

Concert Pharmaceuticals (CNCE : US\$10.10)

Concert Pharmaceuticals sinks 13.3% in second quarter, underperforming 81% of the market

Concert Pharmaceuticals Inc, NASDAQ's 51st largest medical company by market cap, sank US\$1.55 (or 13.3%) in the quarter ended June 30 to close at US\$10.10. This loss means the stock has underperformed 81% of NASDAQ-listed stocks in quarter ended June 30. The volume in the quarter was 0.9 times the average trading of 134,016 shares. Compared with the NASDAQ-100 Index which rose 191.1 points (or 5.2%), this represents a relative price change of -18.5%. In the second quarter the market cap declined US\$58.2 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

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.
- "Current ratio of two or more"; current assets are 2.1 times current liabilities.

Stock Summary

Sector	Medical
Market Cap	US\$180.8 million
Shares Outstanding	17,899,585
ISIN	US2060221056
Relative Strength (3 mo)	19

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USDm)	25.4	12.8	19.5
Pretax (USDm)	(6.1)	(20.4)	(11.3)
Net (USDm)	(6.4)	(20.8)	(12.4)
EPS (USD)	(4.99)	(1.86)	(1.1)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	10.1	180.8 million

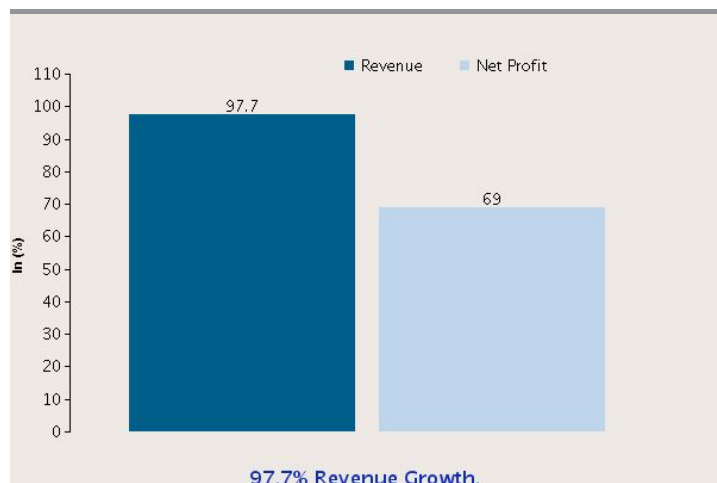
Analysis

Bullish Signals

- In the last 12 trading sessions there has been a net rise of 14.25%; the stock has advanced ten times and the biggest one day rise was 12.1% on Jun 19.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 9.44 minus the 26-day EMA of 9.15 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:

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



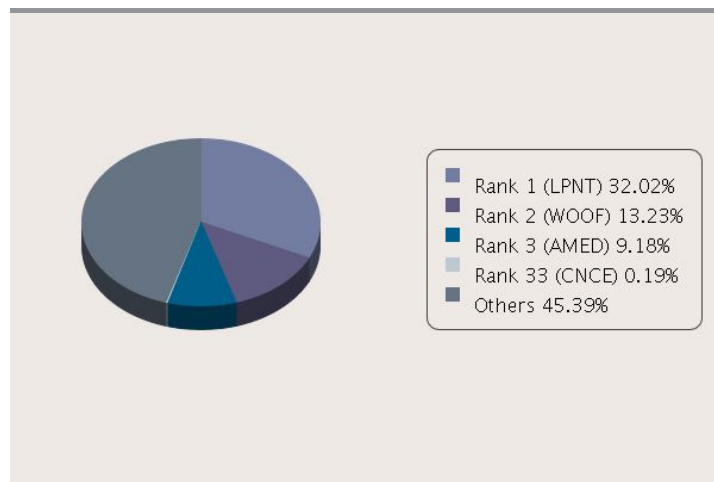
Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 2.1 times current liabilities.
- "Total debt equal or less than twice the net quick liquidation value"; total debt of \$US15.5 Million is 0.8 times the net liquidation value of \$US18.55 Million.

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
%Prem To Vol Wtd Price	12.1	In Top 8%
Price Change %	1.7	In Top Quartile

Revenue Share Medical



Bearish Signals

- The price is at a premium of 12.1% to the 1-month volume weighted average price of US\$9.01. In the past year the premium has been greater than 12.1% just once, suggesting a topish level and cautious buying at the current price.
- The current short volume is 2.5 times its own historical average of 0.1%.

Other Bearish Signals:

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

Positive operating cashflow; Reduction in total shares on issue; improvement in asset turnover [growth in revenue of 97.7 exceeded growth in assets of 20%].

