

Evoke Pharma (EVOK : US\$8.09)

Evoke Pharma sinks 13.0% in second quarter, underperforming 80% of the market

Evoke Pharma Inc, NASDAQ's 73rd largest medical company by market cap, sank US\$1.21 (or 13.0%) in the quarter ended June 30 to close at US\$8.09. This loss means the stock has underperformed 80% of NASDAQ-listed stocks in quarter ended June 30. The volume in the quarter was 0.6 times the average trading of 32,706 shares. Compared with the NASDAQ-100 Index which rose 191.1 points (or 5.2%), this represents a relative price change of -18.2%. In the second quarter the market cap declined US\$13.2 million.

Introduction

We are currently bearish on this stock, both in the short-term based on technical indicators, as well as in the long-term based on fundamental metrics

What makes us most bearish on the stock is the following:

- In the last three months the number of falls outnumbered rises 32:30 or 1.07:1.

However, there are some reasons why some in the market are more bullish on the stock:

- Its Moving Average Convergence Divergence indicators are rising, with its 12-day EMA higher than its 26-day EMA.
- The Price to Book of 2.3 lower than average of 7.2 for the Medical sector and 6.2 for the Total NASDAQ Market.

Stock Summary

Sector	Medical
Market Cap	US\$49.3 million
Shares Outstanding	6,096,752
ISIN	US30049G1040
Relative Strength (3 mo)	20

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Pretax (USDm)	-	-	(2.4)
Net (USDm)	(2.8)	(2)	(2.4)
EPS (USD)	(1.2)	(1.79)	-

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	8.1	49.3 million

Analysis

Bullish Signals

- In the last 18 trading sessions there has been a net rise of 12.36%; the stock has advanced twelve times and the biggest one day rise was 8.5% on Jun 09.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 7.99 minus the 26-day EMA of 7.96 is positive suggesting a bullish signal. Both the 12-day EMA as well as the 26-day EMA are rising, another bullish signal.
- The current short volume is 0.6 times its own historical average of 0.2%.

Undervaluation:

- The Price to Book of 2.3 lower than average of 7.2 for the Medical sector and 6.2 for the Total NASDAQ Market.
- The company is cash rich with Cash to Market Capitalisation at 49.1%.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 2. Compared with the rest of the market the stock is undervalued.

Other Bullish Signals:

- Return on Assets is negative but improving in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	ROE	ROA
Dec 13	-13.4	-11.4
Dec 12	-	-1,739.1

Also, the following criteria set by Benjamin Graham:

- "Total debt less than tangible book value"; total debt of \$US3 Million is less than tangible book value of \$US21.2 Million.
- "Current ratio of two or more"; current assets are 10.7 times current liabilities.
- "Total debt equal or less than twice the net quick liquidation value"; total debt of \$US3 Million is 0.1 times the net liquidation value of \$US21.48 Million.

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Cash to MCap %	49.1	In Top 1%
Price Change %	1.8	In Top Quartile

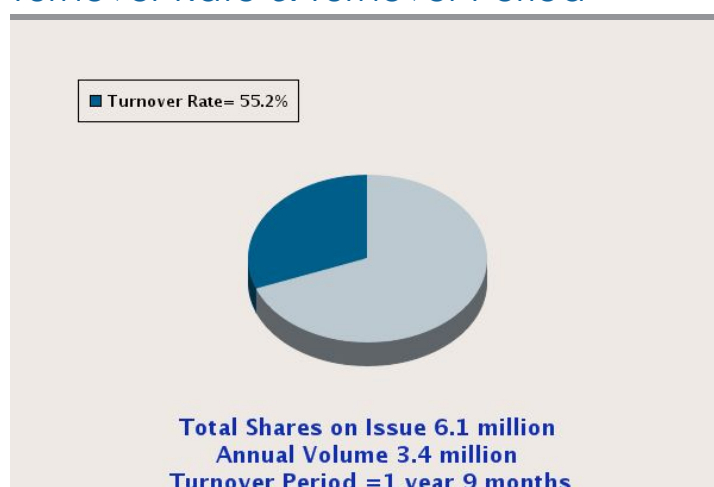
Bearish Signals

- The price is at a premium of 3.9% to the 1-month volume weighted average price of US\$7.79. Given that this premium has been under 3.9% eighty-six times and over 3.9% fourteen times in the last year, the downside:upside probability is estimated at 86:14 or 6.1:1.

