

Achaogen (AKAO : US\$10.38)

Achaogen tumbles 26% in 2015

Achaogen Inc, NASDAQ's 35th largest healthcare-products company by market cap, has now tumbled US\$3.58 (or 25.6%) year to date in 2015 to close at US\$10.38. The volume YTD has been 1 times average trading of 73,255 shares. Compared with the NASDAQ-100 Index which has risen 4.0% YTD, this represents a relative price change of -29.6%. In 2015 the market cap has declined US\$63.6 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 8.9. Compared with the rest of the market the stock is overvalued and ranks in the bottom 4% of stocks by value of Q Ratio.
- The price to 200-day MAP ratio is 0.68, a bearish indicator.
- In the last three months the number of falls outnumbered rises 34:27 or 1.26:1.

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

- It has outperformed 79% of the market the past 6 months.
- "Total debt less than tangible book value"; total debt of \$US6.7 Million is less than tangible book value of \$US7.7 Million.

Stock Summary

Sector	Healthcare-Products
Market Cap	US\$184.3 million
Shares Outstanding	17,757,874
ISIN	US0044491043
Relative Strength (3 mo)	67

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USD)	18.51M	17.94M	22.47M
Pretax (USD)	(13.11M)	(18.37M)	(20.87M)
Net (USD)	(13.11M)	(18.37M)	(20.87M)
EPS (USD)	(0.83)	(1.16)	(1.32)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	10.4	184.3 million

Analysis

Bearish Signals

- Falls to Rises: In the last three months the number of falls outnumbered rises 34:27 or 1.26:1.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 10.86 minus the 26-day EMA of 11.19 is negative suggesting a bearish signal. Both the 12-day EMA as well as the 26-day EMA are falling, another bearish signal.
- The Price/MAP of 0.68 for AKAO is lower than the Price/MAP for the NASDAQ-100 Index of 0.9.
- In the past 200 days this ratio has been under 0.68 20 times suggesting further downside. The 200-day MAP has decreased to US\$15.35. A decrease is another bearish indicator.
- The price to 200-day MAP ratio is 0.68, a bearish indicator.
- The current short volume is 1.2 times its own historical average of 0.2%. It climbed 4.6% from the previous day, jumped 8.7% from a week ago and jumped 6.7% from a month ago, a significant bearish indicator.

Overvaluation:

- Price/Sales of 9.96 versus sector average of 1.5 and market average of 2.4. We estimate the shares are trading at a current year Price/Sales of 5.9 and a forward year Price/Sales of 3.5.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 8.9. Compared with the rest of the market the stock is overvalued and ranks in the bottom 4% of stocks by value of Q Ratio.

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 1 to 1.8; Total shares on issue unchanged.

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Annual Revenue	US\$18.5 million	In Bottom Quartile
Price/MAP200	0.68	In Bottom Quartile
Price to Sales	10	In Bottom 6%
Price/MAP50	0.47	In Bottom 4%
Price to Book Value	23.9	In Bottom 2%

Note

Neutral Indicators and Rank in Market:

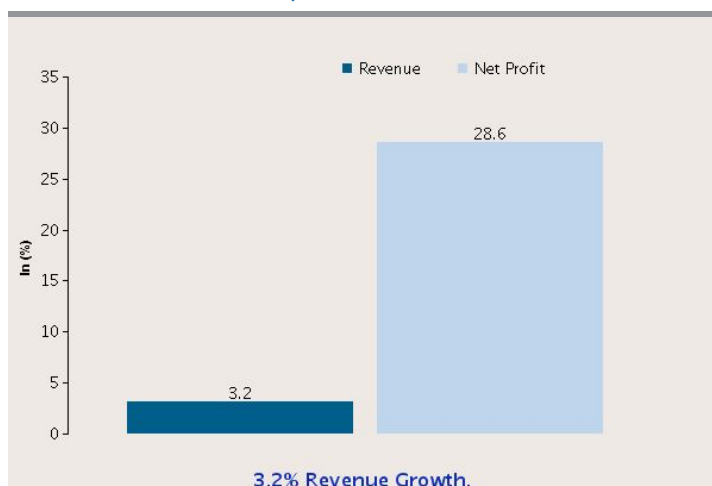
Description	Value	Rank In Market
Turnover in Quarter	US\$60.2 million	In 3rd Quartile
MCap	US\$184.3 million	In 3rd Quartile

Bullish Signals:

- The price is at a discount of 7.6% to the 1-month volume weighted average price of US\$11.24, which may appeal as a value proposition.
- In the NASDAQ market of 2,420 stocks traded today, the stock has a 6-month relative strength of 79 indicating it has outperformed 79% of the market.