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Volatility %	5.5	In Bottom Quartile
Annual Revenue	US\$25.4 million	In Bottom Quartile
Price/MAP50	0.56	In Bottom 5%

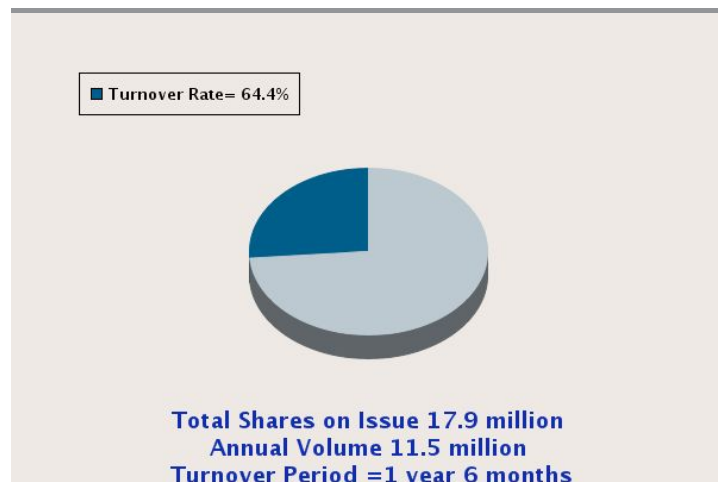
Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$70.2 million	In 3rd Quartile
MCap	US\$180.8 million	In 3rd Quartile

Analysis (continued)

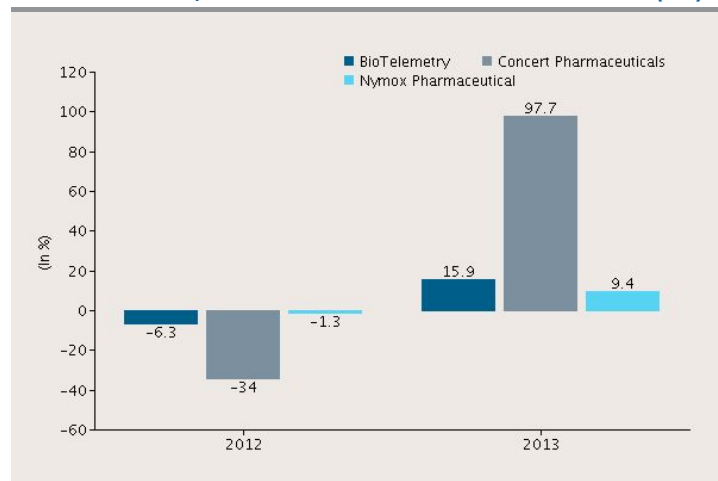
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$70.2 million
Volume	7,253,628
Volume Index (1 is avg)	0.9

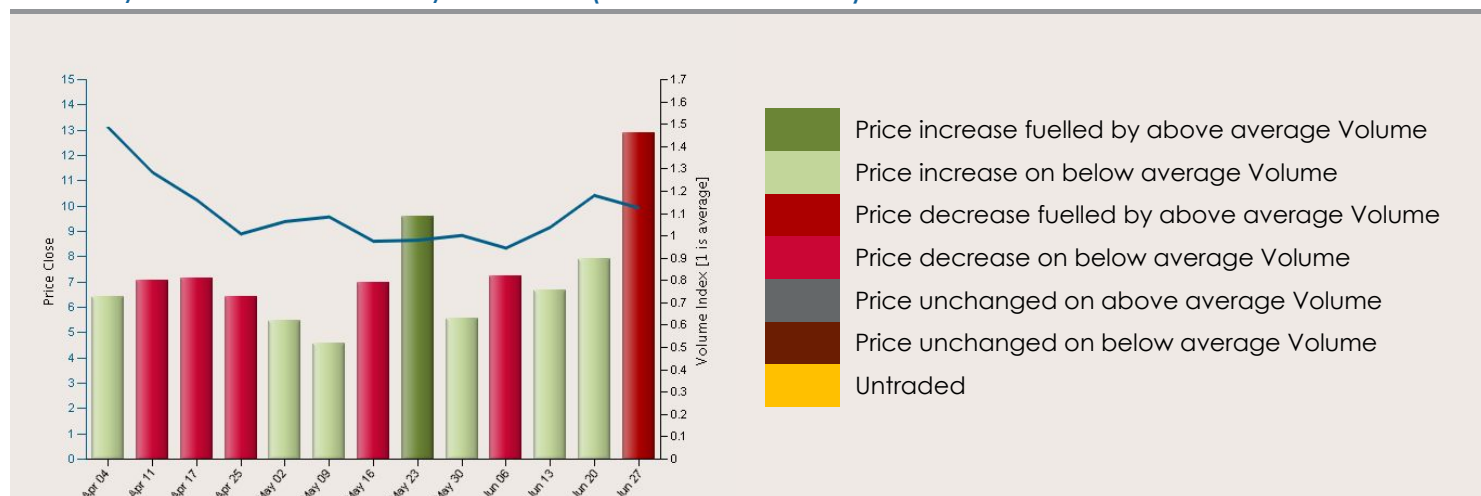
Peer Comparison Revenue Growth (%)



