

Cerulean Pharma (CERU : US\$3.90)

Cerulean Pharma tumbles 33.4% in third quarter, in bottom 7% of the market

Cerulean Pharma Inc, NASDAQ's 48th largest healthcare-products company by market cap, tumbled US\$1.96 (or 33.4%) in the quarter ended September 30 to close at US\$3.90. This loss means the stock has underperformed 93% of NASDAQ-listed stocks in quarter ended September 30. The volume in the quarter was 1.1 times the average trading of 36,779 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price change of -37.3%. In the third quarter the market cap declined US\$36.8 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 11.5. Compared with the rest of the market the stock is overvalued and ranks in the bottom 2% 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 28:18 or 1.56:1.

Stock Summary

Sector	Healthcare-Products
Market Cap	US\$78.5 million
Shares Outstanding	20,123,013
ISIN	US15708Q1058
Relative Strength (3 mo)	7

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USD)	10,000	630,000	310,000
Pretax (USD)	(17.14M)	(22.1M)	(18.94M)
Net (USD)	(17.14M)	(22.17M)	(19.56M)
EPS (USD)	(1.2)	(1.55)	(1.37)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	3.9	78.5 million

Analysis

Bearish Signals

- In the last 18 trading sessions there has been a net decline of 8.88%; the stock has retreated fourteen times and the biggest one day decline was 7.2% on Sep 24.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 3.87 minus the 26-day EMA of 4.02 is negative suggesting a bearish signal.
- The current short volume is 3.1 times its own historical average of 0.03%. It jumped 6.5% from the previous day, soared 21.9% from a week ago and soared 313.9% from a month ago, a significant bearish indicator.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 11.5. Compared with the rest of the market the stock is overvalued and ranks in the bottom 2% 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	-29.8	-22,433.3
Mar 14	-	-6,200

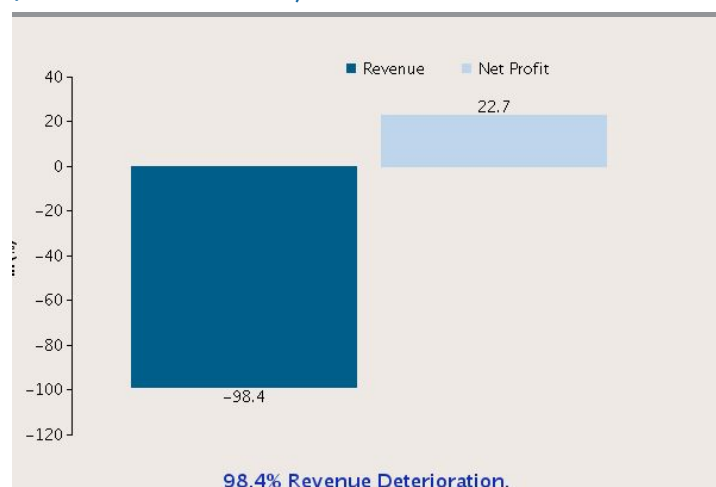
- Return on Assets has been negative in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	ROE	ROA	ROCE
Dec 13	-	-251	-
Dec 12	-597.6	-125.5	-193.3
Dec 11	-158.4	-117.2	-143.5

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



Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
MCap	US\$78.5 million	In Bottom Quartile
Turnover in Quarter	US\$12.3 million	In Bottom Quartile
Price Change %	-2.3	In Bottom Quartile
Volatility %	7.6	In Bottom 8%
Price/MAP50	0.44	In Bottom 2%
Annual Revenue	US\$10,000	In Bottom 1%

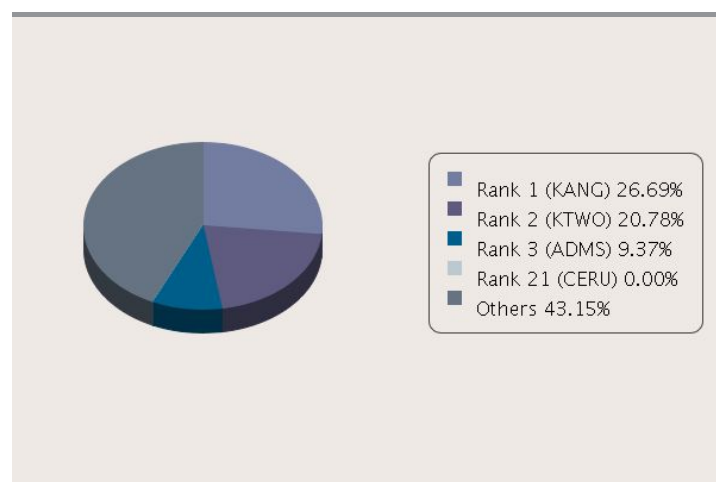
Note

Bullish Signals:

- The price is at a discount of 4.6% to the 1-month volume weighted average price of US\$4.09, which may appeal as a value proposition.

