

## Avalanche Biotechnologies (AAVL : US\$39.52)

### Avalanche Biotechnologies wipes off US\$314.6M in MCap in 2015, highest loser in Healthcare-Products sector

Avalanche Biotechnologies Inc., NASDAQ's 12th largest Healthcare-Products company by market cap, tumbled US\$19.40 (or 32.9%) year to date in 2015 to close at US\$39.52. This makes the stock the biggest decliner in the Healthcare-Products sector which is up 11.5% in 2015. Compared with the NASDAQ-100 Index which has risen 4.4% YTD, this is a relative price change of -37.3%. The volume YTD has been 1.5 times the average trading of 215,181 shares. In 2015 the market cap has declined US\$314.6 million.

### Introduction with Trends

**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:**

- Amongst stocks that are shorted, it was in the top quartile as a percentage of stock shorted, suggesting that there are many confident bears of the stock.
- The price to 200-day MAP ratio is 0.7, a bearish indicator.

**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

<b>Sector</b>	Healthcare-Products
<b>Market Cap</b>	US\$996.8 million
<b>Shares Outstanding</b>	25,221,495
<b>ISIN</b>	US05337G1076
<b>Relative Strength (3 mo)</b>	8

### MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	39.5	996.8 million

# Analysis

## Bearish Signals

- In the last 20 trading sessions there has been a net decline of 11.41%; the stock has retreated nine times and the biggest one day decline was 6.4% on Mar 26.
- The Price/MAP of 0.7 for AAVL is lower than the Price/MAP for the NASDAQ-100 Index of 0.9.
- The price to 200-day MAP ratio is 0.7, a bearish indicator.
- The bears are maintaining control with price open, high, low and close being below yesterday's levels.
- In the NASDAQ Short Selling market of 2397 stocks, short selling as a % of issued shares ranked 305th and within the top quartile of stocks. This means it was higher than market average of 0.34%, a bearish indicator.
- The current short volume is 1.5 times its own historical average of 0.5%. It increased 1.9% from the previous day, jumped 8.3% from a week ago, a bearish indicator.

### Overvaluation:

- Price/Sales of 2076.57 versus sector average of 1.8 and market average of 2.4.

### Other Bearish Signals:

The stock has a score of merely 2 out of 9 set by Joseph Piotroski [pass mark >=5]:

Improvement in current ratio from 0.5 to 0.7; improvement in asset turnover [growth in revenue of 1500% exceeded growth in assets of 181.1%].

### Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price/MAP50	0.67	In Bottom Quartile
Price/MAP200	0.7	In Bottom Quartile
Price Change %	-2.0	In Bottom Quartile
Revenue Per Employee	US\$34,286	In Bottom 2%
Annual Revenue	US\$480,000	In Bottom 1%

## Note

### Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$813.3 million	In 2nd Quartile
MCap	US\$996.8 million	In 2nd Quartile

### Bullish Signals:

- The price is at a discount of 2.6% to the 1-month volume weighted average price of US\$40.59, which may appeal as a value proposition.
- In the NASDAQ market of 2,406 stocks and 1 unit traded today, the stock has a 6-month relative strength of 78 indicating it has outperformed 78% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 40.22 minus the 26-day EMA of 40.1 is positive suggesting a bullish signal.

### Other Bullish Signals:

### Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Relative Strength (6M)	78	In Top Quartile

