



March 18, 2014

Key Metrics

HTBX - NASDAQ	\$6.34
Pricing Date	Mar 17 2014
Price Target	\$36.00
52-Week Range	\$15.29 - \$5.95
Shares Outstanding (mm)	6.4
Market Capitalization (\$mm)	\$40.6
3-Mo Average Daily Volume	19,935
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$3.75
Price/Book	1.7x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS (\$) FY: December

	2013E	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q-Mar	(1.66)A	--	(0.39)E	--	(0.43)E
2Q-Jun	(0.92)A	--	(0.38)E	--	(0.45)E
3Q-Sep	(0.48)A	--	(0.37)E	--	(0.48)E
4Q-Dec	(0.29)E	--	(0.40)E	--	(0.52)E
FY	(2.37)E	--	(1.53)E	--	(1.89)E
P/E	NM		NM		NM



Source: BigCharts.com

Company Description:

Heat Biologics, Inc. (<http://www.heatbio.com/>) is an emerging biotechnology firm focusing on the development of novel oncology-focused therapeutics.

Heat Biologics, Inc.**Rating: Buy****Heat Biologics Makes Clinical Progress****Investment Highlights:**

- **Bladder Cancer Patient Dosing Up And Running.** Earlier this month, Heat Biologics announced that it had successfully dosed the first patient in a Phase 1 / 2 bladder cancer trial assessing its lead product candidate HS-410. This is a 93-patient, multi-center study designed to determine whether vaccination with HS-410 after trans-urethral resection of bladder tumor (TURBT) and bacillus Calmette-Guerin (BCG) extends time to disease recurrence vs. placebo. It is also designed to assess the safety of HS-410. Heat Biologics has also made progress on a number of other fronts this month, including appointing Dr. Robert Corder, Ph.D., as Vice President of Manufacturing. Dr. Corder is an expert in bioprocess scale-up, manufacturing and cGMP-compliant production for new vaccine candidates, with over two decades of expertise in this area. His prior experience includes stints at firms such as Wyeth and Pfizer (PFE/NYSE, Not Rated). In anticipation of positive proof-of-concept data with HS-410 in bladder cancer later this year, we reiterate our Buy rating and 18-month price target of \$36.00 per share on HTBX.
- **Multiple Value Drivers Approaching.** We anticipate the initiation of enrollment in a second Phase 2 study in non-small cell lung cancer (NSCLC) with Heat Biologics' second lead agent HS-110, which has already shown positive proof-of-concept data in this indication. These studies could both report interim data in 2014. From our perspective, positive initial safety and efficacy results with both of these candidates should validate the ImPACT™ technology platform and potentially pave the way for the firm to ink multiple licensing deals or potentially be acquired by a more established firm in the oncology domain. We also note that Heat Biologics remains in collaboration discussions with more established firms on the application of the ImPACT™ approach in areas beyond cancer, including infectious diseases.
- **Attractive Valuation.** Heat Biologics currently trades at a <\$50mm market cap. NewLink Genetics (NLNK/NASDAQ, Not Rated), trades at an \$800mm market cap. While the interim analysis of NewLink's ongoing Phase 3 pancreatic cancer study of that firm's immunotherapy platform, designated HyperAcute®, resulted in the recommendation that the trial continue instead of being terminated early, we note that NewLink's Phase 3 program remains ongoing and that this should not be viewed as a negative for Heat. We remain convinced that the ImPACT™ platform should perform better than HyperAcute® in clinical oncology studies.

Table 1: Heat Biologics (HTBX) – Historical Income Statements, Financial Projections