Other Bullish Signals:

Revenue Share Healthcare-Products

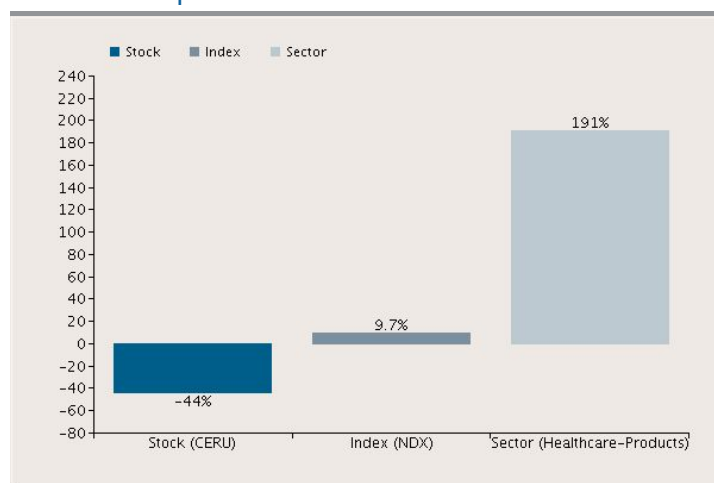


Analysis (continued)

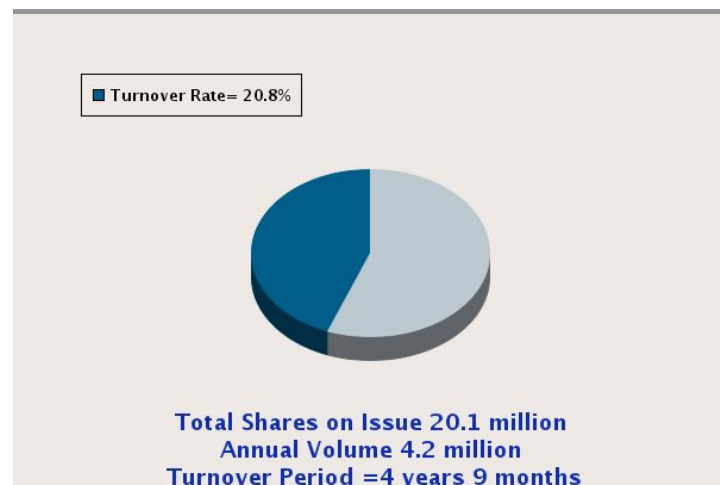
Insider Trades



YTD Comparison Stock Sector Index



Turnover Rate & Turnover Period



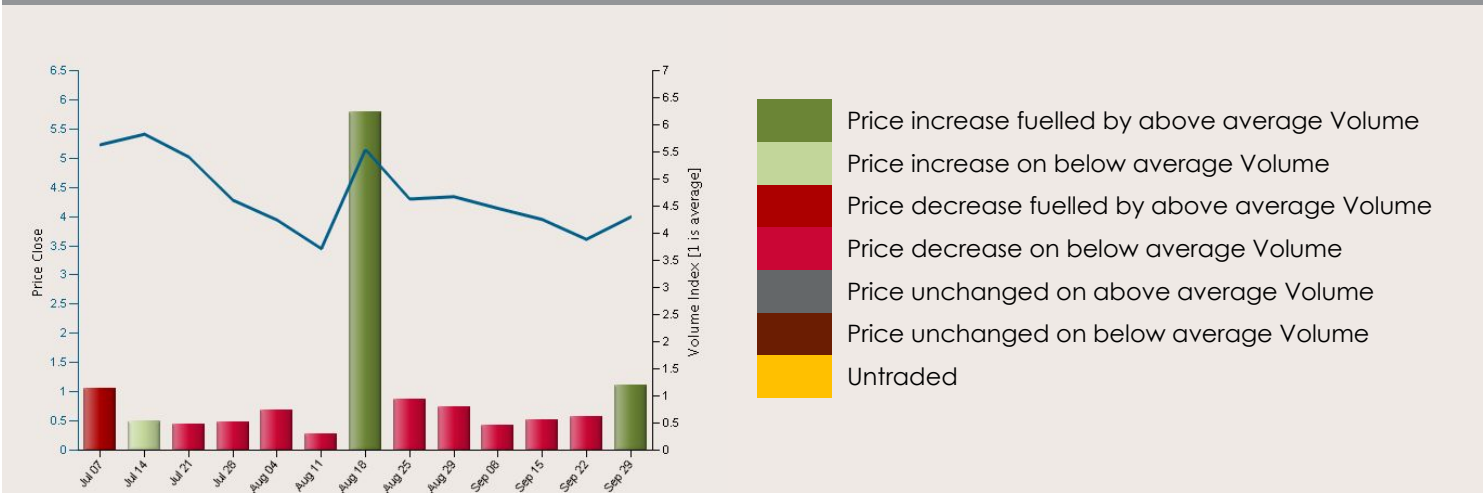
Trailing 3 months

Turnover	US\$12.3 million
Volume	2,620,148
Volume Index (1 is avg)	1.1

Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Company Overview

Regulatory Announcements

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

September 29: Cerulean Appoints General Counsel

September 18: Cerulean to Present at BioCentury's Newsmakers in Biotechnology Conference

August 12: Cerulean Reports Second Quarter 2014 Corporate Highlights and Financial Results

August 06: Cerulean to Present at Upcoming Conferences

August 05: Cerulean to Report Second Quarter 2014 Corporate Highlights and Financial Results on August 12, 2014

June 17: Cerulean Pharma to Present at JMP Securities Healthcare Conference

June 09: Mark E. Davis Presents Information About Cerulean's Lead Candidate, CRLX101, at 2014 ASCO Annual Meeting

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

August 12: Cerulean Pharma: Results of Operations and Financial Condition

July 17: Cerulean Pharma: Entry into a Material Definitive Agreement

Issued Capital

Based on 20,123,013 issued equity shares the market capitalisation is US\$78.5 million. It is NASDAQ's 34th largest Healthcare-Products company by assets.