Other Bullish Signals:

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



Also, the following criteria set by Benjamin Graham:

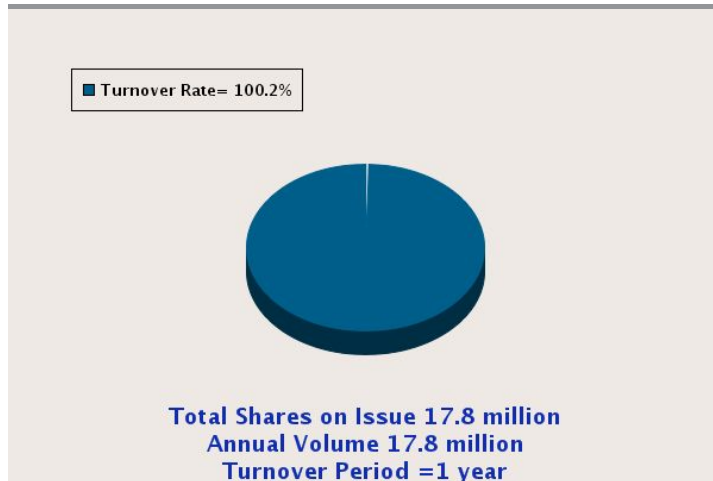
- "Total debt less than tangible book value"; total debt of \$US6.7 Million is less than tangible book value of \$US7.7 Million.
- "Total debt equal or less than twice the net quick liquidation value"; total debt of USD6.7 Million is 0.5 times the net liquidation value of USD13.15 Million.

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Relative Strength (6M)	79	In Top Quartile
Revenue Per Employee	US\$474,615	In Top Quartile

Analysis (continued)

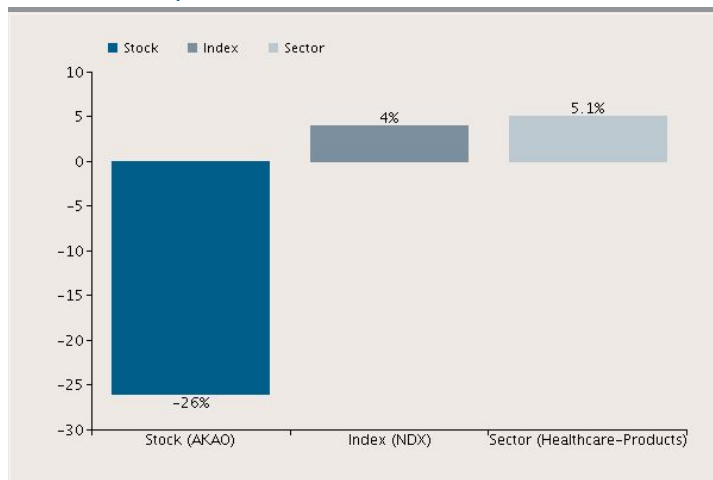
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$60.2 million
Volume	5,032,430
Volume Index (1 is avg)	1.1

