

Akebia Therapeutics (AKBA : US\$22.57)

Akebia Therapeutics tumbles 21.0% in third quarter, underperforming 84% of the market

Akebia Therapeutics Inc, NASDAQ's 14th largest healthcare-products company by market cap, tumbled US\$6.01 (or 21.0%) in the quarter ended September 30 to close at US\$22.57. This loss means the stock has underperformed 84% of NASDAQ-listed stocks in quarter ended September 30. The volume in the quarter was 0.6 times the average trading of 166,720 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price change of -24.9%. In the third quarter the market cap declined US\$93.6 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 13.2. Compared with the rest of the market the stock is overvalued and ranks in the bottom 1% of stocks by value of Q Ratio.

However, there are some reasons why we remain neutral on the stock for the short-term:

- Amongst stocks that are shorted, it was in the bottom quartile as a percentage of stock shorted, suggesting that there are fewer confident bears of the stock.
- Its Moving Average Convergence Divergence indicators are falling, with its 12-day EMA lower than its 26-day EMA.
- It is beating 82% of the market the past 6 months.
- In the last three months the number of falls outnumbered rises 30:17 or 1.76:1.

Stock Summary

Sector	Healthcare-Products
Market Cap	US\$457.3 million
Shares Outstanding	20,262,692
ISIN	US00972D1054
Relative Strength (3 mo)	16

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Pretax (USD)	(13.17M)	(8.2M)	(15.3M)
Net (USD)	(69.05M)	(11.52M)	(18.27M)
EPS (USD)	(3.78)	(0.63)	(1.0)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	22.6	457.3 million

Analysis

Bullish Signals

- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 82 which means it is beating 82% of the market.
- In the NASDAQ Short Selling market of 2463 stocks, short selling as a % of issued shares ranked 1897th and within the bottom quartile of stocks. This means it was lower than market average of 0.54%, a bullish indicator.
- The current short volume is 0.1 times its own historical average of 0.3%.

Other Bullish Signals:

- Return on Assets is negative but improving in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	ROE	ROA	ROCE
Dec 13	-224.5	-199.2	-40.5
Dec 12	-	-514.3	-

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Relative Strength (6M)	82	In Top Quartile

Bearish Signals

- The price is at a premium of 2.2% to the 1-month volume weighted average price (VWP) of US\$22.09. Given that this premium has been under 2.2% eighty-two times and over 2.2% forty-one times in the last year, the downside:upside probability is estimated at 82:41 or 2:1.
- In the last 17 trading sessions there has been a net decline of 0.22%; the stock has retreated thirteen times and the biggest one day decline was 4.8% on Sep 22.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 21.96 minus the 26-day EMA of 22.11 is negative suggesting a bearish signal.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 13.2. Compared with the rest of the market the stock is overvalued and ranks in the bottom 1% of stocks by value of Q Ratio.

Other Bearish Signals:

Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Volatility %	4.9	In Bottom Quartile
Price/MAP50	0.6	In Bottom 7%
Price to Book Value	14.9	In Bottom 5%

Note

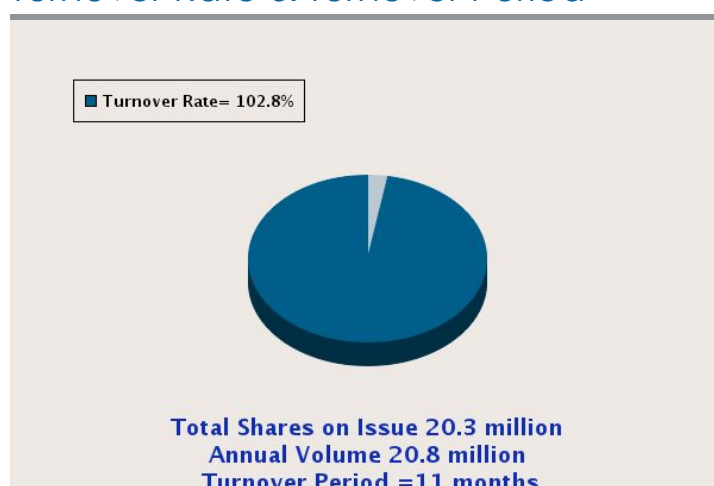
Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$153.1 million	In 2nd Quartile
MCap	US\$457.3 million	In 2nd Quartile