## Short Selling to MCap

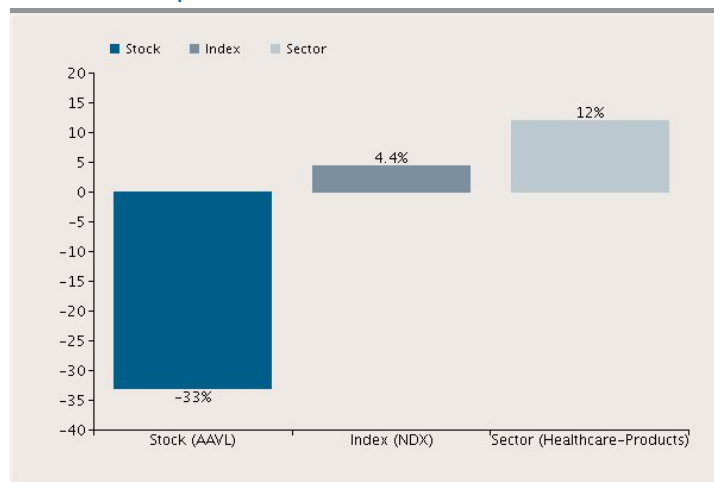


## Analysis (continued)

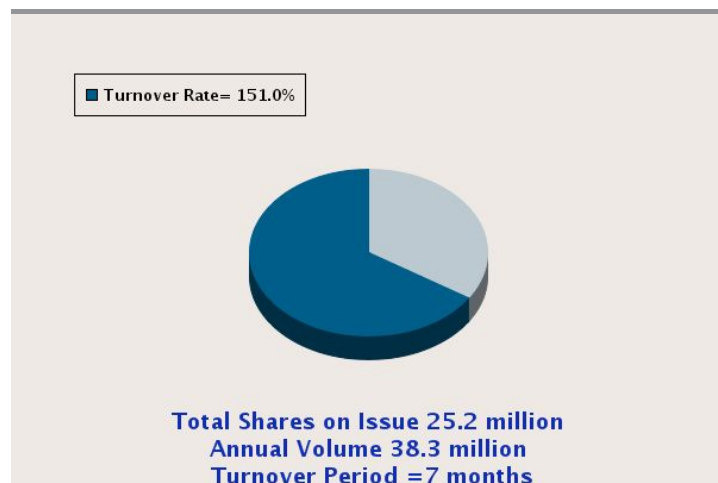
### Insider Trades



### YTD Comparison Stock Sector Index



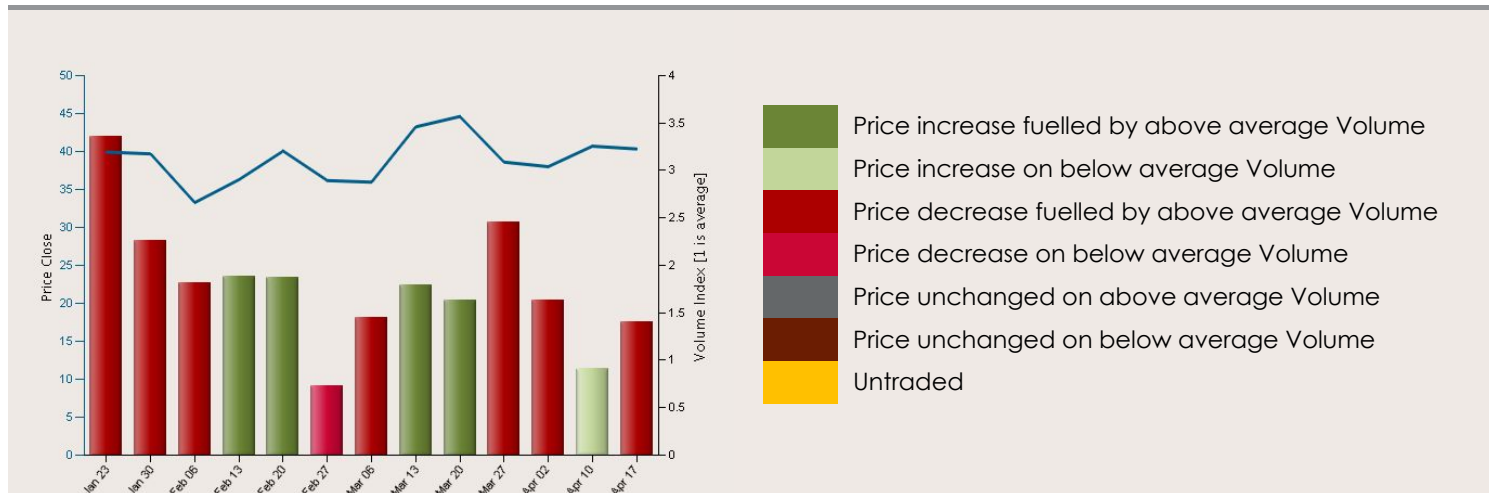
### Turnover Rate & Turnover Period



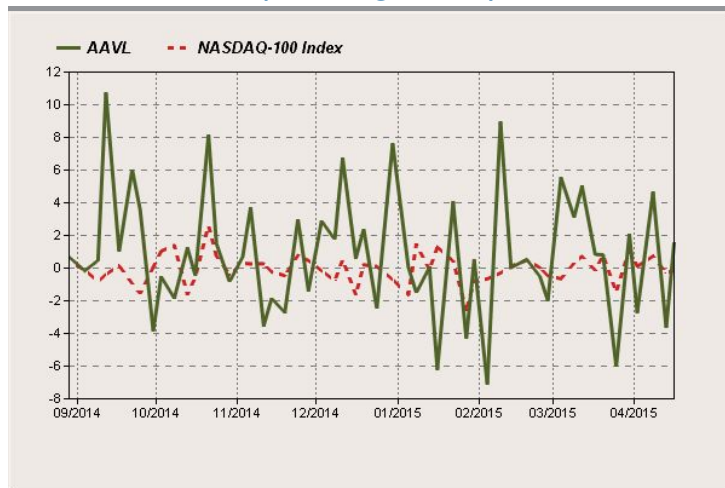
### Trailing 3 months

Turnover	US\$813.3 million
Volume	20,566,213
Volume Index (1 is avg)	1.5

## Weekly Price Volume Dynamics (Last 12 Weeks)



## Stock v Index (Trailing Year)



## Price/Moving Average Price [P/MAP]



## Peer Group Analysis

Name	Last Price	Relative strength (6-months)	MCap (USD)	PV \$1000 (1 yr)	Revenue (USD)	Net Profit (USD)	Total Assets (USD)
HealthEquity	US\$24.50	74	1.3B	0	87.9M	12.1M	158.8M
Karyopharm Therapeutics	US\$33.0	32	1.2B	1,019	229,000	(75.8M)	220.3M
iKang Healthcare Group	US\$16.95	20	1.1B	1,244	202.5M	(6.1M)	250.2M
Avalanche Biotechnologies	US\$39.52	78	996.8M	0	480,000	(5.3M)	1.1M
Zafgen	US\$36.56	98	974.3M	0		(28.2M)	90.6M
Alder Biopharmaceuticals	US\$25.67	98	967.9M	0	54.9M	8.9M	64.4M
K2M Group Holdings	US\$23.58	91	930.6M	0	181.9M	(52.8M)	302.6M

## Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
13-Apr-2015	Vetr Inc.	Upgrade	Hold	Buy	-	43.2
09-Apr-2015	Vetr Inc.	Downgrade	Buy	Hold	-	42.6
01-Apr-2015	Vetr Inc.	Downgrade	Buy	Hold	-	42.5
26-Mar-2015	Chardan Capital	Reiterated Rating	-	Hold	-	40
26-Mar-2015	Piper Jaffray	Boost Price Target	-	Overweight	-	52
26-Mar-2015	Jefferies Group LLC	Boost Price Target	-	Buy	46	51
09-Mar-2015	Piper Jaffray	Reiterated Rating	-	Overweight	-	47
09-Mar-2015	SunTrust	Initiated Coverage	-	Buy	-	-
19-Feb-2015	Chardan Capital	Initiated Coverage	-	Neutral	-	40
13-Feb-2015	Jefferies Group	Boost Price Target	-	Buy	40	46

## Reported Selling by Directors

Director	Date	Transaction Type	No. of Shares	Price, US\$	Value, US\$
Blumenkranz Mark S.	Apr 16, 2015	Sold	25,000	41.59	1,039,753
Wachter Paul	Apr 13, 2015	Sold	1,192	39.34	46,896
Gasmi Mehdi	Apr 14, 2015	Sold	1,000	39.45	39,448
Schwartz Steven Daniel	Apr 09, 2015	Sold	17,250	39.73	685,278
Hull Hans	Apr 07, 2015	Sold	27,500	38.6	1,061,573
Gasmi Mehdi	Apr 07, 2015	Sold	9,000	38.6	347,425
Blumenkranz Mark S.	Apr 08, 2015	Sold	2,500	39.94	99,841
Blumenkranz Mark S.	Apr 07, 2015	Sold	23,500	38.6	907,162

