

## Cara Therapeutics (CARA : US\$10.22)

### Cara Therapeutics tumbles 22% in 2014, underperforming 82% of the market

Cara Therapeutics Inc, NASDAQ's 41st largest medical company by market cap, has now tumbled US\$2.93 (or 22.3%) year to date in 2014 to close at US\$10.22. This loss means the stock has underperformed 82% of NASDAQ-listed stocks in 2014. The volume YTD has been 0.7 times average trading of 142,752 shares. Compared with the NASDAQ-100 Index which has risen 14.6% YTD, this represents a relative price change of -36.8%. In 2014 the market cap has declined US\$56.3 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:**

- Its Moving Average Convergence Divergence indicators are falling, with its 12-day EMA lower than its 26-day EMA.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 12.8. Compared with the rest of the market the stock is overvalued and ranks in the bottom 2% of stocks by value of Q Ratio.
- In the last three months the number of falls outnumbered rises 30:17 or 1.76:1.
- It is trailing 94.26% of the market the past 6 months.

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

- "Current ratio of two or more"; current assets are 2.7 times current liabilities.

### Stock Summary

<b>Sector</b>	Medical
<b>Market Cap</b>	US\$230.9 million
<b>Shares Outstanding</b>	22,592,414
<b>ISIN</b>	US1407551092
<b>Relative Strength (3 mo)</b>	4

### Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USD)	11.964M	1.19M	-
Pretax (USD)	(3.993M)	(6.302M)	(9.84M)
Net (USD)	(3.963M)	(6.271M)	(9.81M)
EPS (USD)	(0.74)	(1.9)	(2.37)

### MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	10.2	230.9 million

## Analysis

### Bearish Signals

- In the last 20 trading sessions there has been a net decline of 20.03%; the stock has retreated four times and the biggest one day decline was 11.7% on Aug 28.
- In the NASDAQ market of 2,422 stocks traded today, the stock has a 6-month relative strength of 6 indicating it is trailing 94.0% of the market.
- Also, the relative strength percentile is slipping at 6 for 6 months, 4 for 3 months and 2 for 1 month.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 10.31 minus the 26-day EMA of 11.13 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 1.7 times its own historical average of 0.2%.

### Overvaluation:

- Price/Sales of 19.3 versus sector average of 2.7 and market average of 2.3.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 12.8. 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:

- Total Liabilities/ EBITDA of 11.9 is more than or equal to 5, this compares unfavourably with the Joseph Piotroski benchmark of 5.

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

Positive operating cashflow; improvement in current ratio from 0.7 to 2.7; improvement in asset turnover [growth in revenue of 905.4% exceeded growth in assets of 226.6%].

### Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
EBITDA Margin %	4.6	In Bottom Quartile
P/E * P/NTA	248.77	In Bottom 8%
Annual Revenue	US\$12 million	In Bottom 7%
Relative Strength (6M)	6	In Bottom 5%
Price/MAP50	0.4	In Bottom 1%
Price to Sales	19.3	In Bottom 1%

### Note

#### Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$60.6 million	In 2nd Quartile
MCap	US\$230.9 million	In 3rd Quartile

### Bullish Signals:

- The price is at a discount of 10.2% to the 1-month volume weighted average price of US\$11.38, which may appeal as a value proposition.

### 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	439.3	-379.7
Mar 14	-	-1,900.6

- Net Profit margin and EBIT margin are negative but improving in recent years.