Short Selling to MCap



Turnover Rate & Turnover Period

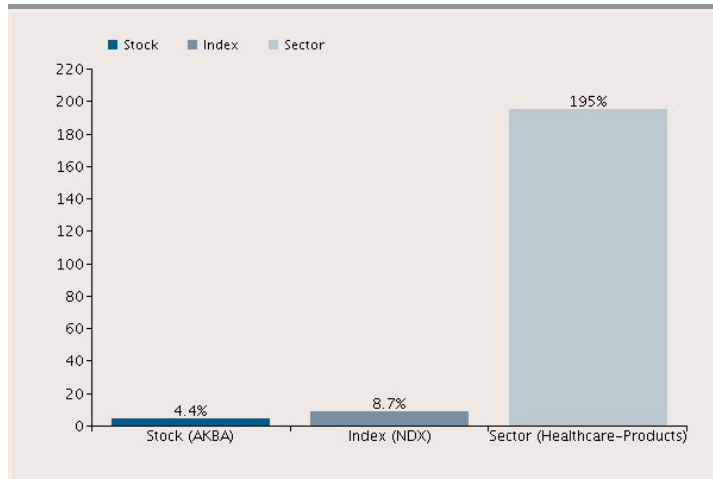


Analysis (continued)

Trailing 3 months

Turnover	US\$153.1 million
Volume	6,655,854
Volume Index (1 is avg)	0.6

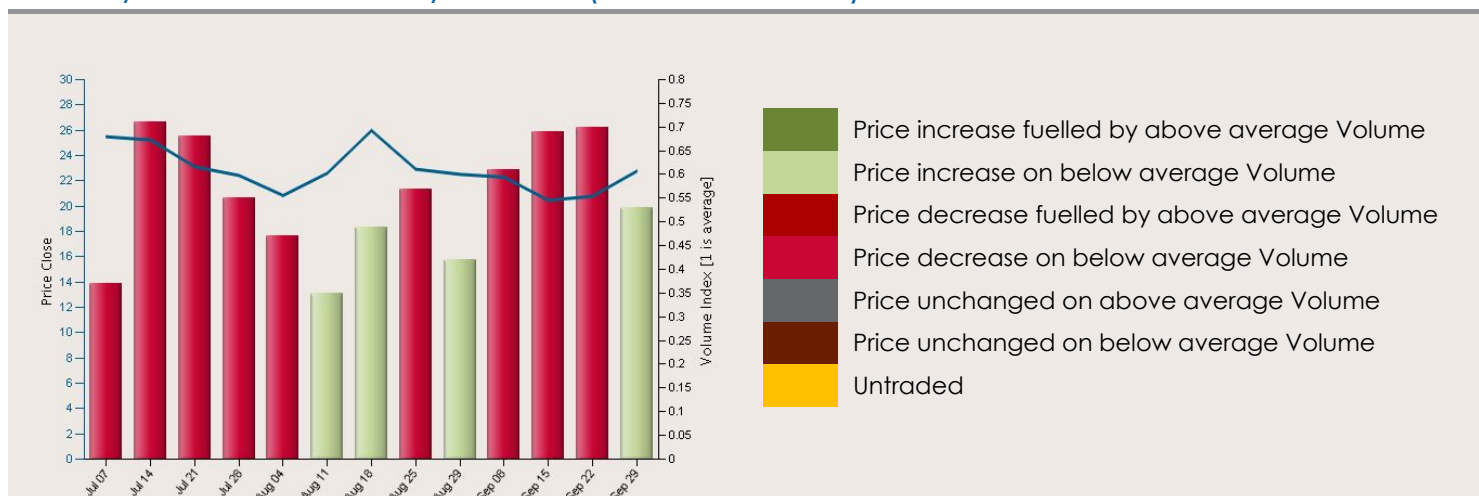
YTD Comparison Stock Sector Index



Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Company Overview

Regulatory Announcements

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

September 25: Akebia Announces Dosing of First Patient in Phase 2 Study of AKB-6548 in Patients with Anemia Related to Chronic Kidney Disease Undergoing Dialysis

September 15: Akebia Therapeutics appoints Director

August 27: Akebia to Participate in Upcoming Investor Conferences

August 11: Akebia Announces Second Quarter 2014 Financial Results

August 06: Akebia Therapeutics Announces Expansion of Management Team

July 18: Akebia Therapeutics appoints Director

July 17: Akebia Therapeutics will appoint Director

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

July 17: Kim Dueholm - Akebia Therapeutics director to resign
21 July 2014

Issued Capital

Based on 20,262,692 issued equity shares the market capitalisation is US\$457.3 million.

Gilder Gagnon Howe & Co Llc holds 0.3% and Citadel Advisors Llc holds 0.1% of the issued capital.

Top 2 Shareholders

Name of Shareholder	No. of Shares	% Held
Gilder Gagnon Howe & Co Llc	62,380	0.31
Citadel Advisors Llc	18,448	0.09
Total	80,828	0.4

Board and Management

John P. Butler CEO & President

Mr. John P. Butler is appointed as its President and Chief Executive Officer of Akebia Therapeutics, Inc., effective from September 16, 2013. Mr. Butler was most recently CEO of Inspiration Biopharmaceuticals and prior to that, held several positions at Genzyme Corporation, including President of the Cardiometabolic and Renal Division. Mr. Butler has served in additional roles over his 14-year tenure at Genzyme, his last role was President of the Rare Genetic Disease division. Prior to Genzyme, Mr. Butler held commercial positions at Amgen Inc. and Hoffmann-La Roche. Mr. Butler currently serves as the Chairman of the Board of Trustees for the American Kidney Fund. He received his bachelor's degree from Manhattan College and his MBA from the Zicklin School, Baruch College, City University of New York.