Other Bearish Signals: Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$10.7 million	In Bottom Quartile
MCap	US\$49.3 million	In Bottom Quartile
Price/MAP50	0.54	In Bottom 4%

Turnover Rate & Turnover Period



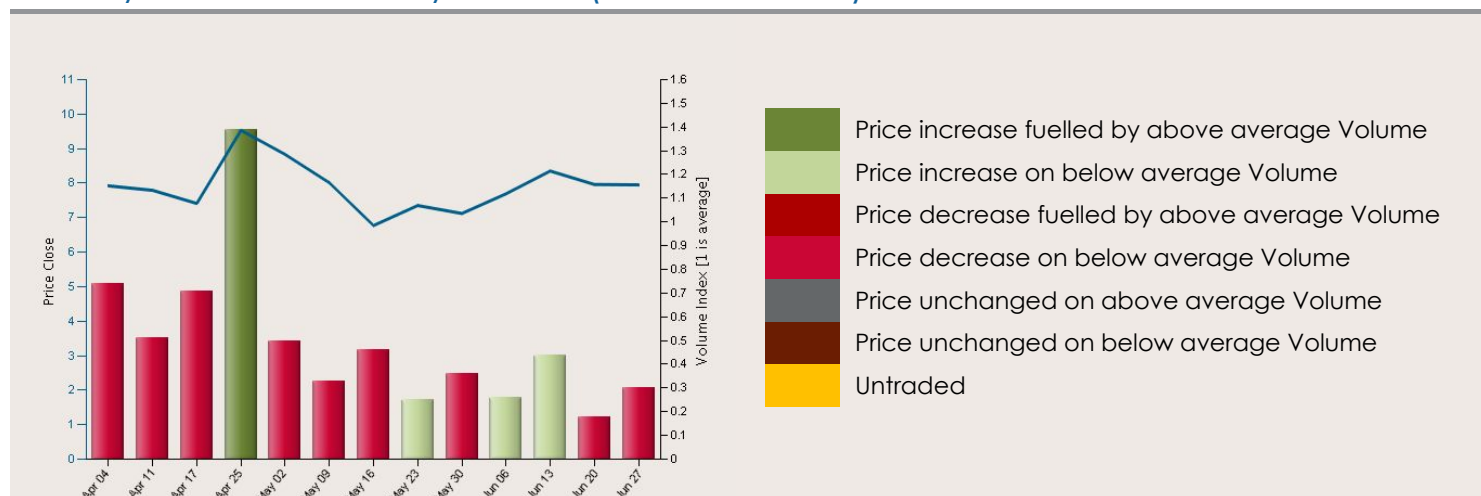
Trailing 3 months

Turnover	US\$10.7 million
Volume	1,300,416
Volume Index (1 is avg)	0.6

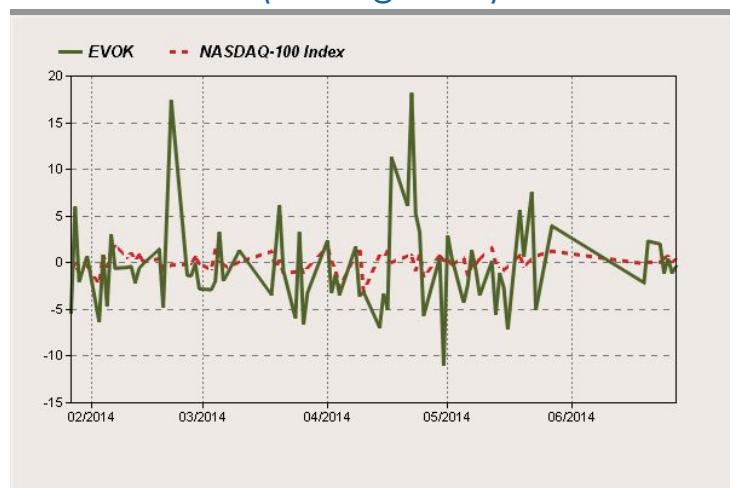
Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Stock v Index (Trailing Year)



Peer Group Analysis

Sector sorting

Name	Last Price	Relative strength (6-months)	MCap (Millions)	PV \$1000 (1 yr)	Revenue (Millions)	Net Profit (Millions)	Total Assets (Millions)
Liposcience	3.42	17	52	521	51	-12	72
Evoke Pharma	8.09	-	49	-	-	-5	25
Atossa Genetics	1.68	9	41	349	0	-11	12
Chembio Diagnostics	3.46	67	32	715	29	-0	24

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
27-May-2014	Cantor Fitzgerald	Reiterated Rating	-	Buy	19	20
27-May-2014	ING Group	Boost Price Target	-	Buy	19	20
22-Apr-2014	Laidlaw	Initiated Coverage	-	Buy	-	19
22-Apr-2014	Feltl & Co.	Initiated Coverage	-	Strong-Buy	-	-
22-Apr-2014	Laidlaw & Co.	Initiated Coverage	-	Buy	-	19

Company Overview

Activities

Evoke Pharma, Inc. develops, manufactures, and markets pharmaceutical products. The Company offers a gastrointestinal product for the treatment of patients with diabetic gastroparesis for patients suffering from gastrointestinal diseases and disorders. Evoke conducts business in San Diego, California.

Further details can be found at
www.evokepharma.com.