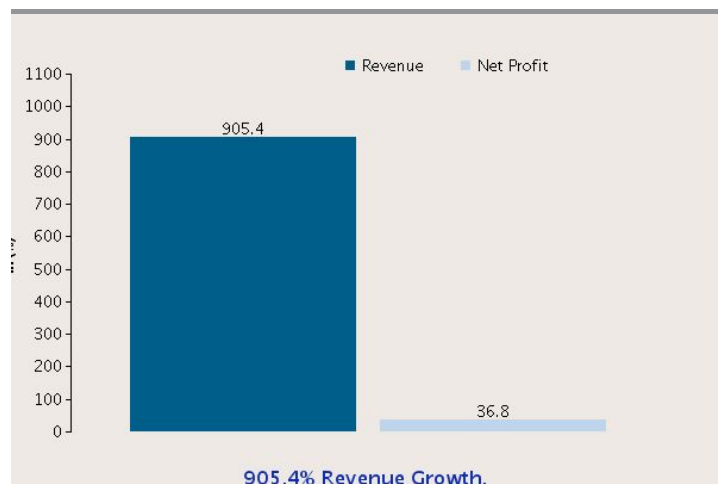
### Annual Trend:

[Year ended, all figures in %]:

Year	Net Profit Margin	EBIT Margin	EBITDA Margin
Dec 13	-33.1	-2	4.6
Dec 12	-527	-524	-438.2

## Analysis (continued)

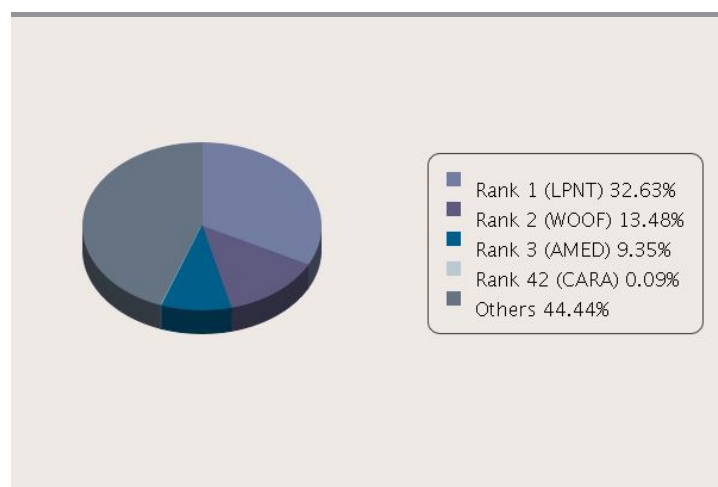
### % Growth Y.O.Y, Revenue & Net Profit



Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 2.7 times current liabilities.

