



November 25, 2013

Key Metrics

HTBX - NASDAQ	\$8.05
Pricing Date	Nov 22 2013
Price Target	\$36.00
52-Week Range	\$13.50 - \$7.50
Shares Outstanding (mm)	6.2
Market Capitalization (\$mm)	\$49.9
3-Mo Average Daily Volume	49,880
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$0.68
Price/Book	11.8x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS (\$) FY: December

	2013E	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q-Mar	(1.66)A	(0.36)E	(0.39)E	--	(0.43)E
2Q-Jun	(0.92)A	(0.34)E	(0.38)E	--	(0.45)E
3Q-Sep	(0.48)A	(0.34)E	(0.37)E	--	(0.48)E
4Q-Dec	(0.29)E	(0.36)E	(0.40)E	--	(0.52)E
FY	(2.37)E	(1.39)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****Moving Forward: End-Of-Year Catalysts Ahead****Investment Highlights:**

- **HS-410 Manufacturing Run Successfully Completed.** This morning, Heat Biologics announced that it has successfully completed manufacturing of its lead agent HS-410, a cell-based immunotherapy approach, for the upcoming Phase 1 / 2 bladder cancer trial. In the wake of this news, and in anticipation of additional catalysts in December 2013 and January 2014, 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 two Phase 2 studies by Heat Biologics near-term; a trial in bladder cancer with HS-410; and a trial in non-small cell lung cancer (NSCLC) with its 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. Near-term, we believe that the company should announce the submission of the IND for HS-110 in lung cancer as well as the enrollment of the first patient in the bladder cancer study before the end of December 2013.
- **Solid Cash Position.** Following the recent IPO of the company, which was underwritten by Aegis Capital Corp. as sole bookrunner, Heat Biologics closed the third quarter of 2013 with \$23.6mm in cash. We believe this should be sufficient to fund operations well into 2015 and through proof-of-concept data with HS-410 in bladder cancer as well as HS-110 in lung cancer.
- **Powerful Proprietary Platform.** The firm's technology is based on the discovery that the gp96 chaperone can be harnessed as an all-purpose tool - a molecular Swiss Army knife - to present cancer-associated antigens to the immune system of cancer patients. This leads to a robust cytotoxic response against the patient's own tumor cells mediated by CD8+ cytotoxic T lymphocytes (CTLs), and has been shown in a proof-of-concept Phase 1 study to correlate with significant increases in patient survival. Prior characterization of CTL-based immune responses has shown that this is the most effective way to eradicate cancer via active immunotherapy.
- **Attractive Valuation.** Heat Biologics currently trades at a <\$50mm enterprise value. NewLink Genetics (NLNK/NASDAQ, Not Rated), trades at a >\$500mm enterprise value. We feel that the Heat platform, while relatively early-stage, is superior to the NewLink platform and that Heat shares could trade at a premium to NewLink's current valuation within the next 12 - 18 months as awareness of Heat's unique positioning continues to grow. If interim data from NewLink's Phase 3 pancreatic cancer trial - slated for release early in 2014 - are positive, we believe Heat shares could get a significant lift.

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

FY end December 31

\$ in thousands, except per share data

	2012A	2013E				2013E	2014E				2014E	2015E				2015E
		1QA	2QA	3QA	4QE		1QE	2QE	3QE	4QE		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	2,000	2,100	2,300	2,500	8,900
Clinical and regulatory	253	62	455	231	300	1,048	550	600	650	700	2,500	800	900	1,000	1,200	3,900
General and administrative	1,190	268	438	738	500	1,944	600	700	800	900	3,000	1,000	1,000	1,000	1,000	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	3,800	4,000	4,300	4,700	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)	(3,800)	(4,000)	(4,300)	(4,700)	(16,800)
Other income/expense																
Interest income/expense	(101)	(28)	(32)	(40)	(40)	(140)	(45)	(50)	(55)	(60)	(210)	(45)	(50)	(55)	(60)	(210)
Realized loss on marketable securities	-	(2,300)	-	-	-	(2,300)	-	-	-	-	-	-	-	-	-	-
Other income/expense	(27)	10	(60)	(28)	(30)	(109)	(30)	(30)	(30)	(30)	(120)	(30)	(30)	(30)	(30)	(120)
Total investment income and other	(128)	(2,318)	(92)	(68)	(70)	(2,548)	(75)	(80)	(85)	(90)	(330)	(75)	(80)	(85)	(90)	(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)	(3,875)	(4,080)	(4,385)	(4,790)	(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)	(3,875)	(4,080)	(4,385)	(4,790)	(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)	(3,875)	(4,080)	(4,385)	(4,790)	(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)	(0.43)	(0.45)	(0.48)	(0.52)	(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)	(0.43)	(0.45)	(0.48)	(0.52)	(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	8,916	9,016	9,116	9,216	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	8,916	9,016	9,116	9,216	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.

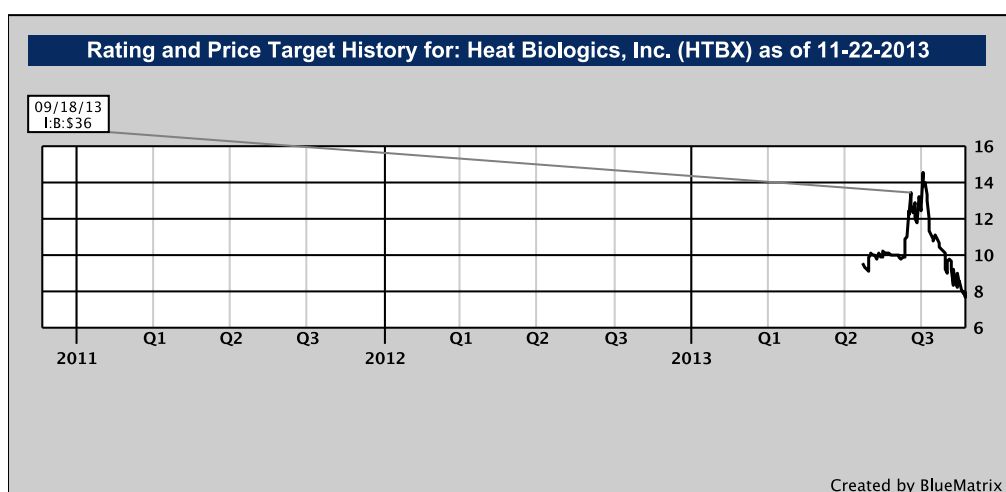
For important disclosures go to www.aegiscap.com.

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]	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

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.

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