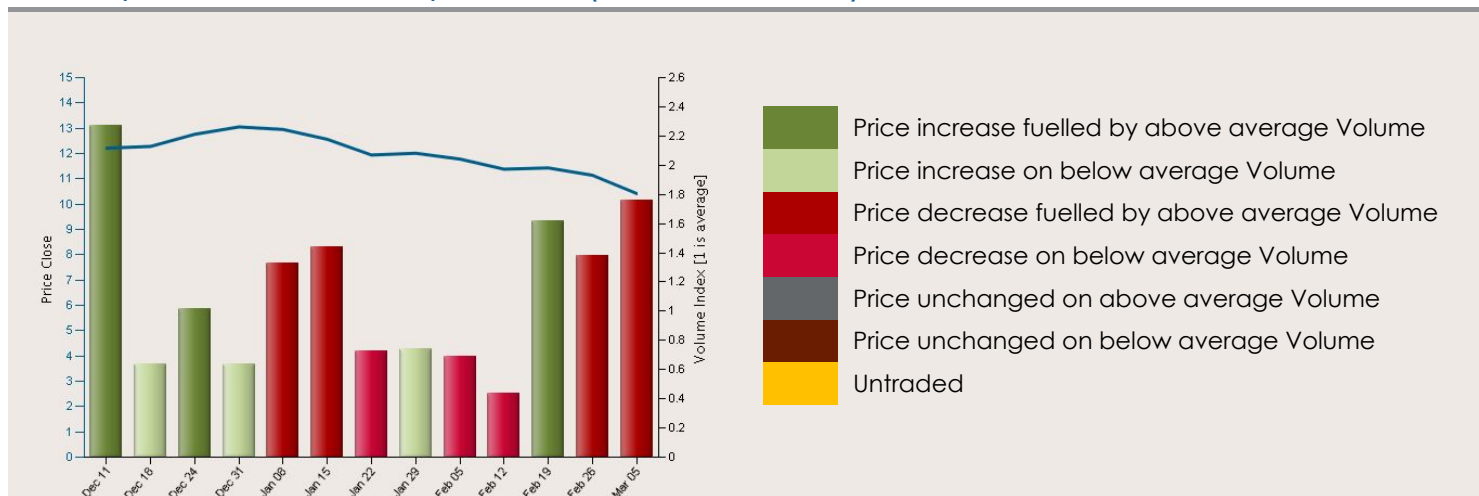
YTD Comparison Stock Sector Index



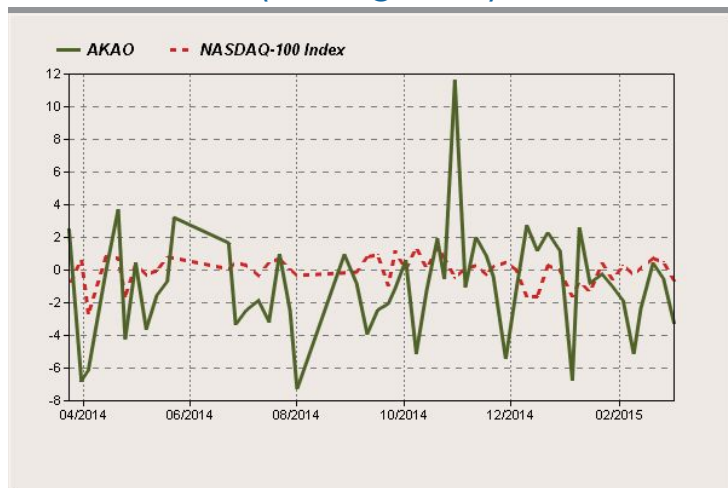
Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Stock v Index (Trailing Year)



Price/Moving Average Price [P/MAP]



Peer Group Analysis

[Sector sorting](#)

Name	Last Price \$	Relative strength (6-months)	MCap (\$)	PV \$1000 (1 yr)	Revenue (\$)	Net Profit (\$)	Total Assets (\$)
Achaogen	10.4	79	184.3M	0	18.5M	(13.1M)	20.8M

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
02-Mar-2015	Credit Suisse	Downgrade	Outperform	Underperform	22	13

Company Overview

Activities

Achaogen Inc. provides pharmaceutical products. The Company researches and develops small molecule therapeutics for the treatment of multi-drug resistant bacterial infections including pneumonia and E.coli. Achaogen operates in the United States.

Further details can be found at
<http://www.achaogen.com>.

Economic Sector

Healthcare

Regulatory Announcements

Conferences/Exhibitions

February 25: Events Calendar: Achaogen to Present at the Cowen and Company 35th Annual Health Care Conference on March 3, 2015

[News Story] SOUTH SAN FRANCISCO, Calif., Feb. 25, 2015 Achaogen, Inc. (Nasdaq:AKAO), a clinical-stage biopharmaceutical company developing novel antibacterials to treat multi-drug resistant (MDR) gram-negative infections, announced today that it will present at the Cowen and Company 35th Annual Health Care Conference in Boston, Massachusetts.

