



May 14, 2014

Key Metrics

EVOK - NASDAQ	\$7.58
Pricing Date	May 13 2014
Price Target	\$60.00
52-Week Range	\$14.25 - \$6.48
Shares Outstanding (mm)	6.0
Market Capitalization (\$mm)	\$45.5
3-Mo Average Daily Volume	36,274
Institutional Ownership	NA
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$3.55
Price/Book	2.1x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS (\$) FY: December

	2013A	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q-Mar	(0.30)	(0.37)E	(0.49)A	--	(0.60)E
2Q-Jun	(0.35)	--	(0.53)E	--	(0.63)E
3Q-Sep	(0.41)	--	(0.69)E	(0.48)E	(0.49)E
4Q-Dec	(0.27)	(0.73)E	(0.74)E	--	(0.40)E
FY	(1.20)	(2.26)E	(2.36)E	(1.98)E	(2.00)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****Evoke Reports 1Q 2014 Financial Results****Investment Highlights:**

- Financials Reported - Quarterly Enrollment Updates Planned.** On Tuesday, May 13, 2014, Evoke reported financial results for the first quarter of 2014. The firm ended the quarter with \$21.8mm in cash, roughly in line with our estimates. While the net loss was higher than we had projected, coming in at \$0.49 per share vs. our estimate of a net loss of \$0.37 per share, we note that this was primarily due to marginally higher-than-expected R&D expenses and that such results are a direct consequence of running a pivotal Phase 3 trial, which began enrollment last month. Evoke is currently running a 200-patient, randomized, double-blinded and placebo-controlled study in diabetic gastroparesis with its lead drug candidate, EVK-001 (intranasal metoclopramide). The firm indicated on its conference call that it would be providing enrollment updates on a quarterly basis, each time it reports earnings. We believe that enrollment in this four-week trial should proceed in a timely manner and be completed before the end of this year. Data should be released in early to mid-2015. In our view, Evoke remains one of the most undervalued and underappreciated investment opportunities in the healthcare sector, particularly now given its status as a *bona fide* Phase 3-level company. The firm reiterated on its earnings call that it has sufficient capital to complete the Phase 3 trial and retain a reasonable cash cushion, although additional capital would need to be raised in order to support the filing of a New Drug Application (NDA) and potential launch of the drug. We reiterate our Buy rating and 15-month price target of \$60.00 per share.
- Digestive Disease Week Data Presentation.** The previously-reported Phase 2b data with intranasal metoclopramide were recently presented in their entirety at the Digestive Disease Week (DDW) conference in an oral presentation. DDW represents one of the principal scientific and clinical conferences in the gastroenterology domain. The data were presented by Dr. Henry Parkman, director of the gastrointestinal (GI) motility laboratory at Temple University School of Medicine. The firm reported that this presentation was well-received by the medical community and that there is rapidly growing interest in EVK-001 as a potential therapeutic for diabetic gastroparesis.
- 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 very cheap, as the firm could generate pivotal data in mid-2015, file for approval in late 2015 / early 2016 and reach the market in late 2016. We believe Evoke's intranasal metoclopramide formulation could generate >\$400mm in peak annual sales. This translates into a risk-adjusted Net Present Value (rNPV) of ~\$480mm, assuming patent expiration in 2030.

Table 1: Evoke Pharma, Inc. (EVOK) – Historical Income Statements, Financial Projections