Muneer A. Satter Chairman

Muneer A. Satter has served as a member of our board of directors since 2012. Mr. Satter has been Chairman at Satter Investment Management LLC since 2012. He also manages the Satter Foundation. Prior to Satter Investment Management, Mr. Satter was a partner at Goldman Sachs where he spent 24 years in various roles, most recently as the Global Co-Head of the Principal Debt Group and Global Head of the Mezzanine Group in the Merchant Banking Division. He is Co-Chairman of the Board of Aerpio Therapeutics, Vital Therapies, Inc., and Linq3 Technologies LLC, and Chairman of the Board of Restorsea Holdings, LLC. He also serves as Vice Chairman of Goldman Sachs Foundation and GS Gives, is a director of The Nature Conservancy and World Business Chicago, is on the Board of Advisors of the American Enterprise Institute, and is on the Board of Trustees of Northwestern University. Mr. Satter received a BA in Economics from Northwestern University, a JD from Harvard Law School, and an MBA from Harvard Business School.

Jason A. Amello CFO & Senior Vice President

Mr. Jason A. Amello has been the Chief Financial Officer, Senior Vice President, Treasurer of Akebia Therapeutics Inc since 2013. Prior to joining Akebia, Mr. Amello served as Executive Vice President, Chief Financial Officer, and Treasurer of ZIOPHARM Oncology, Inc., a biopharmaceutical company, from 2012 to 2013. From 2000 to 2011, Mr. Amello held various positions at Genzyme Corporation, most recently as Senior Vice President, Corporate Controller, and Chief Accounting Officer. Earlier in his career, Mr. Amello spent 10 years in the business advisory and assurance practice of Deloitte, serving in various roles of increasing responsibility through senior manager. Mr. Amello holds a BA from Boston College and is a Certified Public Accountant in the Commonwealth of Massachusetts.