## Company Overview

### Activities

Avalanche Biotechnologies Inc., develops gene therapies for the treatment of ophthalmologic disorders. The Company creates therapeutic protein for treatments of eye disease. Avalanche operates in the United States.

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

Economic Sector Healthcare

### Regulatory Announcements

#### Key Developments

#### **March 25: Avalanche Biotechnologies and the University of Washington Enter Into Exclusive License Agreement to Develop Gene Therapy Medicines to Treat Color Blindness**

[News Story]

Vision Experts Jay and Maureen Neitz Join Company's Scientific Advisory Board

Company Launches [www.colorvisionawareness.com](http://www.colorvisionawareness.com) to Provide More Information for People with Color Blindness

MENLO PARK, Calif. and SEATTLE, March 25, 2015 -- Avalanche Biotechnologies (Nasdaq:AAVL) today announced that it has entered into an exclusive license agreement with the University of Washington (UW) in Seattle to develop products based on Avalanche's proprietary Ocular BioFactory (TradeMark) Platform for the treatment of color vision deficiency (CVD), commonly known as red-green color blindness.

Avalanche also announced today, outside of the scope of the license agreement, that Drs.

[For more details click here.](#)

#### **March 18: Avalanche Biotechnologies to Host Analyst and Investor Day on March 25, 2015**

[News Story] MENLO PARK, Calif., March 18, 2015 (GLOBE NEWSWIRE) -- Avalanche Biotechnologies, Inc. (Nasdaq:AAVL), a clinical-stage biotechnology company focused on discovering and developing novel gene therapies to transform the lives of patients with sight-threatening ophthalmic diseases, today announced that it will host an Analyst and Investor Day on March 25, 2015 in New York.

[For more details click here.](#)

#### **March 06: Avalanche Biotechnologies, Inc. Reports Fourth Quarter and Fiscal 2014 Financial Results**

[News Story] MENLO PARK, Calif., March 5, 2015 (GLOBE NEWSWIRE) -- Avalanche Biotechnologies, Inc. (Nasdaq:AAVL), a clinical-stage biotechnology company focused on discovering and developing novel gene therapies to transform the lives of patients with sight-threatening ophthalmic diseases, today reported financial results for the fourth quarter and year ended December 31, 2014.