FY end December 31

\$ in thousands, except per share data

	2011A	2012A	2013A	2014E				2014E	2015E				2015E
				1QA	2QE	3QE	4QE		1QE	2QE	3QE	4QE	
Revenue													
Product revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Service revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Research and other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses													
Cost of product and service revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Research & development	1,844	1,166	957.0	1,852	2,500	3,500	4,500	12,352	4,000	3,000	2,100	1,500	10,600
Selling and marketing	-	-	-	-	-	-	-	-	-	-	-	-	-
General and administrative	571	837	1,645	1,070	700	750	800	3,320	1,000	2,300	2,700	3,000	9,000
Total expenses	2,415	2,002	2,602	2,923	3,200	4,250	5,300	15,673	5,000	5,300	4,800	4,500	19,600
Gain (loss) from operations	(2,415)	(2,002)	(2,602)	(2,923)	(3,200)	(4,250)	(5,300)	(15,673)	(5,000)	(5,300)	(4,800)	(4,500)	(19,600)
Other income/expense													
Interest income	-	-	7	4	3	2	6	15	8	6	65	55	134
Interest expense	-	-	(160)	(37)	(35)	(30)	(25)	(127)	(20)	(15)	(10)	(5)	(50)
Change in fair value of warrant liability	13	(15)	(82)	-	-	-	-	-	-	-	-	-	-
Total investment income and other	13	(15)	(235)	(33)	(32)	(28)	(19)	(112)	(12)	(9)	55	50	84
Income (Loss) before provision for income taxes	(2,401)	(2,018)	(2,836)	(2,955)	(3,232)	(4,278)	(5,319)	(15,784)	(5,012)	(5,309)	(4,745)	(4,450)	(19,516)
Deferred income tax benefit	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss/income	(2,401)	(2,018)	(2,836)	(2,955)	(3,232)	(4,278)	(5,319)	(15,784)	(5,012)	(5,309)	(4,745)	(4,450)	(19,516)
Net loss per share (basic)	(2.18)	(1.79)	(1.20)	(0.49)	(0.53)	(0.69)	(0.74)	(2.36)	(0.60)	(0.63)	(0.49)	(0.40)	(2.00)
Net loss per share (diluted)	(2.18)	(1.79)	(1.20)	(0.49)	(0.53)	(0.69)	(0.74)	(2.36)	(0.60)	(0.63)	(0.49)	(0.40)	(2.00)
Weighted average number of shares outstanding (basic)	1,103	1,124	2,368	6,003	6,125	6,175	7,225	6,675	8,300	8,400	9,750	11,100	9,750
Weighted average number of shares outstanding (diluted)	1,103	1,124	2,368	6,003	6,125	6,175	7,225	6,675	8,300	8,400	9,750	11,100	9,750

Source: Company Reports and Aegis Capital Corp. estimates

Required Disclosures

Price Target

Our 15-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 ~\$550 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 \$550 million and that the firm has roughly 12 million shares outstanding and \$150 million in cash as of the end of the third quarter of 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.

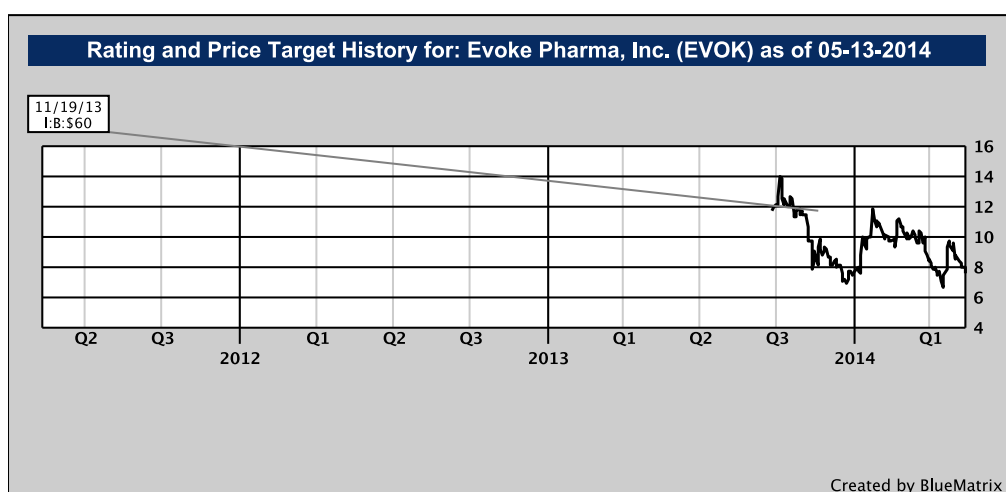
For important disclosures go to www.aegiscap.com.

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 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]	78.26	41.67
HOLD [HOLD]	21.74	20.00
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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Aegis Capital Corp.
(212) 813-1010
810 Seventh Avenue, 18th Floor
New York, New York 10019