[For more details click here.](#)

January 08: Achaogen Announces Plazomicin Granted QIDP Designation by FDA

[News Story] SOUTH SAN FRANCISCO, Calif., Jan. 8, 2015 Achaogen, Inc. (Nasdaq:AKAO), a clinical-stage biopharmaceutical company developing novel antibacterials to treat multi-drug resistant (MDR) gram-negative infections, today announced that the Company's lead product candidate, plazomicin, has received Qualified Infectious Disease Product (QIDP) designation from the U.S.

[For more details click here.](#)

Financial Results

November 10 2014: Achaogen Announces Third Quarter 2014 Results

SOUTH SAN FRANCISCO, Calif., Nov. 10, 2014 Achaogen, Inc. (Nasdaq:AKAO), a clinical-stage biopharmaceutical company developing novel antibacterials to treat multi-drug resistant (MDR) gram-negative infections, today reported financial results for the quarter ended September 30, 2014.

A key highlight for the third quarter was the enrollment of the first patients into the CARE (Combating Antibiotic Resistant Enterobacteriaceae) pivotal Phase 3 clinical trial of plazomicin, the Company's lead product candidate for the treatment of serious bacterial infections due to MDR Enterobacteriaceae, including carbapenem-resistant Enterobacteriaceae (CRE).

[For more details click here.](#)

September 18 2014: Isis Pharmaceuticals Earns \$4 Million from Achaogen for the Initiation of a Phase 3 Study of Plazomicin

[News Story]

CARLSBAD, Calif., Sept. 17, 2014 -- Isis Pharmaceuticals, Inc. (NASDAQ:ISIS) announced that it has earned a \$4 million milestone payment from Achaogen, Inc. (NASDAQ:AKAO) associated with the initiation of a Phase 3 study of plazomicin in patients with serious multi-drug resistant (MDR), gram-negative bacterial infections.

[For more details click here.](#)

September 17 2014: Achaogen Announces First Patient Enrollment in a Phase 3 Clinical Trial of Plazomicin to Treat Infections Caused by Carbapenem-Resistant Enterobacteriaceae (CRE)

[News Story] SOUTH SAN FRANCISCO, Calif., Sept. 17, 2014 -- Achaogen, Inc. (Nasdaq:AKAO), a clinical-stage biopharmaceutical company developing novel antibacterials to treat multi-drug resistant (MDR) gram-negative infections, announced today that the first patient has been enrolled in a Phase 3 clinical trial of plazomicin to treat infections caused by carbapenem-resistant Enterobacteriaceae (CRE).

The Phase 3 clinical trial is designed to demonstrate the superiority, in terms of mortality at 28 days, of a plazomicin-based regimen compared with a colistin-based regimen in the treatment of patients with bloodstream infections or nosocomial pneumonia due to CRE.

[For more details click here.](#)

Financial Results

August 11 2014: Achaogen Announces Second Quarter 2014 Results

SOUTH SAN FRANCISCO, Calif., Aug. 11, 2014 Achaogen, Inc. (Nasdaq:AKAO), a clinical - stage biopharmaceutical company developing novel antibacterials to treat multi - drug resistant (MDR) gram - negative infections, today reported financial results for the quarter ended June 30, 2014

http://files.shareholder.com/downloads/AMDA-2JY46Z/3393678243x0x775723/eddc5a87-e819-4b1e-a94b-10fd5674b1f7/AKAO_News_2014_8_11_General_Releases.pdf

Source: Company Website

July 14 2014: Achaogen Appoints Dr. Ian Friedland as Chief Medical Officer

[Company Release] SOUTH SAN FRANCISCO, Calif., July 14, 2014 Achaogen, Inc. (Nasdaq:AKAO), a clinical-stage biopharmaceutical company developing novel antibacterials to treat multi-drug resistant (MDR) gram-negative infections, today announced the appointment of Ian Friedland, M.D. as its Chief Medical Officer.