Source

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Board and Management

Rastetter William H **Director**

William has served as a director since January 2014. He is a Co-Founder of Receptos, Inc., a biopharmaceutical company, where he has been a director and Chairman of the Board since May 2009 and was Acting Chief Executive Officer from May 2009 to November 2010. Dr. Rastetter served as a Partner at the venture capital firm of Venrock Associates from 2006 to February 2013. Prior to his tenure with Venrock, Dr. Rastetter was Executive Chairman of Biogen Idec, from the merger of the two companies (Biogen and Idec Pharmaceuticals) in 2003 through the end of 2005. He joined Idec Pharmaceuticals in 1986 and served as Chairman and Chief Executive Officer. Prior to Idec, he was Director of Corporate Ventures at Genentech, Inc. and served as well in a scientific capacity at Genentech. Dr. Rastetter also serves as the Chairman of public life sciences companies Illumina, Inc., Neurocrine Biosciences, Inc. and Fate Therapeutics Inc. and as a director of Regulus Therapeutics, Inc., a public biopharmaceutical company. Dr. Rastetter has held various faculty positions at the Massachusetts Institute of Technology and Harvard University and is an Alfred P. Sloan Fellow. Dr. Rastetter holds a B.S. in Chemistry from the Massachusetts Institute of Technology and received his M.A. and Ph.D. in Chemistry from Harvard University.

Financial Results (Quarterly)

30 June, 2014

INCOME STATEMENT

Currency in USD	2014-06-30	2013-06-30	Change %
Revenue	33,000		
Operating expenses:			
Research and development	2,648,000	3,195,000	Down 17.1
General and administrative	2,029,000	1,392,000	Up 45.8
Total operating expenses	4,677,000	4,587,000	Up 2.0
Other income (expense):			
Interest income	2,000		
Interest expense	268,000	326,000	Down 17.8
Loss on extinguishment of debt	-2,493,000		
Decrease in value of preferred stock warrant liability		20,000	
Total other (expense) - net	-2,759,000	-306,000	Deterioration 801.6
Net loss	-7,403,000	-4,893,000	Deterioration 51.3
Net loss per common share:			
Basic and diluted	-44.0c	-796.0c	Reduced 94.5
Weighted-average common shares outstanding:			
Basic and diluted	16,883,716	614,662	Up 2,646.8

BALANCE SHEET

Currency in USD	2014-06-30	2013-12-31	Change %
ASSETS			
Current assets:			
Cash and cash equivalents	64,271,000	5,488,000	Up 1,071.1
Accounts receivable, prepaid expenses, and other current assets	1,123,000	959,000	Up 17.1
Total current assets	65,394,000	6,447,000	Up 914.3
Property and equipment - Net	221,000	245,000	Down 9.8
Other assets	124,000	135,000	Down 8.1
Total	65,739,000	6,827,000	Up 862.9
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Current portion of loan payable	3,274,000	3,134,000	Up 4.5
Convertible promissory notes payable to shareholders		8,824,000	
Accounts payable	579,000	914,000	Down 36.7
Accrued expenses	2,110,000	2,274,000	Down 7.2
Total current liabilities	5,963,000	15,146,000	Down 60.6
Long-term liabilities:			
Loan payable - net of current portion	1,451,000	3,124,000	Down 53.6
Preferred stock warrant liability		928,000	
Noncurrent accrued interest	503,000	391,000	Up 28.6
Other	14,000	12,000	Up 16.7
Total long-term liabilities	1,968,000	4,455,000	Down 55.8
Redeemable convertible preferred stock		81,525,000	

Financial Results (Quarterly) (continued)

30 June, 2014

Commitments

Stockholders' deficit:

Preferred stock, 0.01 par value; 5,000,000 shares authorized, no shares issued or outstanding

Common stock, 0.0001 par value; 120,000,000 shares designated, 2,000 20,123,013 and 785,531 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively

Additional paid-in capital	166,562,000	4,140,000	Up 3,923.2
Accumulated deficit	-108,756,000	-98,439,000	Deterioration 10.5
Total stockholders' equity (deficit)	57,808,000	-94,299,000	Recovery
Total	65,739,000	6,827,000	Up 862.9

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-17.85	11.1	Deterioration
Return on Assets(%)	-15.69	-153.29	Reduced 89.8

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-117.0c	-1,705.0c	Reduced 93.1

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