"2014 was an important year marked by many significant milestone achievements, including completing enrollment of our Phase 2a clinical trial of our lead product candidate AVA-101, which we believe could be a transformative therapy for wet AMD patients; embarking on an R&D collaboration with Regeneron; adding key senior management team members to help us execute on our plans; and completing our initial public offering," said Thomas W.

[For more details click here.](#)

#### **March 06: Avalanche Biotechnologies: Amedica Corporation Reports Fourth Quarter and Full Year 2014 Financial Results**

[News Story] SALT LAKE CITY, March 5, 2015 (GLOBE NEWSWIRE) -- Amedica Corporation (Nasdaq:AMDA), a company that develops and commercializes silicon nitride ceramics as a biomaterial platform, today announced financial results for the fourth quarter and full year ended December 31, 2014.

"This past year has been remarkable for Amedica and I'm pleased to see that momentum carry into 2015," said Dr.

[For more details click here.](#)

#### Conferences/Exhibitions

#### **February 25: Events Calendar: Avalanche Biotechnologies to Present at Upcoming Investor Conferences**

[News Story] MENLO PARK, Calif., Feb. 25, 2015 Avalanche Biotechnologies, Inc. (Nasdaq:AAVL), a clinical-stage biotechnology company focused on discovering and developing novel gene therapies to transform the lives of patients with sight-threatening ophthalmic diseases, today announced that Thomas W. Chalberg, Jr., Ph.D., Founder and Chief Executive Officer, will present at two upcoming investor conferences:

Cowen and Company 35th Annual Health Care Conference on Wednesday, March 4, 2015 at 8:40 a.m. EST in Boston. Barclays Global Healthcare Conference on Tuesday, March 10, 2015 at 2:30 p.m. EDT in Miami, FL.

Live webcasts of the presentations will be accessible under Events & Presentations in the Investors section of Avalanche's website. Avalanche will maintain an archived replay of the webcasts on its website for two weeks after each conference.

Source: Nasdaq Stock Exchange  
[For more details click here.](#)



## Company Overview (continued)

### Key Developments

#### January 09: Avalanche Biotechnologies Prices Public Offering of \$141.6 Million of Common Stock

[News Story] MENLO PARK, Calif., Jan. 8, 2015 - Avalanche Biotechnologies, Inc. (Nasdaq:AAVL), a clinical-stage biotechnology company focused on discovering and developing novel gene therapies to transform the lives of patients with sight-threatening ophthalmic diseases, today announced the pricing of its public offering of 2,399,457 shares of its common stock at a public offering price of \$59.00 per share, before underwriting discounts, commissions and estimated expenses.

[For more details click here.](#)

### Key Developments

#### January 05: Avalanche Biotechnologies Announces Proposed Public Offering of Common Stock and Partial Release of Lock-Up Agreements in Connection Therewith

[News Story] MENLO PARK, Calif., Jan. 5, 2015 Avalanche Biotechnologies, Inc. (Nasdaq:AAVL), a clinical-stage biotechnology company focused on discovering and developing novel gene therapies to transform the lives of patients with sight-threatening ophthalmic diseases, today announced that it filed a registration statement on Form S-1/A with the Securities and Exchange Commission relating to a proposed public offering of 2,000,000 shares of its common stock.

[For more details click here.](#)

## 8-K people news

#### September 26: Avalanche Biotechnologies appoints Roman G. Rubio as senior vice president 30 September 2014

Avalanche Biotechnologies has appointed Roman G. Rubio as Senior Vice President. The appointment takes effect from Sep 22, 2014.

## 8-K other news

#### March 05: Avalanche Biotechnologies: Results of Operations and Financial Condition

[News Story]

[http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=\\_Archives\\_edgar\\_data\\_1501756\\_000119312515077946\\_0001193125-15-077946.txt](http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1501756_000119312515077946_0001193125-15-077946.txt)

Source: 8-K United States Securities and Exchange Commission

#### January 13: Avalanche Biotechnologies: Regulation FD Disclosure

[News Story]

[http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=\\_Archives\\_edgar\\_data\\_1501756\\_000119312515009469\\_0001193125-15-009469.txt](http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1501756_000119312515009469_0001193125-15-009469.txt)

Source: 8-K United States Securities and Exchange Commission

#### November 12: Avalanche Biotechnologies: Results of Operations and Financial Condition

[News Story]

[http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=\\_Archives\\_edgar\\_data\\_1501756\\_000119312514408126\\_0001193125-14-408126.txt](http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1501756_000119312514408126_0001193125-14-408126.txt)

Source: 8-K United States Securities and Exchange Commission

#### November 04: Avalanche Biotechnologies: Entry into a Material Definitive Agreement

[News Story]

[http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=\\_Archives\\_edgar\\_data\\_1501756\\_000119312514394981\\_0001193125-14-394981.txt](http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1501756_000119312514394981_0001193125-14-394981.txt)

