

January 22, 2014

Key Metrics

EVOK - NASDAQ	\$13.50
Pricing Date	Jan 22 2014
Price Target	\$60.00
52-Week Range	\$14.25 - \$6.75
Shares Outstanding (mm)	6.1
Market Capitalization (\$mm)	\$82.4
3-Mo Average Daily Volume	78,852
Institutional Ownership	NA
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$(3.53)
Price/Book	(3.8)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

Going From Strength To Strength

Investment Highlights:

- **Positive Phase 2 Data Published.** This morning, Evoke Pharma announced the publication of a study that found intranasal delivery of metoclopramide to be more effective in managing symptoms of diabetic gastroparesis vs. a marketed oral tablet formulation of metoclopramide. The Phase 2b study, which was published online ahead-of-print for an upcoming issue of *Neurogastroenterology & Motility*, enrolled 89 patients from six study sites throughout the U.S. The multicenter, randomized, open-label, parallel design study was the first to compare the efficacy and safety of intranasal to oral metoclopramide when dosed four times a day for six weeks. In our view, the publication of the results from this trial underscores the differentiated profile of Evoke's lead drug candidate, EVK-001. We expect the pivotal trial of this agent, a ~200-patient, randomized, placebo-controlled study, to begin enrollment within the next four to five months. In our view, Evoke remains one of the most undervalued and underappreciated investment opportunities in the healthcare sector. Following the publication of the Phase 2b trial results, we reiterate our Buy rating and 18-month price target of \$60.00 per share.
- **Senior Management Appointed.** In December 2013, Evoke announced that it had appointed Marilyn R. Carlson, D.M.D., M.D., RAC, as Chief Medical Officer and Wayne Alves, Ph.D., as Senior Director of Clinical Operations. Dr. Carlson has more than 22 years of experience in the development and post-marketing support of drugs, biologics, devices and diagnostics. She is one of the founders of Agility Clinical, Inc., a contract research organization (CRO) focused on orphan drug development, and is the founder of entreMeDica, a healthcare consulting firm. Dr. Carlson has held senior medical, regulatory, and/or clinical positions at Synteract, Inc., Prometheus Laboratories, Inc., XOMA (US) LLC, and Procter & Gamble and has participated in more than 50 clinical studies in various capacities. Dr. Alves was President and Principal Consultant of Sage Clinical Development, LLC, a pharmaceutical development consulting firm. Previously, he held senior project leadership and research positions at Cadence Pharmaceuticals, Inc., Valeant Pharmaceuticals (VRX/NYSE, Buy), Xcel Pharmaceuticals, Inc. (acquired by Valeant), DevCo Pharmaceuticals and INC Research Inc.
- **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 \$45mm. 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 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.

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

FY end December 31

\$ in thousands, except per share data

	2011A	2012A	2013E	2014E				2014E	2015E
				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	571	1,500	2,500	3,500	4,500	12,000	10,600
Selling and marketing	-	-	-	-	-	-	-	-	-
General and administrative	571	837	1,250	650	700	750	800	2,900	9,000
Total expenses	2,415	2,002	1,821	2,150	3,200	4,250	5,300	14,900	19,600
Gain (loss) from operations	(2,415)	(2,002)	(1,821)	(2,150)	(3,200)	(4,250)	(5,300)	(14,900)	(19,600)
Other income/expense									
Interest income/expense	-	-	(15)	(110)	(115)	(120)	(90)	(435)	(59)
Change in fair value of preferred stock purchase right	-	-	-	-	-	-	-	-	-
Change in fair value of warrant liability	13	(15)	-	-	-	-	-	-	-
Other income/expense	-	-	(198)	-	-	-	-	-	-
Total investment income and other	13	(15)	(175)	(110)	(115)	(120)	(90)	(435)	(59)
Income (Loss) before provision for income taxes	(2,401)	(2,018)	(1,996)	(2,260)	(3,315)	(4,370)	(5,390)	(15,335)	(19,659)
Deferred income tax benefit	-	-	-	-	-	-	-	-	-
Net loss/income	(2,401)	(2,018)	(1,996)	(2,260)	(3,315)	(4,370)	(5,390)	(15,335)	(19,659)
Net loss per share (basic)	(2.18)	(1.79)	(0.55)	(0.37)	(0.53)	(0.69)	(0.70)	(2.20)	(1.88)
Net loss per share (diluted)	(2.18)	(1.79)	(0.55)	(0.37)	(0.53)	(0.69)	(0.70)	(2.20)	(1.88)
Weighted average number of shares outstanding (basic)	1,103	1,124	3,627	6,187	6,267	6,347	7,677	6,972	10,467
Weighted average number of shares outstanding (diluted)	1,103	1,124	3,627	6,187	6,267	6,347	7,677	6,972	10,467

Source: Company Reports and Aegis Capital Corp. estimates

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.

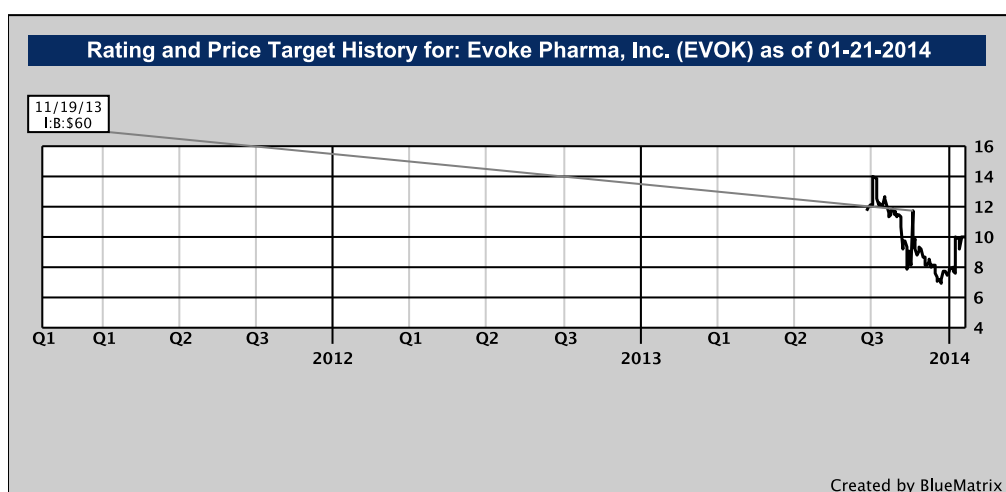
For important disclosures go to www.aegiscap.com.

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]	82.93	32.35
HOLD [HOLD]	17.07	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.

© Copyright 2012 by Aegis Capital

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