Ronald C. Renaud, Jr. Director

Mr. Renaud served as President, Chief Executive Officer and Director of Idenix Pharmaceuticals, Inc. from October 2010 until the company's recent acquisition by Merck. Prior to that, Mr. Renaud served in several key roles at Idenix including Chief Financial Officer, Treasurer and Chief Business Officer. Before joining Idenix, Mr. Renaud served as Senior Vice President and Chief Financial Officer of Keryx Biopharmaceuticals, Inc. Previously, Mr. Renaud was also a Senior Research Analyst and Global Sector Coordinator for JP Morgan Securities, where he was responsible for the biotechnology equity research effort, covering all ranges of capitalized biotechnology companies. Mr. Renaud also spent more than five years at Amgen Inc., where he held positions in clinical research, investor relations and finance. Mr. Renaud holds a B.A. from St. Anselm College and an M.B.A. from the Marshall School of Business at the University of Southern California.

Creation of shareholder value in Akebia Therapeutics:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of September 15, 2014 at close price of US\$20.46 is US\$1,103, for a capital gain of US\$103.

Board and Management (continued)

Maxine Gowen Director

Dr. Gowen joined Trevena in 2007 as its founding President and CEO. Prior to this position, Dr. Gowen held a variety of leadership roles at GlaxoSmithKline (GSK) over a period of 15 years. As Senior Vice President for the company's Center of Excellence for Drug Discovery, she developed an innovative new approach to externalizing drug discovery. Dr. Gowen was previously President and Managing Partner at SR One, the venture capital subsidiary of GSK, where she led its investments in and served on the Board of Directors of numerous companies. Dr. Gowen also previously served as Vice President, Drug Discovery, Musculoskeletal Diseases at GSK, where she was responsible for drug discovery and early development for osteoporosis, arthritis and metastatic bone disease. Dr. Gowen graduated with a B.Sc. in biochemistry from the University of Bristol, U.K., received a Ph.D. in cell biology from the University of Sheffield, U.K., and received an MBA from the Wharton School of the University of Pennsylvania. Dr. Gowen served on the Board of Directors of Human Genome Sciences until the company's acquisition by GSK in July 2012, and she currently serves on the Board of Directors of the Biotechnology Industry Organization (BIO).

Creation of shareholder value in Akebia Therapeutics:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of July 17, 2014 at close price of US\$23.43 is US\$963, for a capital loss of US\$37.

Michael D. Clayman Director

Dr. Clayman is a Co-Founder of Flexion, and has served as President and Chief Executive Officer since the company's inception in 2007. Previously, Dr. Clayman served in senior management positions at Eli Lilly and Company (Lilly), most recently as Vice President, Lilly Research Laboratories, and General Manager of Chorus, Lilly's early-phase development accelerator. Prior to Lilly, Dr. Clayman was an Assistant Professor in the School of Medicine at the University of Pennsylvania, where his research centered on the immunopathogenesis of renal disease. Additionally, Dr. Clayman is the recipient of the Physician Scientist Award from the National Institutes of Health. Dr. Clayman earned a B.A., cum laude, from Yale University and an M.D. from the University of California, San Diego School of Medicine. Following an internship and residency in Internal Medicine at the University of California, San Francisco Moffitt Hospitals, Dr. Clayman completed clinical and research fellowships in nephrology at the University of Pennsylvania.

Creation of shareholder value in Akebia Therapeutics:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of July 28, 2014 at close price of US\$23.44 is US\$963, for a capital loss of US\$37.