Source: 8-K United States Securities and Exchange Commission

#### September 11: Avalanche Biotechnologies: Results of Operations and Financial Condition

[News Story]

[http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=\\_Archives\\_edgar\\_data\\_1501756\\_000119312514338711\\_0001193125-14-338711.txt](http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1501756_000119312514338711_0001193125-14-338711.txt)

Source: 8-K United States Securities and Exchange Commission

#### August 06: Avalanche Biotechnologies: Unregistered Sales of Equity Securities

[News Story]

[http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=\\_Archives\\_edgar\\_data\\_1501756\\_000119312514297583\\_0001193125-14-297583.txt](http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1501756_000119312514297583_0001193125-14-297583.txt)

Source: 8-K United States Securities and Exchange Commission

## Sector Sorting

For Company searches, or for sorting by Stocks and variables, an interactive version of today's Table is available [here](#)

## Issued Capital

Based on 25,221,495 issued equity shares the market capitalisation is US\$996.8 million. It is NASDAQ's 52nd largest Healthcare-Products company by assets.

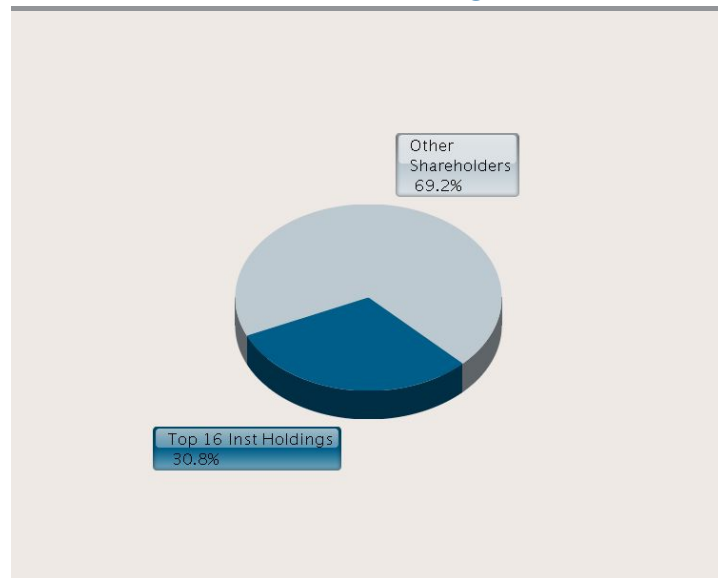
The top sixteen shareholders hold 30.8% of the issued capital leaving a float of 69.2%.

## Company Overview (continued)

### Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Fmr Llc	3,369,245	13.36
Vhcp Management Llc	1,382,735	5.48
Jpmorgan Chase & Co	725,120	2.88
Adage Capital Partners Gp Llc	649,550	2.58
Blackrock Fund Advisors	455,108	1.8
Cowen Group Inc.	248,674	0.99
Franklin Resources Inc	166,300	0.66
Sabby Management Llc	142,803	0.57
Ghost Tree Capital Llc	125,000	0.5
Qvt Financial Lp	108,000	0.43
<b>Total</b>	<b>7,372,535</b>	<b>29.23</b>

### Top 16 Institutional Holdings





## Board and Management

### **Mehdi Gasmi** **Vice President-Pharmaceutical Development**

Dr. Gasmi has served as our Vice President, Pharmaceutical Development since November 2013, and leads manufacturing and quality control efforts for our gene therapy product candidates. Previously, Dr. Gasmi oversaw production of clinical batches of recombinant AAV and lentiviral gene therapy products for both G&N&G, a gene therapy company, where he served as Vice President of Biomanufacturing from July 2009 to December 2011, and for Ceregene, a gene therapy company, where Dr. Gasmi served as Senior Director, Product Development from December 2001 to June 2009. Dr. Gasmi obtained his M.S. and his Ph.D. in Biochemistry from the Claude Bernard University in Lyon, France. He is a member of the American Society of Gene and Cell Therapy.

### **Mark S. Blumenkranz** **Chairman & Director**

Dr. Blumenkranz has served as a member of our board of directors since our inception in July 2006 and is a co-founder of Avalanche. Dr. Blumenkranz is a trained vitreoretinal surgeon and Chairman of the Department of Ophthalmology at the Byers Eye Institute at Stanford University. Prior to that, he served on the faculty of the Bascom Palmer Eye Institute in Miami, Florida. Previously, from October 1985 to August 1992, Dr. Blumenkranz founded and served as Director of the Vitreoretinal Fellowship Program at William Beaumont Hospital in Royal Oak, Michigan. From 2000 to 2004, Dr. Blumenkranz served on the scientific advisory board of Eyetech, a biopharmaceutical company. Dr. Blumenkranz currently serves on the boards of directors of Vantage Surgical Systems Inc., Oculogics, Inc., Presbia Holdings, Digsight Technologies Inc. and Oculeve, Inc., all privately held biotechnology or medical device companies. Dr. Blumenkranz received his A.B. in Biology, his M.M.S. in Biochemical Pharmacology and his M.D. all from Brown University, followed by a residency in ophthalmology at Stanford University. Dr. Blumenkranz has been chosen to serve on our board of directors due to his experience as a director and founder of several biotechnology companies, as well as his significant medical expertise in ophthalmology and biotechnology.