Company Overview (continued)

Issued Capital

Based on 17,757,874 issued equity shares the market capitalisation is US\$184.3 million. It is NASDAQ's 31st largest Healthcare-Products company by assets.
The top sixteen shareholders hold 28.6% of the issued capital leaving a float of 71.4%.

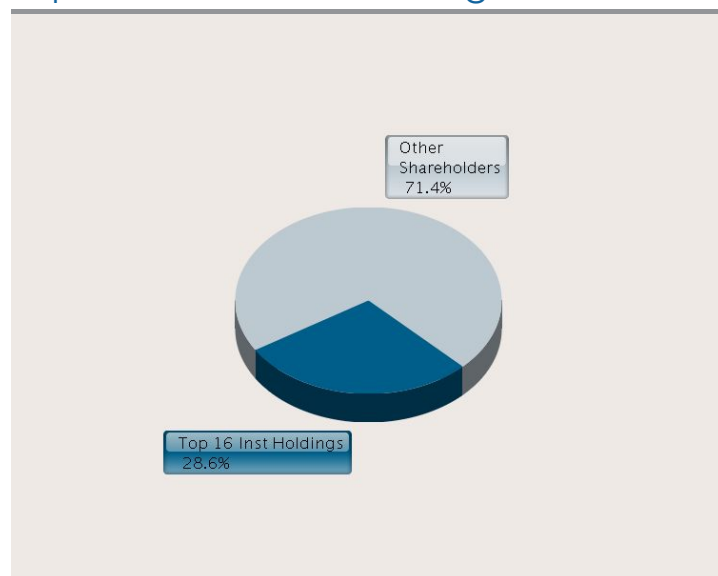
Source

Www.BuySellSignals.com

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Fmr Llc	2,652,097	14.93
Redmile Group Llc	770,422	4.34
Price T Rowe Associates Inc /Md/	394,600	2.22
Blackrock Advisors Llc	235,122	1.32
Vanguard Group Inc	217,012	1.22
Principal Financial Group Inc	150,000	0.84
Barclays Global Investors Uk Holdings Ltd	132,678	0.75
State Street Corp	118,606	0.67
Blackrock Group Ltd	114,441	0.64
Northern Trust Corp	72,259	0.41
Total	4,857,237	27.35

Top 16 Institutional Holdings



Board and Management

Chris Boerner Director

Creation of shareholder value in Achaogen:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of April 02, 2014 at close price of US\$16.05 is US\$647, for a capital loss of US\$353.

Ian R. Friedland Chief Medical Officer

Dr. Friedland joined Achaogen in 2014 as Chief Medical Officer. Prior to joining Achaogen, Dr. Friedland served as Vice President, Clinical Development at Cubist Pharmaceuticals, a publicly traded, global biopharmaceutical company focused on the research, development, and commercialization of pharmaceutical products addressing significant unmet medical needs in the acute care environment. At Cubist, he led the development of the anti-infectives, pain, and gastroenterology therapeutic areas while also managing the biostatistics, medical writing, clinical pharmacology and pharmacovigilance programs. Specific anti-infective experience included leading the development of ceftolozane/tazobactam, surtomycin and late stage daptomycin studies. Before Cubist, Dr. Friedland was the Chief Medical Officer at Calixa Therapeutics, a San Diego-based private company focused on the development of a novel cephalosporin to address the expanding problem of multi-drug resistant organisms, which was acquired by Cubist in December of 2009. Prior to Calixa, Dr. Friedland held senior managerial positions at Merck & Co where he served as Director, Clinical Research, Anti-Infectives and Johnson & Johnson as Senior Director, Clinical Research.

