



April 26, 2013

Key Metrics

TROV - NASDAQ	\$5.36
Pricing Date	Apr 25 2013
Price Target	\$14.00
52-Week Range	\$8.96 - \$2.09
Shares Outstanding (mm)	14.2
Market Capitalization (\$mm)	\$76.1
3-Mo Average Daily Volume	52,437
Institutional Ownership	2%
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$0.14
Price/Book	38.3x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS (\$ FY: December

	2012E	Prior 2013E	Curr. 2013E	Prior 2014E	Curr. 2014E
1Q-Mar	(0.11)	--	(0.07)E	--	(0.04)E
2Q-Jun	(0.28)	--	(0.07)E	--	(0.03)E
3Q-Sep	(0.05)	--	(0.06)E	--	0.00E
4Q-Dec	(0.43)	--	(0.06)E	--	0.02E
FY	(0.89)	--	(0.27)E	--	(0.05)E
P/E	NM		NM		NM

**Company Description:**

Trovagene, Inc. (<http://www.trovagene.com/>), based in San Diego, CA, develops non-invasive molecular tests in cancer, infectious disease and prenatal diagnostics.

Trovagene, Inc.**Rating: Buy****Trovagene Inks PerkinElmer Partnership Deal****Investment Highlights:**

- PerkinElmer Partnership Announced.** This morning, Trovagene announced via 8-K filing that it had entered into an R&D agreement with PerkinElmer Health Sciences, Inc., pursuant to which Trovagene will design an assay, based on its proprietary transrenal nucleic acid (TrNA) technology, to determine the risk for developing hepatocellular carcinoma (HCC). Trovagene and PerkinElmer are slated to jointly validate the assay and evaluate the potential of combining Trovagene's TrNA technology with PerkinElmer's technology for automation of nucleic acid isolation. PerkinElmer is slated to pay Trovagene undisclosed milestones in conjunction with this deal. In addition, Trovagene has granted PerkinElmer an exclusive option to obtain an exclusive royalty-bearing license to use Trovagene's technology within the HCC field. We maintain our view that Trovagene could have as many as four molecular diagnostics tests on the market by the end of 2013 and that the firm could achieve cash flow breakeven status in mid-2014. Accordingly, we reiterate our Buy rating and 12-month price target of \$14.00 per share on TROV shares.
- Substantial Credibility Boost.** From our perspective, the fact that Trovagene has now accomplished the establishment of its first corporate partnership based on the TrNA detection platform is a significant achievement for the company. We further believe that investors should be enthused about the fact that this partnership was signed with PerkinElmer, a \$4bn bellwether in the life sciences tools sector and a central participant in the nucleic acid detection / analysis domains. Also, we note that the relatively narrow scope of this deal means that Trovagene retains the freedom to unlock even more shareholder value in the future by pursuing other collaborations with different companies in the diagnostics and life sciences analytics sectors.
- Multiple Shots On Goal.** We believe that Trovagene is substantially more risk-mitigated than many of its peers, because it focuses on developing tests based on highly-validated disease markers and mutations known to be correlated with disease prognosis as well as responses to specific drugs. We anticipate the launches of the firm's first oncology-focused tests, aimed at detection of B-raf and K-ras mutations, within the coming weeks. In our view, with the B-raf and K-ras mutation analysis tests on the market along with the HPV test, Trovagene should be able to attain cash flow-positive status in the second half of 2014.
- Attractive Valuation.** We note that, despite having a broad array of tests in development and a proprietary CLIA laboratory that we believe could permit self-commercialization in the next year or two, Trovagene currently trades at a market cap of roughly \$80mm, a significant discount to our risk-adjusted Net Present Value (rNPV)-based total firm value estimate of \$385mm, which factors in exercise of 3.3mm options and 6.8mm warrants currently outstanding. The firm closed 2012 with \$10.8mm in cash, which we anticipate to be sufficient to fund operations through 2013.

