

Corium International (CORI : US\$6.84)

Corium International sinks 14% in 2014

Corium International Inc, NASDAQ's 43rd largest healthcare-products company by market cap, has now sank US\$1.16 (or 14.5%) year to date in 2014 to close at US\$6.84. The volume YTD has been 0.5 times average trading of 24,762 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 -16.7%. In 2014 the market cap has declined US\$17.8 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:

- The stock is overbought according to the Williams % R indicator of -10.4.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 2.8. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.

However, there are some reasons why some in the market are more bullish on the stock:

- Its Moving Average Convergence Divergence indicators are rising, with its 12-day EMA higher than its 26-day EMA.

Stock Summary

Sector	Healthcare-Products
Market Cap	US\$123.1 million
Shares Outstanding	18,000,419
ISIN	US21887L1070
Relative Strength (3 mo)	18

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	6.8	123.1 million

Analysis

Bullish Signals

- In the last 18 trading sessions there has been a net rise of 19.16%; the stock has advanced five times and the biggest one day rise was 3.9% on Sep 04.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 6.5 minus the 26-day EMA of 6.45 is positive suggesting a bullish signal. Both the 12-day EMA as well as the 26-day EMA are rising, another bullish signal.

Undervaluation:

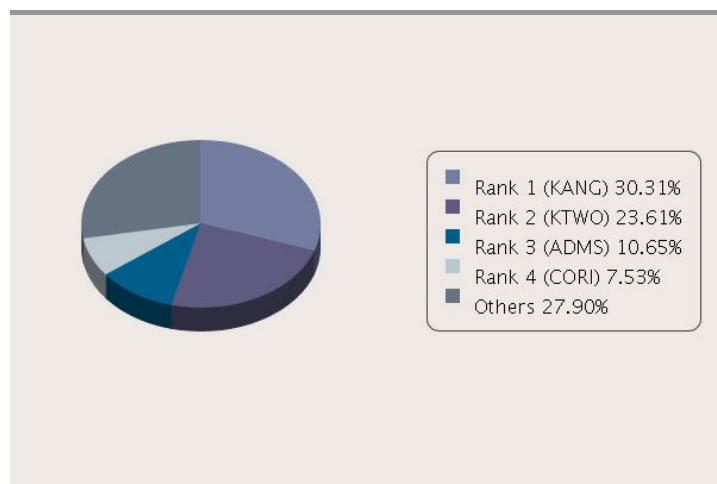
- The company is cash rich with Cash to Market Capitalisation at 11.0%.

Other Bullish Signals:

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
%Prem To Vol Wtd Price	11.0	In Top 9%
Price Change %	1.8	In Top Quartile
P/E * P/NTA	16.76	In Top Quartile

Revenue Share Healthcare-Products



Bearish Signals

- The price is at a premium of 11.0% to the 1-month volume weighted average price of US\$6.16. In the past year the premium has been greater than 11.0% just once, suggesting a topish level and cautious buying at the current price.
- The Stochastic indicator of 91.3 has broken through the overbought line of 80; the stock is also overbought according to the Williams % R indicator of -10.4.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 2.8. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.

Other Bearish Signals:

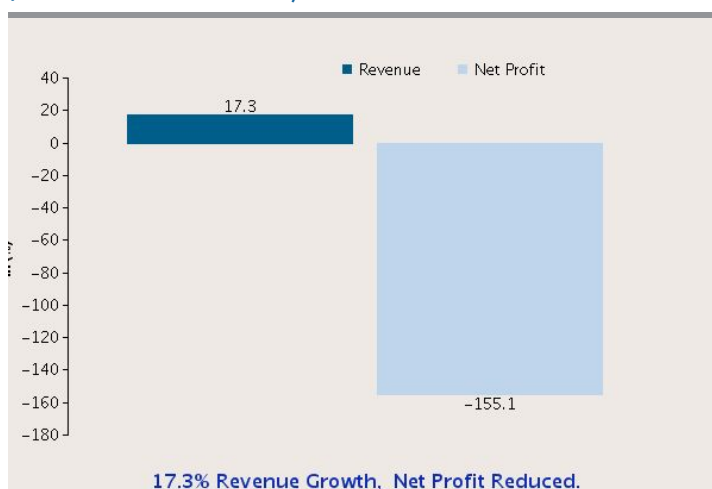
- Total Liabilities/ EBITDA of 59 is more than or equal to 5, this compares unfavourably with the Joseph Piotroski benchmark of 5.
- Net Profit margin has been negative in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	Net Profit Margin	EBIT Margin	EBITDA Margin
Sep 13	-27.6	2.4	3.5
Sep 12	-12.7	-0.5	0.7