### Revenue Share Medical



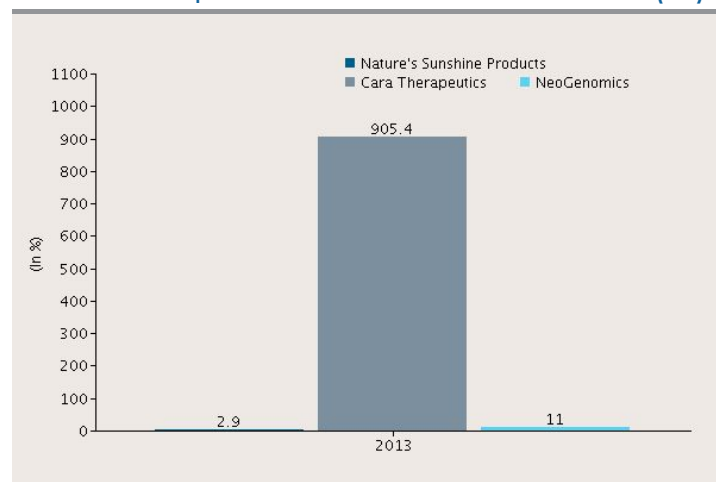
### Trailing 3 months

Turnover US\$60.6 million

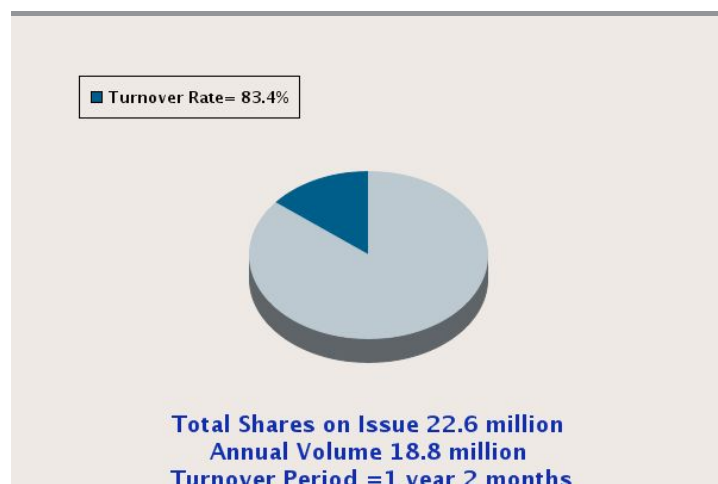
Volume 4,583,233

Volume Index (1 is avg) 0.5

### Peer Comparison Revenue Growth (%)



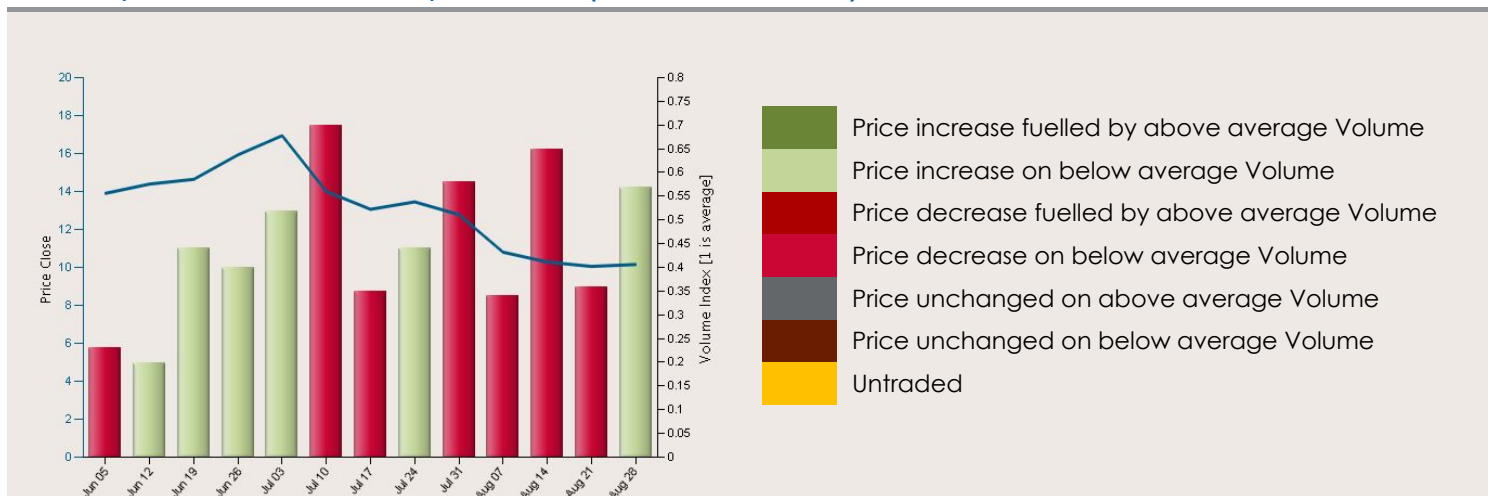
### Turnover Rate & Turnover Period



## Price Volume Trend: Trailing Quarter



## Weekly Price Volume Dynamics (Last 12 Weeks)



## Company Overview

### Activities

Cara Therapeutics Inc. develops therapeutics. The Company produces novel drugs for the treatment of human diseases associated with pain and inflammation. Cara Therapeutics serves the healthcare industry in the United States.