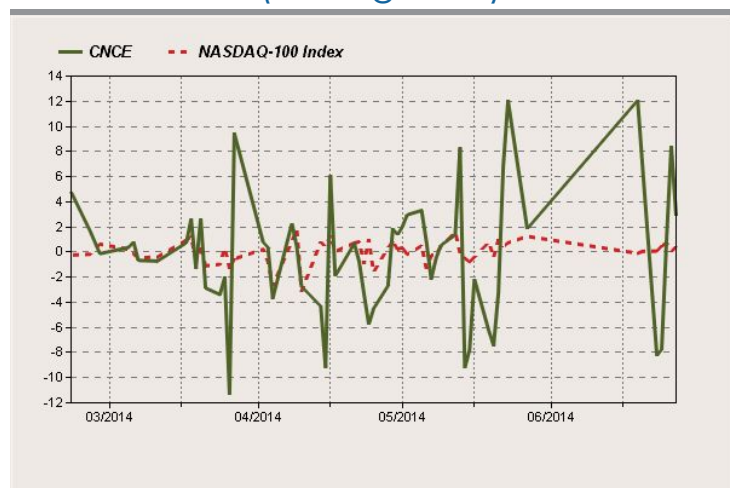
Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Stock v Index (Trailing Year)



Peer Group Analysis

Sector sorting

Name	Last Price	Relative strength (6-months)	MCap (Millions)	PV \$1000 (1 yr)	Revenue (Millions)	Net Profit (Millions)	Total Assets (Millions)
Concert Pharmaceuticals	10.1	-	181	-	25	-6	40
Nymox Pharmaceutical	4.95	18	173	-	3	-6	1
NeoGenomics	3.29	29	164	827	69	2	40

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
26-Jun-2014	Ladenburg Thalmann	Initiated Coverage	-	Buy	-	24
29-May-2014	Roth Capital	Initiated Coverage	-	Buy	-	28

Company Overview

Activities

Concert Pharmaceuticals Inc. operates as a biotechnology company. The Company manufactures drugs in various therapeutic areas such as hot flashes, HIV, renal hepatic, neuropathic pain, MRSA infection, schizophrenia, multiple tumors, and hyperparathyroidism. Concert Pharmaceuticals offers its products throughout the United States.

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

Regulatory Announcements

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

May 27: Concert Pharmaceuticals to Present at Upcoming Investor Conferences

May 07: Concert Pharmaceuticals to Report First Quarter 2014 Results on May 14, 2014

April 25: Concert Pharmaceuticals Presents Positive 48-Week Results from Phase 2 Clinical Trial of CTP-499 in Diabetic Kidney Disease

March 31: Concert Pharmaceuticals Reports Year End 2013 Financial Results

March 31: Concert Pharmaceuticals Announces Filing of its Annual Report on Form 10-K

March 19: Concert Pharmaceuticals Announces CTP-499 Late Breaking Presentation at the National Kidney Foundation 2014 Spring Clinical Meeting

March 14: Concert Pharmaceuticals appoints Chief Executive Officer

Issued Capital

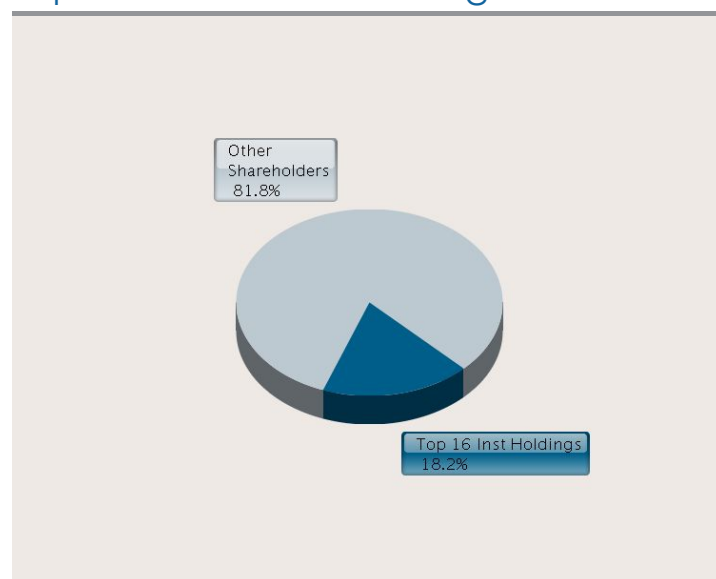
Based on 17,899,585 issued equity shares the market capitalisation is US\$180.8 million. It is NASDAQ's 51st largest Medical company by assets.

