



January 4, 2013

Key Metrics

TROV - NASDAQ	\$6.67
Pricing Date	Dec 12 2012
Price Target	\$12.00
52-Week Range	\$7.75 - \$1.86
Shares Outstanding (mm)	14.2
Market Capitalization (\$mm)	\$94.7
3-Mo Average Daily Volume	74,077
Institutional Ownership	3%
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$0.35
Price/Book	19.1x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS (\$) FY: December

	2011A	Prior 2012E	Curr. 2012E	Prior 2013E	Curr. 2013E
1Q-Mar	--	--	(0.11)A	--	(0.07)E
2Q-Jun	--	--	(0.28)A	--	(0.09)E
3Q-Sep	--	--	(0.05)A	--	(0.09)E
4Q-Dec	--	--	(0.07)E	--	(0.09)E
FY	--	--	(0.49)E	--	(0.34)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****MD Anderson Link For Breast Cancer Test****Investment Highlights:**

- **Trovagene Ropes In MD Anderson Cancer Center.** Recently, Trovagene reported that it has entered into a clinical collaboration agreement with the MD Anderson Cancer Center of the University of Texas, one of the foremost cancer centers in the world, to develop a novel molecular test for the diagnosis of breast cancer. This test focuses on the mutations in the BRAF gene, which are known to be associated with the development of advanced or metastatic disease. In the wake of this announcement, we reiterate our Buy rating and 15-month price target of \$12.00 per share on TROV shares.
- **BRAF Marker A Proven Target.** According to recent estimates, BRAF mutations are present in roughly 20% of all cancers, and in over 40% of thyroid and skin cancers. Several therapeutic agents targeting BRAF mutations are either already on the market or in advanced stages of clinical development, including the recently launched Roche (RHHBY/PNK, Not Rated) drug Zelboraf (vemurafenib) and the MEK inhibitor trametinib from GlaxoSmithKline (GSK/NYSE, Not Rated).
- **Multiple Shots On Goal.** We believe that Trovagene is substantially more risk-mitigated than many of its peers in the diagnostics sector, 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. In addition, the company possesses multiple potential product initiatives, several of which have been validated in terms of accuracy in various clinical trials. We expect near-term launch of several of Trovagene's proprietary tests in the U.S. market.
- **As Non-Invasive As Humanly Possible.** We note that the transrenal nucleic acid-based diagnostic approach essentially means that Trovagene's tests are not invasive at all. Nothing is less invasive than using urine as an analyte, since urine is voided naturally by the body (often multiple times per day) and therefore constitutes a natural and ideal basis for non-invasive diagnostics.
- **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 \$90mm, a significant discount to our risk-adjusted Net Present Value (rNPV)-based total firm value estimate of \$340mm, which factors in exercise of 3.3mm options and 6.8mm warrants currently outstanding.

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

FY end December 31

\$ in thousands, except per share data

	2011A	2012E				2012E	2013E				2013E	2014E
		1QA	2QA	3QA	4QE		1QE	2QE	3QE	4QE		
Revenue												
Product revenue	-	-	-	-	-	-	-	-	250	750	1,000	14,000
Royalty income	228	34	42	42	42	159	50	50	50	50	200	220
License fees	30	-	-	170	170	340	170	170	170	170	680	680
Total revenue	258	34	42	212	212	499	220	220	470	970	1,880	14,900
Expenses												
Cost of product and service revenue	-	-	-	-	-	-	-	-	-	-	-	-
Research & development	911	337	477	511	550	1,876	600	650	700	750	2,700	3,750
Selling and marketing	-	-	-	-	-	-	-	250	500	800	1,550	8,100
General and administrative	2,324	827	810	739	750	3,126	700	750	850	1,000	3,300	6,000
Total expenses	3,234	1,164	1,287	1,250	1,300	5,002	1,300	1,650	2,050	2,550	7,550	17,850
Gain (loss) from operations	(2,977)	(1,130)	(1,246)	(1,039)	(1,089)	(4,503)	(1,080)	(1,430)	(1,580)	(1,580)	(5,670)	(2,950)
Other income/expense												
Interest income/expense	(56)	-	-	-	-	-	-	5	8	7	20	10
Gain on debt extinguishment	623	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of derivative instruments	171	(32)	(2,181)	389	-	(1,825)	-	-	-	-	-	-
Other income/expense	-	-	-	-	-	-	-	-	-	-	-	-
Total investment income and other	738	(32)	(2,181)	389	-	(1,825)	-	5	8	7	20	10
Loss before provision for income taxes	(2,239)	(1,163)	(3,426)	(650)	(1,089)	(6,328)	(1,080)	(1,425)	(1,572)	(1,573)	(5,650)	(2,940)
Preferred stock dividend	-	(10)	(10)	(10)	(10)	(38)	(10)	(10)	(10)	(10)	(38)	(38)
Net loss/income	(2,239)	(1,172)	(3,436)	(660)	(1,098)	(6,366)	(1,090)	(1,435)	(1,582)	(1,583)	(5,688)	(2,978)
Net loss per share (basic)	(0.23)	(0.11)	(0.28)	(0.05)	(0.07)	(0.49)	(0.07)	(0.09)	(0.09)	(0.09)	(0.34)	(0.17)
Net loss per share (diluted)	(0.23)	(0.11)	(0.28)	(0.05)	(0.07)	(0.49)	(0.07)	(0.09)	(0.09)	(0.09)	(0.34)	(0.17)
Weighted average number of shares outstanding (basic)	9,711	11,002	12,087	14,179	14,711	12,994	15,291	16,391	17,491	17,591	16,691	17,841
Weighted average number of shares outstanding (diluted)	9,711	11,002	12,087	14,179	14,711	12,994	15,291	16,391	17,491	17,591	16,691	17,841

Source: Company Reports and Aegis Capital Corp. estimates

Required Disclosures

Price Target

Our 15-month price target is \$12.00 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 \$340 million, which translates into a price per share of \$12.00, 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. and Rosetta Genomics within the past 12 months.

Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	92.59	32.00
HOLD [HOLD]	7.41	0.00
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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