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

### Regulatory Announcements

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

August 06: Cara Therapeutics Initiates Proof-of-Concept Phase II Trial of I.V. CR845 in Uremic Pruritus

July 31: Cara Therapeutics to Announce Second Quarter 2014 Financial Results on August 7, 2014

July 31: Cara Therapeutics Initiates Human Abuse Liability Trial of CR845

July 16: Cara Therapeutics Earns Milestone Payment From Maruishi Pharmaceutical for Completion of Phase 1 Clinical Trial of I.V. CR845 in Japan

June 24: Cara Therapeutics Announces Appointment of Robert Medve, M.D., as Chief Medical Officer

June 18: Cara Therapeutics Initiates Phase Ia/Ib Trial of Tablet Formulation of Oral CR845 for the Treatment of Acute and Chronic Pain

June 02: Cara Therapeutics Names Eric J. Vandal Vice President, Commercial Operations

To view 8-K people news for Cara-Therapeutics, [click here](#)

July 17: Ed Hurwitz - Cara Therapeutics director resigns 21 July 2014

July 17: Cara Therapeutics appoints Harrison M. Bains as director 21 July 2014

July 17: Cara Therapeutics appoints Jeffrey L. Ives as director 21 July 2014

July 17: Charles Moller - Cara Therapeutics director resigns 21 July 2014

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

August 07: Cara Therapeutics: Results of Operations and Financial Condition

### Issued Capital

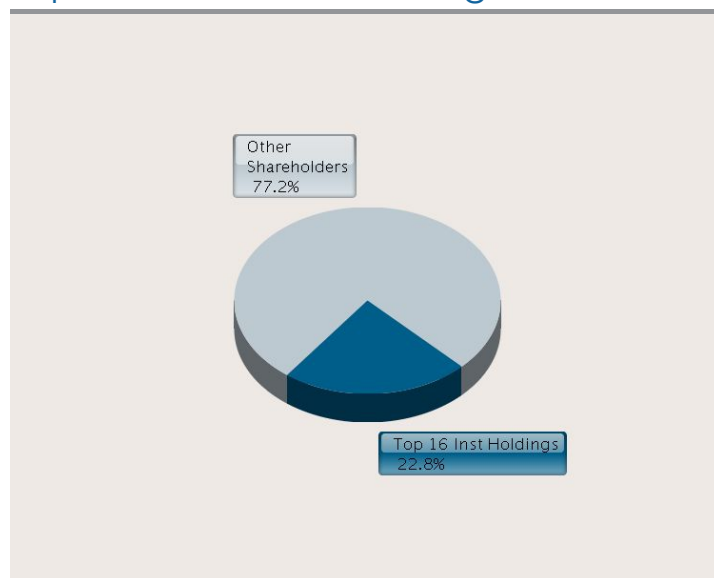
Based on 22,592,414 issued equity shares the market capitalisation is US\$230.9 million. It is NASDAQ's 65th largest Medical company by assets.

The top sixteen shareholders hold 22.8% of the issued capital leaving a float of 77.2%.

### Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Rho Capital Partners Inc	2,668,057	11.81
Lloyds Banking Group Plc	889,637	3.94
Jpmorgan Chase & Co	364,350	1.61
Wall Street Associates	325,400	1.44
Wellington Management Co Llp	184,600	0.82
Chesapeake Partners Management Co Inc/Md	160,320	0.71
Blackrock Fund Advisors	148,322	0.66
Emerald Mutual Fund Advisers Trust	102,280	0.45
Vanguard Group Inc	96,036	0.43
Grt Capital Partners Llc	53,210	0.24
<b>Total</b>	<b>4,992,212</b>	<b>22.1</b>

### Top 16 Institutional Holdings



## Board and Management

### Derek Chalmers CEO & President



Dr. Chalmers has 17 years experience in the biotechnology industry with increasing levels of corporate and business responsibilities. Dr. Chalmers served as a Principal Investigator at Neurocrine Biosciences (Nasdaq; NBIX) prior to co-founding Arena Pharmaceuticals (Nasdaq; ARNA) in 1997. He served as Vice President and Executive Director of Arena until May 2004, prior to co-founding Cara. Dr. Chalmers has extensive corporate financing experience, having led both private and IPO road-show teams. Dr. Chalmers is an inventor or co-inventor on over 50 issued or pending US patents.