The top sixteen shareholders hold 18.2% of the issued capital leaving a float of 81.8%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Brookside Capital Management Llc	1,147,833	6.41
Deerfield Management Co	617,649	3.45
Wall Street Associates	321,200	1.79
Blackrock Advisors Llc	233,102	1.3
Broadfin Capital Llc	200,000	1.12
Putnam Investments Llc	163,131	0.91
Principal Financial Group Inc	108,515	0.61
Blackrock Group Ltd	82,200	0.46
Deutsche Bank Ag\	73,401	0.41
Morgan Stanley	64,053	0.36
Total	3,011,084	16.82

Top 16 Institutional Holdings



Board and Management

Wendell Wierenga
CEO

Creation of shareholder value in Concert Pharmaceuticals:

Since appointment as CEO: The present value of USD1,000 invested on the appointment date of March 14, 2014 at close price of US\$13.64 is US\$740, for a capital loss of US\$260.

Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-03-31	2013-03-31	Change %
Revenue:			
License and research and development revenue	1,613	3,873	Down 58.4
Milestone revenue		2,000	
Total revenue	1,613	5,873	Down 72.5
Operating expenses:			
Research and development	5,594	5,039	Up 11.0
General and administrative	2,538	1,964	Up 29.2
Total operating expenses	8,132	7,003	Up 16.1
Loss from operations	-6,519	-1,130	Deterioration 476.9
Investment income	4	11	Down 63.6
Interest and other expense	435	660	Down 34.1
Net loss	-6,950	-1,779	Deterioration 290.7
Other comprehensive loss:			
Unrealized loss on investments	-8	-1	Deterioration 700.0
Comprehensive loss	-6,958	-1,780	Deterioration 290.9
Reconciliation of net loss to net loss applicable to common stockholders:			
Net loss	-6,950	-1,779	Deterioration 290.7
Accretion on redeemable convertible preferred stock	-55	-98	Reduced 43.9
Net loss applicable to common stockholders-basic and diluted	-7,005	-1,877	Deterioration 273.2
Net loss per share applicable to common stockholders-basic and diluted	-76.0c	-146.0c	Reduced 47.9
Weighted-average number of common shares used in net loss per share applicable to common stockholders-basic and diluted	9,188,000	1,290,000	Up 612.2

BALANCE SHEET

Currency in Thousand of USD	2014-03-31	2013-12-31	Change %
Assets			

Financial Results (Quarterly) (continued)

31 March, 2014

Current assets:			
Cash and cash equivalents	39,651	9,638	Up 311.4
Investments, available for sale	68,379	23,039	Up 196.8
Interest receivable	317	92	Up 244.6
Accounts receivable	68	170	Down 60.0
Prepaid expenses and other current assets	2,223	1,106	Up 101.0
Total current assets	110,638	34,045	Up 225.0
Property and equipment, net	2,247	2,473	Down 9.1
Restricted cash	706	706	Steady
Other assets	34	2,549	Down 98.7
Total assets	113,625	39,773	Up 185.7
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)			
Current liabilities:			
Accounts payable	1,292	971	Up 33.1
Accrued expenses and other liabilities	2,528	2,475	Up 2.1
Deferred revenue, current portion	4,741	4,321	Up 9.7
Leasehold improvement loan, current portion	332	332	Steady
Loan payable, net of discount	7,987	7,818	Up 2.2
Total current liabilities	16,880	15,917	Up 6.1
Deferred revenue, net of current portion	13,950	15,310	Down 8.9
Leasehold improvement loan, net of current portion	166	249	Down 33.3
Deferred lease incentive, net of current portion	257	385	Down 33.2
Deferred rent, net of current portion	138	208	Down 33.7
Warrant to purchase redeemable securities		463	
Loan payable, net of current portion and discount	5,037	7,101	Down 29.1
Total liabilities	36,428	39,633	Down 8.1
Commitments			
Redeemable convertible preferred stock, 0.001 par value per share; 5,000,000 and 62,916,667 shares (Series A, B, C, D) authorized, respectively; 0 shares and 56,047,067 shares issued and outstanding, respectively; aggregate liquidation preference of 0 and 112,993, respectively		112,244	
Stockholders' equity (deficit):			
Common stock, 0.001 par value per share; 100,000,000 and 83,716,667 shares authorized, respectively; 17,899,585 and 1,298,300 shares issued and outstanding, respectively		1	Up 1,700.0
Additional paid-in capital	197,770	1,528	Up 12,843.1
Accumulated other comprehensive (loss) income	-4	4	Deterioration
Accumulated deficit	-120,587	-113,637	Deterioration 6.1
Total stockholders' equity (deficit)	77,197	-112,104	Recovery
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	113,625	39,773	Up 185.7

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