Table 1: Trovagene, Inc. (TROV) – Historical Income Statements, Financial Projections

FY end December 31

\$ in thousands, except per share data

	2011A	2012A	2013E				2013E	2014E				2014E
			1QE	2QE	3QE	4QE		1QE	2QE	3QE	4QE	
Revenue												
Product revenue	-	-	-	250	750	1,400	2,400	2,200	3,300	4,500	6,000	16,000
Royalty income	228	175	50	50	50	50	200	55	55	55	55	220
License fees	30	275	100	100	100	100	400	195	195	195	195	780
Total revenue	258	450	150	400	900	1,550	3,000	2,450	3,550	4,750	6,250	17,000
Expenses												
Cost of product and service revenue	-	-	-	-	-	-	-	-	-	-	-	-
Research & development	911	1,920	600	650	700	750	2,700	800	850	900	1,200	3,750
Selling and marketing	-	-	-	250	500	800	1,550	1,250	1,850	2,200	2,800	8,100
General and administrative	2,324	3,379	700	750	850	1,000	3,300	1,200	1,400	1,600	1,800	6,000
Total expenses	3,234	5,300	1,300	1,650	2,050	2,550	7,550	3,250	4,100	4,700	5,800	17,850
Gain (loss) from operations	(2,977)	(4,849)	(1,150)	(1,250)	(1,150)	(1,000)	(4,550)	(800)	(550)	50	450	(850)
Other income/expense												
Interest income/expense	(56)	-	-	5	8	7	20	4	3	2	1	10
Gain on debt extinguishment	623	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of derivative instruments	171	(6,721)	-	-	-	-	-	-	-	-	-	-
Other income/expense	-	4	-	-	-	-	-	-	-	-	-	-
Total investment income and other	738	(6,717)	-	5	8	7	20	4	3	2	1	10
Loss before provision for income taxes	(2,239)	(11,566)	(1,150)	(1,245)	(1,142)	(993)	(4,530)	(796)	(547)	52	451	(840)
Preferred stock dividend	-	(38)	(10)	(10)	(10)	(10)	(38)	(10)	(10)	(10)	(10)	(38)
Net loss/income	(2,239)	(11,604)	(1,160)	(1,255)	(1,152)	(1,003)	(4,568)	(806)	(557)	42	441	(878)
Net loss per share (basic)	(0.23)	(0.89)	(0.07)	(0.07)	(0.06)	(0.06)	(0.27)	(0.04)	(0.03)	0.00	0.02	(0.05)
Net loss per share (diluted)	(0.23)	(0.89)	(0.07)	(0.07)	(0.06)	(0.06)	(0.27)	(0.04)	(0.03)	0.00	0.02	(0.05)
Weighted average number of shares outstanding (basic)	9,711	13,067	15,654	16,754	17,854	17,954	17,054	18,054	18,154	18,254	18,354	18,204
Weighted average number of shares outstanding (diluted)	9,711	13,067	15,654	16,754	17,854	17,954	17,054	18,054	18,154	18,254	18,354	18,204

Source: Company Reports and Aegis Capital Corp. estimates

Required Disclosures

Price Target

Our 12-month price target is \$14.00 per share.

Valuation Methodology

We utilize a Net Present Value (rNPV) analysis to determine our price target objective. Using a discounted cash flow analysis, we derive an rNPV-based total firm value of roughly \$385 million, which translates into a price per share of \$14.00, assuming 28 million fully-diluted shares outstanding and ~\$60 million in cash as of the end of 1Q 2014.

Risk Factors

Issues that could prevent the achievement of our price objective include, but are not limited to, clinical, regulatory, competitive, reimbursement and financial risks. Diagnostic tools in clinical development may not advance due to inadequate safety. Regulatory agencies may decline to approve regulatory submissions in a timely manner, or may not approve a product candidate at all. The firm may require substantial funding to advance the clinical progress of its diagnostic products, which could be dilutive to current shareholders. Sales of the firm's products could depend upon reimbursement from private, as well as public, reimbursement agencies.

For important disclosures go to www.aegiscap.com.

Research analyst compensation is dependent, in part, upon investment banking revenues received by Aegis Capital Corp.

Aegis Capital Corp. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

Aegis Capital Corp. has performed investment banking services for and received fees from Trovagene, Inc. within the past 12 months.

Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	83.33	23.33
HOLD [HOLD]	16.67	16.67
SELL [SELL]	0.00	0.00

Meaning of Ratings

- A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.
- B) A Hold rating is assigned when we believe the stock price adequately reflects a company's prospects over 12-18 months.
- C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

Other Disclosures

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