Christine Murray Vice President-Regulatory Affairs

Ms. Murray has served as Achaogen's Vice President, Regulatory Affairs since October 2012. Ms. Murray joined Achaogen in August 2011 as its Senior Director, Regulatory Affairs and Quality Assurance. Ms. Murray has more than 20 years industry experience in global regulatory affairs and drug development gained in both large pharmaceutical and small biotech companies. From June 2008 to July 2011, Ms. Murray was Senior Director, Regulatory Affairs at Alexza Pharmaceuticals, Inc., a specialty pharmaceutical company, where she was responsible for global filing strategies and regulatory agency interactions. From March 2004 to April 2008, Ms. Murray held positions of Director and then Senior Director in the Global Regulatory Affairs department of Gilead Sciences, Inc., a global biotechnology company, where she led regulatory submissions, medical writing and regulatory operations teams. Prior to Gilead, Ms. Murray was an independent regulatory affairs consultant in the U.K., specializing in providing global regulatory and filing strategies. She has been involved in a wide range of regulatory affairs activities from investigational new drug filings to global marketing approvals across a variety of products in the infectious diseases, respiratory, psychiatry and neurology therapeutic areas. Ms. Murray started her career in regulatory affairs at Smithkline Beecham Pharmaceuticals after earlier positions as a clinical biochemist at the Western General Hospital in Edinburgh and Yorkhill Hospital in Glasgow. Ms. Murray has a B.S. in Biochemistry from the University of Liverpool in the U.K., a M.S. degree in Clinical Biochemistry from the University of Newcastle-upon-Tyne in the U.K., and a Regulatory Affairs certification from the University of California, Santa Cruz. She also holds the Regulatory Affairs Certification (U.S.).

Financial Results (Quarterly)

30 September, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-09-30	2013-09-30	Change %
Contract revenue	4,520	4,289	Up 5.4
Operating expenses			
Research and development	10,678	5,079	Up 110.2
General and administrative	2,175	1,505	Up 44.5
Total operating expenses	12,853	6,584	Up 95.2
Loss from operations	-8,333	-2,295	Deterioration 263.1
Interest expense		271	
Other income (expense), net	21	3	Up 600.0
Net loss	-8,312	-2,563	Deterioration 224.3
Basic and diluted net loss per common share	-47.0c	-652.0c	Reduced 92.8
Weighted-average common shares outstanding used to calculate basic and diluted net loss per common share	17,711,483	392,844	Up 4,408.5

BALANCE SHEET

Currency in Thousand of USD	2014-09-30	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	46,932	10,738	Up 337.1
Short-term investments	25,098		
Contracts receivable	3,818	7,230	Down 47.2
Prepays and other current assets	727	1,873	Down 61.2
Total current assets	76,575	19,841	Up 285.9
Property and equipment, net	662	743	Down 10.9
Restricted cash	127	127	Steady
Deposit and other assets	37	47	Down 21.3
Total assets	77,401	20,758	Up 272.9
Liabilities, convertible preferred stock and stockholders' equity (deficit)			
Current liabilities:			
Accounts payable	6,221	2,923	Up 112.8
Accrued liabilities	2,677	3,004	Down 10.9
Notes payable, current portion		4,989	
Other current liabilities	113	73	Up 54.8
Total current liabilities	9,011	10,989	Down 18.0
Deferred rent	226	125	Up 80.8
Notes payable, noncurrent portion		1,698	
Other long-term liabilities		244	
Total liabilities	9,237	13,056	Down 29.3

Financial Results (Quarterly) (continued)

30 September, 2014

Commitments and contingencies

Convertible preferred stock, 0.001 par value, zero shares and 132,202,910 shares authorized at September30, 2014 and December31, 2013, respectively; zero shares and 9,796,342 shares issued and outstanding at September30, 2014 and December31, 2013, respectively 132,278

Stockholders' equity (deficit)

Common stock, 0.001 par value, 290,000,000 and 163,000,000 shares 18 authorized at September30, 2014 and December31, 2013, respectively; 17,727,843 and 392,844 shares issued and outstanding at September30, 2014 and December31, 2013, respectively

Preferred stock, 0.001 par value, 10,000,000 shares and zero shares authorized at September30, 2014 and December31, 2013, respectively; zero shares issued and outstanding at September30, 2014 and December31, 2013, respectively

Additional paid-in-capital	212,207	4,148	Up 5,015.9
Accumulated deficit	-144,046	-128,724	Deterioration 11.9
Accumulated other comprehensive loss	-15		
Total stockholders' equity (deficit)	68,164	-124,576	Recovery
Total liabilities, convertible preferred stock, and stockholders' equity (deficit)	77,401	20,758	Up 272.9

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