### **Paul D. Wachter** **Director**

Mr. Wachter has served as a member of our board of directors since April 2014. Mr. Wachter has been the Chief Executive Officer of Main Street Advisors, which he also founded, since 1997. Prior to forming Main Street Advisors, from June 1993 to March 1997, Mr. Wachter was Managing Director of Schroder & Co. Incorporated, an asset management company. From December 1991 to June 1993, Mr. Wachter was a managing director at Kidder, Peabody & Co., an investment banking firm. Since October 2010, Mr. Wachter has served on the board of directors and audit committee of Time Warner, Inc., a publicly-traded media company, and he also currently serves on the boards of directors of several private media companies, including Beats Electronics LLC and Haworth Marketing + Media. Mr. Wachter received his B.S. in Business Administration from the Wharton School of the University of Pennsylvania and his J.D. from the Columbia University School of Law. Mr. Wachter is a member of the New York State Bar and a Series 7 licensed stockbroker.

### **Roman G. Rubio** **Senior Vice President**

Dr. Rubio, age 43, joins the Company after eleven years at Genentech, Inc., a biotechnology company and member of the Roche Group ("Genentech"), where he served most recently as Global Head of Ophthalmology from March 2014 until September 2014. In this role, he was responsible for leading clinical development and overseeing medical affairs for the Lucentis(Registered) and larpalizumab programs. Prior to this, Dr. Rubio served in Genentech's Immunology, Infectious Diseases & Ophthalmology business unit in several roles, including Group Director from October 2009 to March 2014, and Medical Director from June 2006 to September 2009. Dr. Rubio received his M.D. from the University of California, San Francisco, an M.B.A. from The Wharton School of the University of Pennsylvania, an M.S. from the University of California, Berkeley, and a B.S. from the University of Notre Dame.

### **Creation of shareholder value in Avalanche Biotechnologies:**

Since appointment as Senior Vice President: The present value of USD1,000 invested on the appointment date of September 22, 2014 at close price of US\$32.88 is US\$1,202, for a capital gain of US\$202.

## Board and Management (continued)

### John P. McLaughlin Director

John P. McLaughlin was elected a director of the Company in October 2008. Mr. McLaughlin has been our President and Chief Executive Officer since December 18, 2008 after the Company spun-off Facet Biotech Corporation (Facet Biotech). From November 6, 2008 until the spin-off, he served as a Senior Advisor to the Company. He was the Chief Executive Officer and a director of Anesiva, Inc., formerly known as Corgentech, Inc., a publicly-traded biopharmaceutical company, from January 2000 to June 2008. From December 1997 to September 1999, Mr. McLaughlin was President of Tularik Inc., a biopharmaceutical company. From September 1987 to December 1997, Mr. McLaughlin held a number of senior management positions at Genentech, Inc., a biopharmaceutical company, including Executive Vice President and General Counsel. From January 1985 to September 1987, Mr. McLaughlin was a partner at a Washington, D.C. law firm specializing in food and drug law. Prior to that, Mr. McLaughlin served as counsel to various subcommittees in the United States House of Representatives, where he drafted numerous measures that became FDA laws. Mr. McLaughlin cofounded and served as Chairman of the Board of Directors of Eyetech Pharmaceuticals, Inc., a publicly-traded biopharmaceutical company subsequently bought by OSI Pharmaceuticals, Inc. He also co-founded and served as a director of Peak Surgical, Inc., a privately-held medical device company subsequently purchased by Medtronic, Inc. He also served as a director of AxoGen, Inc., a publicly-traded biopharmaceutical company. Mr. McLaughlin currently serves as a director of Seattle Genetics, Inc., a publicly-traded biopharmaceutical company, and Avalanche Biotechnologies, Inc., a publicly-traded biopharmaceutical company. He received a B.A. from the University of Notre Dame and a J.D. from the Catholic University of America.

### Linda C. Bain CFO

Ms. Bain has served as our Chief Financial Officer and Treasurer since April 2014. Linda has more than 20 years of finance, strategic business partner and audit experience in the biotech and pharmaceutical industries, in both large and small company settings. Prior to joining Avalanche, she served in a variety of senior finance management roles, most recently at bluebird bio where she helped lead the company through a successful IPO process. Preceding her tenure at bluebird bio, Ms. Bain was at Genzyme Corporation, Fidelity Investments and AstraZeneca Pharmaceuticals. Linda began her career as an auditor at Deloitte in Touche. She received her B.S. in Accounting and Business Administration and an Honors Degree in Accounting and Business Administration from the University of the Free State in South Africa. Ms. Bain is a Certified Public Accountant.

