

November 26, 2013

### Key Metrics

EVOK - NASDAQ	\$8.86
Pricing Date	Nov 25 2013
Price Target	\$60.00
52-Week Range	\$14.25 - \$7.73
Shares Outstanding (mm)	5.8
Market Capitalization (\$mm)	\$51.4
3-Mo Average Daily Volume	121,895
Institutional Ownership	NA
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$(3.53)
Price/Book	(2.5)x
Dividend Yield	NM
LTM EBITDA Margin	NM

### EPS (\$) FY: December

	2012A	Prior 2013E	Curr. 2013E	Prior 2014E	Curr. 2014E
1Q-Mar	--	--	--	--	(0.37)E
2Q-Jun	--	--	--	--	(0.53)E
3Q-Sep	--	--	(0.41)A	--	(0.69)E
4Q-Dec	--	--	(0.13)E	--	(0.70)E
FY	(1.79)	--	(0.55)E	--	(2.20)E
P/E	NM		NM		NM



Source: BigCharts.com

### Company Description:

Evoke Pharma, Inc. (<http://www.evokepharma.com/>) is an emerging specialty pharmaceuticals firm headquartered in San Diego, CA.

## Evoke Pharma, Inc.

### Rating: Buy

### Clinical Research Organization Selected

### Investment Highlights:

- Phase 3 Trial Program Advancing.** This morning, Evoke Pharma announced that it had selected a clinical research organization (CRO) to conduct the planned upcoming pivotal Phase 3 trial of its sole product candidate, EVK-001. This agent is an intranasal formulation of metoclopramide, a drug that was originally approved in 1979 for diabetic gastroparesis, a disorder that involves disruption of the motility of the upper gastrointestinal (GI) tract. Evoke has obtained sanction from the FDA indicating that positive data from a single pivotal trial would be sufficient to support a regulatory filing and potentially obtain approval for the drug. Since the compound in question is already approved for the same indication in which Evoke is aiming to test it, this program seems a low-risk proposition. We expect the ~200-patient, randomized, placebo-controlled trial to begin enrollment early in 2014. In the wake of the CRO selection and in anticipation of additional milestones near-term, we reiterate our Buy rating and 18-month price target of \$60.00 per share.
- CRO Provider Identical To Phase 2 Provider - Reduced Risk.** In our view, Evoke is making a smart choice by selecting the same CRO, SynteractHCR, Inc., that conducted its 287-patient, randomized Phase 2b trial in diabetic gastroparesis. Evoke is currently selecting clinical sites to participate in the recruitment process for the Phase 3 EVK-001 trial, and is targeting approximately 60 sites in the U.S., including experienced gastroparesis sites from the Phase 2b trial of EVK-001. The Phase 3 enrollment target is 200 patients to complete the study and we expect enrollment to start in early 2014. We expect Evoke to make additional announcements soon, including the appointments of key staff to critical executive roles.
- Attractive Valuation.** Evoke Pharma went public in September 2013 at an enterprise value of ~\$50mm, raising \$25.2mm in gross proceeds from the sale of 2.1mm shares at \$12.00 per share. Total proceeds from the IPO were ~\$29mm. Currently, the stock trades at an enterprise value of under \$30mm. In our view, this is extremely cheap since that the firm is entering Phase 3 development with a proprietary formulation of an existing drug and could generate pivotal data in mid-2015, file for approval in late 2015 / early 2016 and reach the market in late 2016. We believe that Evoke's intranasal metoclopramide formulation could generate over \$400mm in peak annual sales. This translates into a risk-adjusted Net Present Value (rNPV) of roughly \$480mm, assuming patent expiration in 2030.

## **Required Disclosures**

### **Price Target**

Our 18-month price target is \$60.00 per share.

### **Valuation Methodology**

Given the fact that Evoke Pharma is currently unprofitable, we use a discounted cash flow-based approach to value the shares. Based on a comparables analysis, we believe that the stock is worth \$60.00 per share, given our estimate of a \$540 million risk-adjusted net present value (rNPV) for the firm's pipeline. This assumes that the shares trade in line with the comp group average enterprise value of \$540 million and that the firm has roughly 10 million shares outstanding and \$60 million in cash in mid-2015.

### **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. Drugs in clinical development may not advance due to inadequate safety, efficacy, or tolerability. Regulatory agencies may decline to approve regulatory submissions in a timely manner, or may not approve a drug candidate at all. The firm may require substantial funding to complete the clinical development of its candidates and establish commercial infrastructure, which could be dilutive to current shareholders. We expect competition for the company's drugs from several public and private companies developing pharmaceuticals. Sales of the firm's drugs could depend upon reimbursement from private, as well as public, reimbursement agencies.

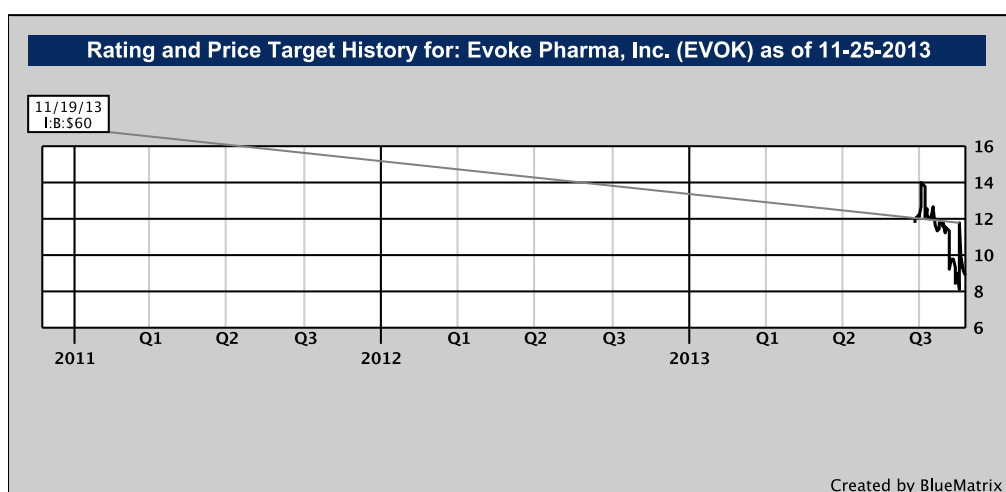
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Aegis Capital Corp. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

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

Aegis Capital Corp. makes a market in Evoke Pharma, Inc..



Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	82.05	28.12
HOLD [HOLD]	17.95	14.29
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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