### Josef Schoell CFO



Mr. Schoell has over twenty years of financial and accounting experience, including ten years in the Biotechnology industry. From 2003 until joining the Company, Mr. Schoell was a consultant with Robert Half Management Resources. From 1995 to 2002, he served as the Chief Financial Officer and Vice President-Finance of the American Biogenetic Sciences Inc. and Controller from 1992 to 1995. From 1988 until joining American Biogenetic Sciences Inc., Mr. Schoell was an independent consultant providing financial accounting and computer services. From 1978 until 1988, Mr. Schoell served in various financial and accounting positions with JP Stevens. Mr. Schoell is a graduate of New York University Stern School of Business, is a Certified Public Accountant in New York State and a member of the New York State Society of Certified Public Accountants, American Institute of Certified Public Accountants and Financial Executives International.

### Dean Slagel Director

Dean Slagel brings 12 years of pharmaceutical industry experience in 4 countries to Cara's Board. After 4 years of international marketing at Tillotts Pharma, Switzerland, he joined Ferring Pharmaceuticals in 1995, moving from regional management to Global Business Development, becoming Global Business Development Director in 2000. He established Esperante Ventures' operations in late 2003.



## Board and Management (continued)

### Harrison M. Bains Director

From 1988 through his retirement in 2004, Mr. Bains served in multiple roles at Bristol Myers Squibb Company, including Vice President, Treasurer and acting Chief Financial Officer. Mr. Bains's career also includes serving as Senior Vice President of the Primary Industries group at Chase Manhattan Bank and 11 years with RJR Nabisco and two of its predecessor companies as Senior Vice President and Treasurer. He currently serves as a director of BG Medicine, Inc., as a director and former chairman of the Mercer Funds, Inc., a registered investment company, and as a director of Bank of America Funds. He has served as a member of the board of trustees of the Park Avenue Armory since October 2007 and the Civil War Trust since September 2007, and previously served as a member of the board of trustees of the University of Redlands from October 1989 to May 2013. Mr. Bains earned an M.B.A from the University of California, Berkeley and a B.A. in economics from the University of Redlands. He also completed the Advanced Management Program at Harvard Business School.

#### **Creation of shareholder value in Cara Therapeutics:**

Since appointment as Director: The present value of USD1,000 invested on the appointment date of July 16, 2014 at close price of US\$13.16 is US\$777, for a capital loss of US\$223.

### Martin Vogelbaum Director

Martin Vogelbaum is a partner of Rho Ventures. He has more than 17 years of experience investing in the life sciences sector, having been involved with companies at all stages of development, including co-founding more than a half dozen companies. He joined Rho in 2005 and primarily focuses on investments in biotechnology, biopharmaceuticals and medical devices. Prior to Rho, he was a partner of Apple Tree Partners, a life sciences venture firm focused on early-stage companies. While at Apple Tree, Martin co-founded four start-ups, including Gloucester Pharmaceuticals where he served as interim CEO and chairman. Martin began his venture capital career in 1993 at Oxford Bioscience Partners, where he served as a general partner. Prior to Oxford, he was a research associate in the bone marrow transplantation unit at Memorial-Sloan Kettering Hospital, where he conducted research in graft-versus-host-disease (GVHD).

### Jeffrey L. Ives Director

From 2008 until 2013, Dr. Ives served as the Chief Executive Officer of Satori Pharmaceuticals, Inc., a neurodegenerative disease company focused on discovery and development of breakthrough therapies for the treatment and prevention of Alzheimer's disease. Prior to Satori, Dr. Ives led the CNS, pain and oncology research teams at Pfizer for over two decades and, from 2001-2007, served as a Senior Vice President leading the global Pharmacokinetics, Dynamics and Metabolism organization. Dr. Ives received his doctorate and master degrees from Yale University and received his bachelor of arts degree from Colgate University.