Financial Results (Quarterly)

30 June, 2014

INCOME STATEMENT

Currency in USD	2014-06-30	2013-06-30	Change %
Revenue			
Operating expenses:			
Research and development	5,524,895	2,453,000	Up 125.2
General and administrative	2,315,101	667,783	Up 246.7
Total operating expenses	7,839,996	3,120,783	Up 151.2
Operating loss	-7,839,996	-3,120,783	Deterioration 151.2
Other income (expense):			
Interest income (expense), net	50,442	2,906	Up 1,635.8
Extinguishment of debt and other liabilities			
Reimbursements from Aerpio	171,227	287,445	Down 40.4
Net loss	-7,618,327	-2,830,432	Deterioration 169.2
Reconciliation of net loss to net loss applicable to common stockholders:			
Net loss	-7,618,327	-2,830,432	Deterioration 169.2
Accretion on preferred stock		-49,265,010	
Net loss applicable to common stockholders	-7,618,327	-52,095,442	Reduced 85.4
Net loss per share applicable to common stockholders -basic and diluted	-39.0c	-10,319.0c	Reduced 99.6
Weighted-average number of common shares used in net loss per share applicable to common stockholders'-basic and diluted	19,652,056	504,868	Up 3,792.5

BALANCE SHEET

Currency in USD	2014-06-30	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	95,394,102	21,215,228	Up 349.6
Investments	28,851,842	11,341,241	Up 154.4
Accounts receivable	113,953	135,339	Down 15.8
Prepaid expenses and other current assets	1,691,312	739,235	Up 128.8
Total current assets	126,051,209	33,431,043	Up 277.0
Property and equipment, net	181,029	30,366	Up 496.2
Deferred offering costs		1,078,138	
Other assets	125,345	125,345	Steady
Total assets	126,357,583	34,664,892	Up 264.5
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)			

Financial Results (Quarterly) (continued)

30 June, 2014

Current liabilities:			
Accounts payable	1,488,184	714,137	Up 108.4
Accrued expenses	3,277,593	3,183,761	Up 2.9
Current portion of capital lease obligation	3,939	3,912	Up 0.7
Total current liabilities	4,769,716	3,901,810	Up 22.2
Capital lease obligation, net of current portion	6,369	8,004	Down 20.4
Other liabilities	29,532		
Total liabilities	4,805,617	3,909,814	Up 22.9
Redeemable convertible preferred stock; 0.00001 par value; 0 and 5,500,636 shares authorized at June 30, 2014 and December 31, 2013, respectively:			
Series A redeemable convertible preferred stock; 0 and 734,538 shares issued and outstanding at June 30, 2014 and December 31, 2013; (Aggregate liquidation preference of 39,367,094 at December 31, 2013)		39,367,094	
Series B redeemable convertible preferred stock; 0 and 1,287,525 shares issued and outstanding at June 30, 2014 and December 31, 2013; (Aggregate liquidation preference of 21,031,365 at December 31, 2013)		21,257,044	
Series C redeemable convertible preferred stock; 0 and 3,302,885 shares issued and outstanding at June 30, 2014 and December 31, 2013; (Aggregate liquidation preference of 97,202,997 at December 31, 2013)		97,202,997	
Total redeemable convertible preferred stock		157,827,135	
Stockholders' equity (deficit):			
Common stock; 0.00001 par value; 175,000,000 and 14,700,000 202 authorized at June 30, 2014 and December 31, 2013, respectively; 20,262,978 and 1,383,345 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	202	14	Up 1,342.9
Additional paid-in capital	202,535,864		
Treasury Stock, at cost, 775 shares	-21,362		
Accumulated other comprehensive loss	-8,216		
Accumulated deficit	-80,954,522	-127,072,071	Reduced 36.3
Total stockholders' equity (deficit)	121,551,966	-127,072,057	Recovery
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	126,357,583	34,664,892	Up 264.5

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-85.74	42.15	
Return on Assets(%)	-82.48	-154.52	Reduced 46.6

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-948.0c	-10,921.0c	Reduced 91.3

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