FY end December 31

\$ in thousands, except per share data

	2012A	2013E					2014E				2014E	2015E
		1QA	2QA	3QA	4QE	2013E	1QE	2QE	3QE	4QE		
Revenue												
Product revenue	-	-	-	-	-	-	-	-	-	-	-	-
Service revenue	-	-	-	-	-	-	-	-	-	-	-	-
Research and other	3	-	-	-	-	-	-	-	-	-	-	-
Total revenue	3	-	-	-	-	-	-	-	-	-	-	-
Expenses												
Cost of product and service revenue	-	-	-	-	-	-	-	-	-	-	-	-
Research & development	903	440	689	992	1,000	3,121	1,300	1,500	1,700	1,800	6,300	8,900
Clinical and regulatory	253	62	455	231	300	1,048	550	600	650	700	2,500	3,900
General and administrative	1,190	268	438	738	500	1,944	600	700	800	900	3,000	4,000
Total expenses	2,346	770	1,582	1,961	1,800	6,113	2,450	2,800	3,150	3,400	11,800	16,800
Gain (loss) from operations	(2,343)	(770)	(1,582)	(1,961)	(1,800)	(6,113)	(2,450)	(2,800)	(3,150)	(3,400)	(11,800)	(16,800)
Other income/expense												
Interest income/expense	(101)	(28)	(32)	(40)	(40)	(140)	(45)	(50)	(55)	(60)	(210)	(210)
Realized loss on marketable securities		(2,300)	-	-	-	(2,300)						
Other income/expense	(27)	10	(60)	(28)	(30)	(109)	(30)	(30)	(30)	(30)	(120)	(120)
Total investment income and other	(128)	(2,318)	(92)	(68)	(70)	(2,548)	(75)	(80)	(85)	(90)	(330)	(330)
Loss before provision for income taxes	(2,471)	(3,088)	(1,674)	(2,029)	(1,870)	(8,661)	(2,525)	(2,880)	(3,235)	(3,490)	(12,130)	(17,130)
Deferred income tax benefit	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(2,471)	(3,088)	(1,674)	(2,029)	(1,870)	(8,661)	(2,525)	(2,880)	(3,235)	(3,490)	(12,130)	(17,130)
Net income (loss) - non-controlling interest	-	-	(53)	(62)	-	(115)	-	-	-	-	-	-
Preferred stock dividend	-	-	-	362	-	-	-	-	-	-	-	-
Net income (loss) attributable to common shareholders	(2,471)	-	(1,621)	(2,329)	(1,870)	(8,777)	(2,525)	(2,880)	(3,235)	(3,490)	(12,130)	(17,130)
Net loss per share (basic)	(1.32)	(1.66)	(0.92)	(0.48)	(0.29)	(2.37)	(0.39)	(0.38)	(0.37)	(0.40)	(1.53)	(1.89)
Net loss per share (diluted)	(1.32)	(1.66)	(0.92)	(0.48)	(0.29)	(2.37)	(0.39)	(0.38)	(0.37)	(0.40)	(1.53)	(1.89)
Weighted average number of shares outstanding (basic)	2,055	1,790	1,762	4,836	6,416	3,701	6,516	7,616	8,716	8,816	7,916	9,066
Weighted average number of shares outstanding (diluted)	2,055	1,790	1,762	4,836	6,416	3,701	6,516	7,616	8,716	8,816	7,916	9,066

Source: Company Reports and Aegis Capital Corp. estimates

Required Disclosures

Price Target

Our 18-month price target is \$36.00 per share.

Valuation Methodology

We utilize a discounted cash flow analysis supporting a risk-adjusted Net Present Value framework to derive the price target. Intrinsic value for the company's product candidates is calculated based upon the size of the market, projected peak penetration rate, competitive landscape, probability of approval based on publicly available clinical data, length of patent term protection and other factors. Intrinsic values are then added to derive the price target.

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 advance the clinical progress of its candidates, 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 products could depend upon reimbursement from private, as well as public, reimbursement agencies.

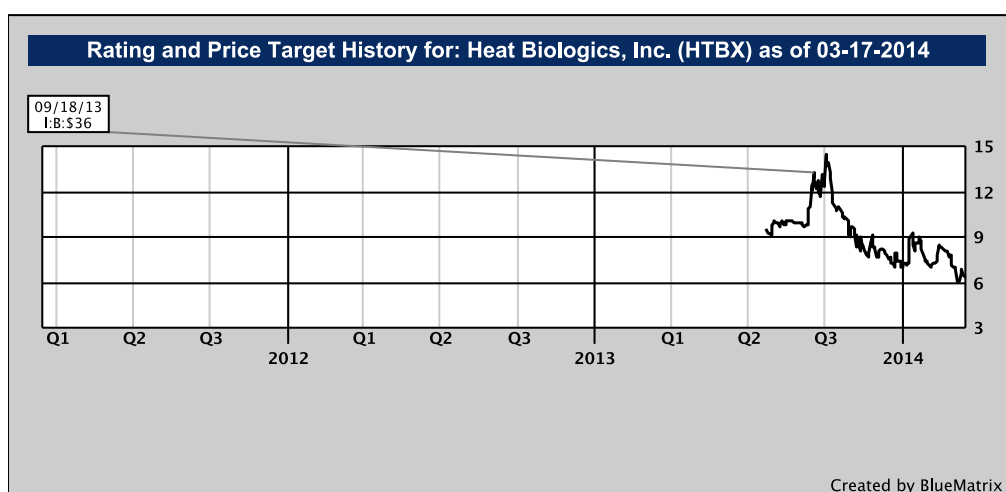
For important disclosures go to www.aegiscap.com.

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 Heat Biologics, Inc. within the past 12 months.

Aegis Capital Corp. makes a market in Heat Biologics, Inc..



Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	80.43	37.84
HOLD [HOLD]	19.57	22.22
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

The information contained herein is based upon sources believed to be reliable but is not guaranteed by us and is not considered to be all inclusive. It is not to be construed as an offer or the solicitation of an offer to sell or buy the securities mentioned herein. Aegis Capital Corp., its affiliates, shareholders, officers, staff, and/or members of their families, may have a position in the securities mentioned herein, and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the Firm from time to time in the open market or otherwise. Opinions expressed are our present opinions only and are subject to change without notice. Aegis Capital is under no obligation to provide updates to the opinions or information provided herein. Additional information is available upon request.

© Copyright 2014 by Aegis Capital

Aegis Capital Corp.
(212) 813-1010
810 Seventh Avenue, 18th Floor
New York, New York 10019