% 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]:

Total shares on issue unchanged; improvement in gross margin [from 19.3% to 27%].

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$8.2 million	In Bottom Quartile
Return on Capital Employed [ROCE] %	4.2	In Bottom Quartile
EBITDA Margin %	3.5	In Bottom Quartile
Price/MAP50	0.58	In Bottom 6%

Analysis (continued)

Note

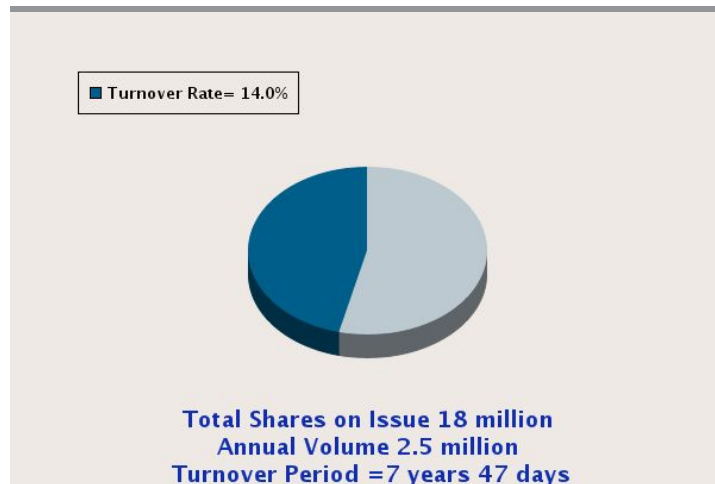
Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
MCap	US\$123.1 million	In 3rd Quartile

Insider Trades



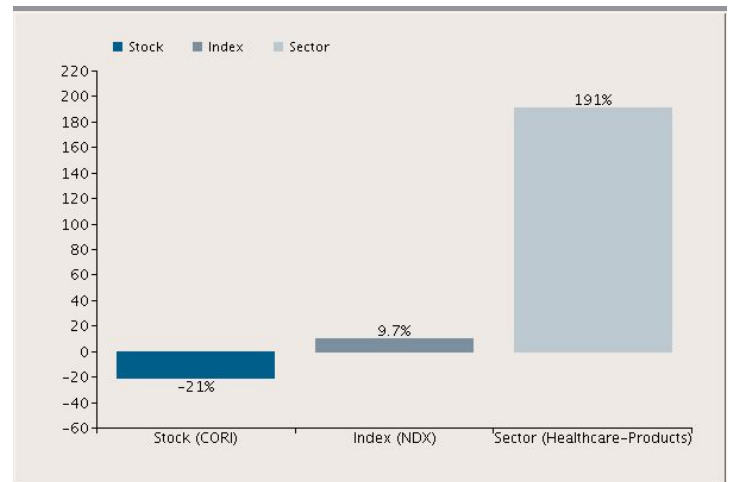
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$8.2 million
Volume	1,162,110
Volume Index (1 is avg)	0.7