### Hans P. Hull Senior Vice President-Business Operations

Mr. Hull has served as our Senior Vice President, Business Operations, since July 2014. Previously, he served as our Vice President, Legal and Corporate Development from February 2012 to July 2014. From March 2005 to April 2008, he served as General Manager and then Chief Executive Officer of Orthobond Corporation, a medical device company. From May 2008 to December 2011, he served as a legal and business development consultant for life sciences companies, including Second Genome, Inc., a biotechnology company, and Aprelia Pharmaceuticals Company, a pharmaceutical company. Mr. Hull began his career in life sciences as a strategy consultant to pharmaceutical and biotechnology companies for ZS Associates, Inc. from September 1997 to April 2000 and also worked as an attorney at Heller Ehrman White & McAulliffe LLP from September 2003 to March 2005. Mr. Hull received a A.B. in Chemistry from Princeton University and a J.D. from Boalt Hall School of Law at the University of California, Berkeley.

### Thomas W. Chalberg CEO & Director

Dr. Chalberg is a co-founder of Avalanche and has been a member of our board of directors since July 2006. He has also served as our President and Chief Executive Officer since October 2010. Prior to joining Avalanche, from December 2005 to October 2010, Dr. Chalberg worked at Genentech, a publicly-traded biotechnology company, where he held a number of roles in ophthalmology and oncology, including Market Development Senior Manager for Lucentis and Avastin, Group Manager leading the Lucentis strategy team and Global Business Lead for Lucentis. From September 2001 to December 2005, Dr. Chalberg was a Howard Hughes Medical Institute Fellow at Stanford University, where his research focused on retinal diseases and new technologies for gene therapy. Dr. Chalberg is currently a member of the Board of Visionary Scientists for Hope for Vision, a nonprofit charity supporting vision research. Dr. Chalberg holds an A.B. in Biochemical Sciences from Harvard University, a Ph.D. in Genetics from the Stanford University School of Medicine and an M.B.A. from the Haas School of Business at the University of California, Berkeley. Dr. Chalberg has been chosen to serve on our board of directors due to his role as our President and Chief Executive Officer, as well as his many years of experience in ophthalmology research and development and commercialization.

### Steven D. Schwartz Director

# Financial Results (Annual)

31 December, 2013

## Annual Report for the year ended December 31, 2013

year-on-year comparisons with previous corresponding period

### Favourable Changes

- Current ratio up 54.3% to 0.7
- Retained earnings to total assets up 20.3% to 2.5%.

### Unfavourable Changes

- Operating cash flow is negative.

### Major Common Size Ratios

- Total current assets to total assets down from 99.0% to 75.8%
- Cash to total assets down from 92.5% to 52.0%
- Fixed assets to total assets up from 1.0% to 6.4%
- Current debtors to total assets up from 0.3% to 0.7%
- Interest expenses to sales down from 26.7% to 15.2%.

## INCOME STATEMENT

Currency in Thousand of USD	2013-12-31	2012-12-31	Change %
License revenue			
Government grant revenue	480	30	Up 1,500.0
Total revenue	480	30	Up 1,500.0
Operating expenses:			
Research and development	2,151	1,310	Up 64.2
General and administrative	1,783	536	Up 232.6
Total operating expenses	3,934	1,846	Up 113.1
Operating loss	-3,454	-1,816	Deterioration 90.2
Other (expense) income:			
Interest expense	73	8	Up 812.5
Other income (expense), net	-96	7	Deterioration
Change in fair value of embedded derivative	18	6	Up 200.0
Loss on extinguishment of related-party convertible	-1,671		
Total other (expense) income, net	-1,822	5	Deterioration
Net loss	-5,276	-1,811	Deterioration 191.3
Other comprehensive income (loss):			
Foreign currency translation adjustment	19	8	Up 137.5
Comprehensive loss	-5,257	-1,803	Deterioration 191.6
Net loss per share attributable to common stockholdersbasic and			

# Financial Results (Annual) (continued)

31 December, 2013

diluted	-144.0c	-50.0c	Deterioration 188.0
Weighted-average common shares outstandingbasic and diluted	3,672,885	3,642,503	Up 0.8
Pro forma net loss per share attributable to common stockholdersbasic and diluted	-0.74		
Pro forma weighted-average common shares outstanding basic and diluted	6,889,774		