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## Board and Management (continued)

### **Christopher Moller** **Director**

Chris Moller is a founder and General Partner of Devon Park Bioventures, a \$110M venture capital organization located in Wayne, Pennsylvania. Devon Park was specifically formed to invest in promising therapeutics companies. In 1990, Chris left academic medical research at the University of Pennsylvania to join Radnor Venture Partners, which subsequently became TL Ventures. The TL Ventures organization created six venture funds with \$1.5 billion under management. For 16 years Chris lead the TL Ventures biotechnology group and was responsible for evaluating, selecting and managing biotech companies in TL Venture's portfolio. Chris's educational and research background have allowed him to become highly skilled in the evaluation of the science and technology of therapeutics companies. He earned a Ph.D. in Immunology from the University of Pennsylvania in 1986 and was a post-doctoral fellow at the Roche Institute for Molecular Biology. He also holds a B.A. degree in Chemistry from Pomona College. Chris is a past director of the Lankenau Medical Research Institute and the Delaware Valley Venture Group



## Financial Results (Quarterly)

31 March, 2014

### INCOME STATEMENT

Currency in Thousand of USD	2014-03-31	2013-03-31	Change %
Revenue:			
Collaborative revenue	178		
Total revenue	178		
Operating expenses:			
Research and development	2,201	922	Up 138.7
General and administrative	1,398	588	Up 137.8
Total operating expenses	3,599	1,510	Up 138.3
Operating loss	-3,421	-1,510	Deterioration 126.6
Interest income (expense), net	22	-1,129	Recovery
Loss before benefit from income taxes	-3,399	-2,639	Deterioration 28.8
Benefit from income taxes	-16	-7	Deterioration 128.6
Net loss	-3,383	-2,632	Deterioration 28.5
Net loss available to common stockholders:			
Basic and Diluted	-3,383	-1,741	Deterioration 94.3
Loss per share available to common stockholders:			
Basic and Diluted	-22.0c	-48.0c	Reduced 54.2
Weighted average shares:			
Basic and Diluted	15,654,079	3,659,208	Up 327.8

### BALANCE SHEET

Currency in Thousand of USD	2014-03-31	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	67,038	12,357	Up 442.5
Income tax receivable	46	61	Down 24.6
Prepaid expenses & other current assets	1,142	2,140	Down 46.6
Total current assets	68,226	14,558	Up 368.6
Property and equipment, net	2,629	2,825	Down 6.9
Restricted cash	700	700	Steady
Total assets	71,555	18,083	Up 295.7
Liabilities, convertible preferred stock and stockholders' (deficit) equity			
Current liabilities:			
Accounts payable and accrued expenses	2,336	1,958	Up 19.3
Deferred revenue	3,417	3,475	Down 1.7
Total current liabilities	5,753	5,433	Up 5.9
Deferred lease obligation	1,074	1,139	Down 5.7

## Financial Results (Quarterly) (continued)

31 March, 2014

### Commitments and contingencies

Convertible Preferred stock; 0,001 par value; zero shares and 29,402,200 shares authorized at March 31, 2014 and December 31, 2013, respectively; zero shares and 29,186,929 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively; aggregate liquidation preference of zero and 65,969 at March 31, 2014 and December 31, 2013, respectively

65,586

### Stockholders' (deficit) equity:

Preferred stock; 0,001 par value; 5,000,000 shares and zero shares authorized at March 31, 2014 and December 31, 2013, respectively, zero shares issued and outstanding at March 31, 2014 and December 31, 2013

Common stock; 0,001 par value; 100,000,000 shares and 50,000,000 shares authorized at March 31, 2014 and December 31, 2013, respectively, 22,592,414 shares and 4,288,243 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively

23

4

Up 475.0

Additional paid-in capital

130,544

8,377

Up 1,458.4

Accumulated deficit

-65,839

-62,456

Deterioration 5.4

Total stockholders' (deficit) equity

64,728

-54,075

Recovery

Total liabilities, convertible preferred stock and stockholders' (deficit) equity

71,555

18,083

Up 295.7

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