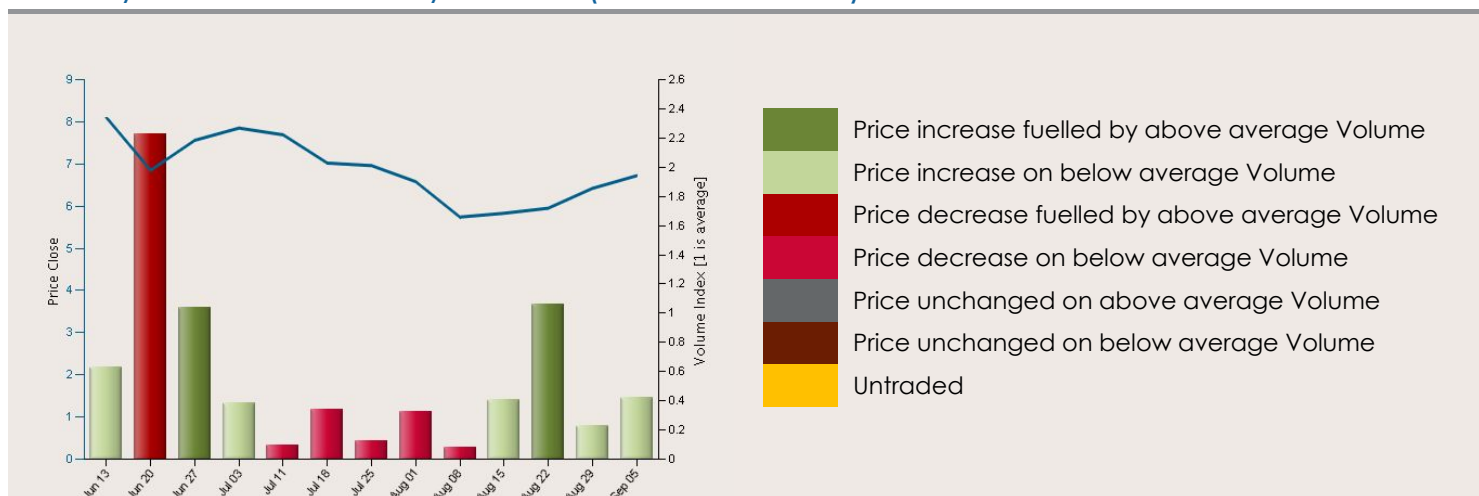
YTD Comparison Stock Sector Index



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\$
Staple Peter D	Aug 27, 2014	Bought	300	6.2	1,860
Staple Peter D	Aug 25, 2014	Bought	1,278	6.04	7,719

Company Overview

Activities

Corium International Inc. develops and manufactures drug delivery products. The Company offers polymer and mechanical microporation technologies that allow the development of various delivery systems that deliver drugs across the skin and mucosa. Corium International serves customers worldwide.

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

Regulatory Announcements

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

August 27: Corium International insider buys; shares at a one-month high

August 27: Corium International insider buys; shares at a one-month high

August 05: Corium to Report Third Quarter Fiscal Year 2014 Financial Results on Tuesday, August 12, 2014

May 30: Corium International insider buys; shares at a ten-day high

May 28: Corium to Present at Jefferies 2014 Global Healthcare Conference

May 13: Corium Reports Second Fiscal Quarter 2014 Financial Results

May 07: Corium to Report Second Quarter Fiscal Year 2014 Financial Results on Tuesday, May 13, 2014

Issued Capital

Based on 18,000,419 issued equity shares the market capitalisation is US\$123.1 million. It is NASDAQ's 19th largest Healthcare-Products company by assets.

Board and Management

Peter D. Staple **CEO & President**

Mr. Staple has more than 25 years of experience in the biotech and pharmaceutical industries. He has previously served as Chief Executive Officer and a Director of BioSeek, Inc., a pioneer in applying predictive human biology to drug discovery, and as a member of the senior executive team at ALZA Corporation, the leader in applying drug delivery technologies to develop new therapeutics. At ALZA, as Executive Vice President, Chief Administrative Officer and General Counsel, he played a central role in partnering transactions, financings and acquisitions, as well as ALZA's merger with Johnson & Johnson.

Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-03-31	2013-03-31	Change %
Revenues:			
Product revenues	7,240	10,218	Down 29.1
Contract research and development revenues	3,173	2,174	Up 46.0
Other revenues	304	144	Up 111.1
Total revenues	10,717	12,536	Down 14.5
Costs and operating expenses:			
Cost of product revenues	4,998	6,583	Down 24.1
Cost of contract research and development revenues	3,911	2,820	Up 38.7
Research and development expenses	1,267	1,520	Down 16.6
General and administrative expenses	1,236	1,606	Down 23.0
Amortization of intangible assets	131	133	Down 1.5
Gain on disposal and sale and leaseback of equipment	-32	-48	Reduced 33.3
Total costs and operating expenses	11,511	12,614	Down 8.7
Income (loss) from operations	-794	-78	Deterioration 917.9
Interest income	1	2	Down 50.0
Interest expense	1,780	1,923	Down 7.4
Change in fair value of preferred stock warrant liability	-231		
Change in fair value of subordinated note embedded derivative liability	6,338		
Income (loss) before income taxes	3,534	-1,999	Recovery
Income tax benefit (expense)			
Net Income (loss) and comprehensive income (loss)	3,534	-1,999	Recovery
Net Income (loss) per share attributable to common stockholders, 50.0c basic		-90.0c	Recovery
Net Income (loss) per share attributable to common stockholders, 33.0c diluted		-90.0c	Recovery
Weighted average shares used in computing net income (loss) per share attributable to common stockholders, basic	2,232,300	2,225,742	Up 0.3
Weighted average shares used in computing net income (loss) per share attributable to common stockholders, diluted	5,930,309	2,225,742	Up 166.4

BALANCE SHEET

Currency in Thousand of USD	2014-03-31	2013-09-30	Change %
ASSETS			

Financial Results (Quarterly) (continued)

31 March, 2014

Current assets:			
Cash and cash equivalents	5,333	13,581	Down 60.7
Accounts receivable, net	4,257	3,129	Up 36.0
Unbilled accounts receivable	2,343	1,495	Up 56.7
Inventories, net	3,040	4,508	Down 32.6
Prepaid expenses and other current assets	2,415	1,038	Up 132.7
Total current assets	17,388	23,751	Down 26.8
Property and equipment, net	12,104	12,622	Down 4.1
Debt financing costs, net	731	902	Down 19.0
Intangible assets, net	6,694	6,647	Up 0.7
Notes receivable - related parties		100	
TOTAL ASSETS	36,917	44,022	Down 16.1
LIABILITIES, CONVERTIBLE PREFERRED STOCK, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable	1,791	2,748	Down 34.8
Accrued expenses and other current liabilities	4,072	3,374	Up 20.7
Bank lines of credit	2,658	3,873	Down 31.4
Long-term debt, current portion	38	457	Down 91.7
Capital lease obligations, current portion	895	1,029	Down 13.0
Preferred stock warrant liability	834	560	Up 48.9
Recall liability, current portion	774	1,004	Down 22.9
Deferred contract revenues, current portion	2,324	2,112	Up 10.0
Total current liabilities	13,386	15,157	Down 11.7
Long-term interest payable	12,413	11,590	Up 7.1
Long-term debt, net of current portion	37,584	36,956	Up 1.7
Convertible notes	9,475	9,399	Up 0.8
Subordinated note	16,199	13,000	Up 24.6
Subordinated note embedded derivative liability		7,367	
Capital lease obligations, net of current portion	1,274	1,652	Down 22.9
Recall liability, net of current portion	3,431	3,828	Down 10.4
Deferred contract revenues, net of current portion	3,562	3,688	Down 3.4
Total liabilities	97,324	102,637	Down 5.2
Convertible preferred stock	57,261	57,261	Steady
Redeemable common stock	3,224	3,224	Steady
Stockholders' deficit:			
Common stock	2	2	Steady
Additional paid-in capital	-29,907	-26,679	Deterioration 12.1
Accumulated deficit	-90,987	-92,423	Reduced 1.6
Total stockholders' deficit	-120,892	-119,100	Deterioration 1.5
TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' DEFICIT	36,917	44,022	Down 16.1

Financial Results (Quarterly) (continued)

31 March, 2014

PERFORMANCE RATIOS

	2014-03-31	2013-03-31	Change %
Return on Equity(%)	-1.19	2.88	Deterioration
Return on Assets(%)	3.89	-7.8	Recovery

PER SHARE FIGURES

	2014-03-31	2013-03-31	Change %
EPS	2.0c	-155.0c	Recovery

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