	Reduced 38.4
Net loss attributable to common stockholders	-10,539,615	-9,236,369	Deterioration 14.1
Loss per share attributable to common stockholders Basic and diluted	-123.0c	-306.0c	Reduced 59.8
Weighted average common shares outstanding Basic and diluted	8,590,719	3,020,889	Up 184.4

BALANCE SHEET

Currency in USD	2014-06-30	2013-09-30	Change %
ASSETS			
Current assets:			
Cash and cash equivalents	49,790,920	10,455,565	Up 376.2
Accounts receivable	6,712,244	5,124,182	Up 31.0
Inventories	329,034		
Prepaid expenses and other current assets	922,930	1,902,660	Down 51.5
Total current assets	57,755,128	17,482,407	Up 230.4
Property and equipment, net	359,509	402,286	Down 10.6
Other assets	45,000	46,320	Down 2.8
Deferred initial public offering costs		171,607	
Total assets	58,159,637	18,102,620	Up 221.3

Financial Results (Half Year) (continued)

30 June, 2014

LIABILITIES, SHARES SUBJECT TO REDEMPTION AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:

Accounts payable	2,520,523	1,192,600	Up 111.3
Accrued expenses	7,468,794	3,129,552	Up 138.7
Deferred revenue	6,259,653	10,019,653	Down 37.5
Total current liabilities	16,248,970	14,341,805	Up 13.3

Redeemable Series C Preferred Stock warrants

1,706,829

Shares subject to redemption:

Series A Convertible Preferred Stock, 0.001 par value; no shares and 14,948,506 shares authorized at June 30, 2014 and September 30, 2013, respectively; no shares issued and outstanding as of June 30, 2014 and 14,948,506 shares issued and outstanding as of September 30, 2013

20,056,790

Series B Convertible Preferred Stock, 0.001 par value; no shares and 12,694,561 shares authorized, at June 30, 2014 and September 30, 2013, respectively; no shares issued and outstanding as of June 30, 2014 and 12,694,561 shares issued and outstanding as of September 30, 2013

30,089,853

Series B-1 Convertible Preferred Stock, 0.001 par value; no shares and 9,331,374 shares authorized at June 30, 2014 and September 30, 2013, respectively; no shares issued and outstanding as of June 30, 2014 and 9,331,374 shares issued and outstanding as of September 30, 2013

19,374,285

Series C Convertible Preferred Stock, 0.001 par value; no shares and 11,901,336 shares authorized at June 30, 2014 and September 30, 2013, respectively; no shares issued and outstanding as of June 30, 2014 and 11,023,232 shares issued and outstanding as of September 30, 2013

20,462,072

Commitments and contingencies

Stockholders' Equity (Deficit):

Preferred stock, 1,500,000 shares authorized and no shares issued or outstanding as of June 30, 2014; no shares authorized, issued or outstanding as of September 30, 2013

Common stock, 0.001 par value; 50,000,000 and 80,000,000 shares authorized as of June 30, 2014 and September 30, 2013, respectively; 14,020,133 and 3,048,131 issued and outstanding as of June 30, 2014 and September 30, 2013, respectively

14,020 3,048 Up 360.0

Additional paid in capital 136,970,460 14,203,995 Up 864.3

Accumulated deficit -95,073,813 -102,136,057 Reduced 6.9

Total stockholders' equity (deficit) 41,910,667 -87,929,014 Recovery

Total liabilities, shares subject to redemption and stockholders' equity (deficit) 58,159,637 18,102,620 Up 221.3

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-25.15	10.5	
Return on Assets(%)	-18.12	-51.02	Reduced 64.5



Financial Results (Half Year) (continued)

30 June, 2014

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-123.0c	-306.0c	Reduced 59.8

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