## BALANCE SHEET

Currency in Thousand of USD	2013-12-31	2012-12-31	Change %
ASSETS			
Current assets:			
Cash	564	357	Up 58.0
Accounts receivable	8	1	Up 700.0
Prepaid expenses and other current assets	250	24	Up 941.7
Total current assets	822	382	Up 115.2
Property and equipment, net	69	4	Up 1,625.0
Deposit and other assets	194		
Total assets	1,085	386	Up 181.1
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY			
(DEFICIT)			
Current liabilities:			
Accounts payable	769	522	Up 47.3
Accrued expenses and other current liabilities	393	317	Up 24.0
Total current liabilities	1,162	839	Up 38.5
Long-term liabilities:			
Related-party convertible notes		485	
Common stock warrant liability	42	5	Up 740.0
Convertible preferred stock warrant liability	91	36	Up 152.8
Embedded derivative liability		18	
Deferred rent	8		
Total liabilities	1,303	1,383	Down 5.8
Commitments and contingencies			
Convertible preferred stock			
Series A convertible preferred stock, par value 0.0001 per share2,123,681 and			

# Financial Results (Annual) (continued)

31 December, 2013

4,233,295 and 4,233,295 shares authorized at December 31, 2012, December 31,

2013 and March 31, 2014 (unaudited), respectively; 1,789,618 and 3,899,232 and

3,899,232 shares issued and outstanding at December 31, 2012 and December 31,

2013 and March 31, 2014 (unaudited), respectively; (liquidation preference of 2,595

and 5,654 and 5,654 at December 31, 2012 and December 31, 2013 and

March 31, 2014 (unaudited), respectively); no issued and outstanding, pro forma

(unaudited)	7,992	2,471	Up 223.4
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Stockholders' deficit:

Common stock, par value 0.0001 per share 8,068,951 and 15,000,000 and

15,000,000 shares authorized at December 31, 2012, December 31, 2013 and

March 31, 2014 (unaudited), respectively; 3,672,885 shares issued and outstanding

at December 31, 2012, December 31, 2013 and March 31, 2014 (unaudited),

respectively; 14,769,043 issued and outstanding, pro forma (unaudited)

Additional paid-in capital	632	117	Up 440.2
Accumulated other comprehensive income	27	8	Up 237.5
Deficit accumulated during the development stage	-8,869	-3,593	Deterioration 146.8
Total stockholders' equity (deficit)	-8,210	-3,468	Deterioration 136.7
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	1,085	386	Up 181.1

## CASH FLOW

Currency in Thousand of USD	2013-12-31	2012-12-31	Change %
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	-5,276	-1,811	Deterioration 191.3
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	26	1	Up 2,500.0
Stock-based compensation	515	76	Up 577.6
Non-cash research and development expense		8	
Non-cash interest expense	53	5	Up 960.0

# Financial Results (Annual) (continued)

31 December, 2013

Amortization of debt issuance costs	20	3	Up 566.7
Change in fair value of embedded derivative liability	-18	-6	Deterioration 200.0
Change in fair value of warrants liabilities	92	-13	Recovery
Loss on extinguishment of related-party convertible notes	1,671		
Non-cash collaboration acquisition costs associated with sale of Series A convertible preferred stock	812		
Changes in operating assets and liabilities:			
Accounts receivable	-7		
Prepaid expenses and other assets	-293	-18	Deterioration 1,527.8
Deposit	-144		
Accounts payable	286	445	Down 35.7
Accrued expenses and other liabilities	80	43	Up 86.0
Deferred rent	8		
Net cash used in operating activities	-2,175	-1,267	Deterioration 71.7
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	-91	-3	Deterioration 2,933.3
Net cash used in investing activities	-91	-3	Deterioration 2,933.3
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of convertible preferred stock	1,000		
Issuance costs related to convertible preferred stock	-20		
Proceeds from issuance of convertible notes			
Proceeds from issuance of related-party convertible notes	1,500	500	Up 200.0
Net cash provided by financing activities	2,480	500	Up 396.0
Effect of foreign exchange rate on cash	-7	9	Deterioration
NET INCREASE (DECREASE) IN CASH	207	-761	Recovery
CASH Beginning of period	357	1,118	Down 68.1
CASH End of period	564	357	Up 58.0

## EBITDA AND MARGINS

	2013-12-31	2012-12-31
Net Income Margin %	-1,099.17	-6,036.67

## PERFORMANCE RATIOS

	2013-12-31	2012-12-31	Change %
Return on Assets (%)	-486.27	-469.17	Deterioration 3.6
Total Liabilities to Operating Cash Flow	-0.6	-1.09	Reduced 45.1
Total Liabilities/Total Assets	1.2	3.58	Down 66.5



# Financial Results (Annual) (continued)

31 December, 2013

Current Ratio	0.71	0.46	Up 55.4
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## PER SHARE FIGURES

	2013-12-31	2012-12-31	Change %
Revenue from operating activities	13.07c	0.82c	
Cash	15.36c	9.80c	Up 56.7
Working Capital	-9.26c	-12.55c	Reduced 26.2
Shareholders' Funds	-223.53c	-95.21c	Deterioration 134.8
Total Liabilities	35.48c	37.97c	Down 6.6
Total Assets	29.54c	10.60c	Up 178.8
Net Tangible Assets	-223.53c	-95.21c	Deterioration 134.8
EPS Final	-144.0c	-50.0c	Deterioration 188.0

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