Regulatory Announcements

To view Recent Company Headlines, [click here](#)

May 28: Evoke Pharma Secures \$4.5 Million Loan Facility With Square 1 Bank

May 13: Evoke Pharma Reports First Quarter 2014 Results

May 06: Evoke Pharma Schedules Webcast and Conference Call for First Quarter 2014 Financial Results

April 28: Evoke Pharma Announces That EVK-001 Phase 2b Results Will be Presented at Digestive Disease Week 2014

April 22: Evoke Pharma Initiates Phase 3 Clinical Trial of EVK-001 for Treatment of Gastroparesis

March 25: Evoke Pharma Reports Fourth Quarter and Year End 2013 Results

March 10: Evoke Pharma Schedules Webcast and Conference Call for Fourth Quarter 2013 Financial Results

Conference Call-transcripts

To view Conference Call-transcripts, [click here](#)

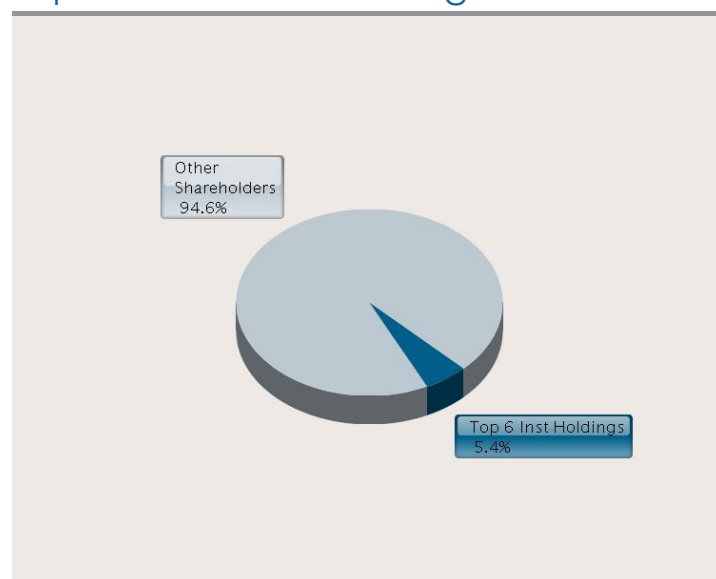
13 May, 2014: Evoke Pharma's (EVOK) CEO Dave Gonyer on Q1 2014 Results - Earnings Call Transcript

Issued Capital

Based on 6,096,752 issued equity shares the market capitalisation is US\$49.3 million.

The top six shareholders hold 5.4% of the issued capital leaving a float of 94.6%.

Top 6 Institutional Holdings



Top 6 Shareholders

Name of Shareholder	No. of Shares	% Held
Opaleye Management Inc.	233,400	3.83
Vanguard Group Inc	47,394	0.78
Bank Of America Corp /De/	33,500	0.55
Tfs Capital Llc	10,556	0.17
Citigroup Inc	2,086	0.03
Morgan Stanley	500	0.01
Total	327,436	5.37

Board and Management

Dave Gonyer CEO

Mr. Dave Gonyer is Chief Executive Officer, Founder and Board Member of Evoke Pharma, Inc. He has served over 23 years in pharmaceutical and specialty pharmaceutical companies. Prior to Evoke, he has held senior management positions both on the commercial and product development sides of the business across many therapeutic areas including CNS, infectious disease, diabetes, gastrointestinal, and allergy. Most recently, he had business and a product development responsibility for Medgenex, Inc. Prior to that he was a Founder and Vice President of Commercial Development at Xcel Pharmaceuticals. He has also held various management positions in both marketing and managed care roles at Dura/Elan Pharmaceuticals. Dave started his pharmaceutical career at Eli Lilly & Company and held numerous commercial roles over a decade. He also serves as a Board Member of Neurelis, Inc. He is a registered Pharmacist and a Graduate of the Ferris State University School of Pharmacy.

Cam L. Garner Chairman

Mr. Cam L. Garner is the Co-Founder and Chairman of the Board for Meritage Pharma, Inc. He is a pharmaceutical executive with over 30 years of experience in the healthcare industry ranging from diagnostics and devices to pharmaceuticals. He was part of the senior management team that built Hybritech, Inc. He served as Chief Executive Officer of Dura Pharmaceuticals, Inc. from 1989-1995 and Chairman and Chief Executive Officer from 1995-2000. He has co-founded several specialty pharmaceutical companies including Cadence Pharmaceuticals, Somaxon Pharmaceuticals, Verus Pharmaceuticals, Zogenix, Evoke Pharma, Elevation Pharmaceuticals, DJ Pharma and Xcel Pharmaceuticals. He currently serves as Chairman of Cadence, Zogenix, Evoke and Elevation and served as Chairman of DJ Pharma and Xcel Pharmaceuticals until they were sold. He also serves on the Board of Directors of Aegis Therapeutics. He holds a Master of Business Administration from Baldwin-Wallace College and a Bachelor of Arts from Virginia Wesleyan College, United States.

Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

Currency in USD	2014-03-31	2013-03-31	Change %
Operating expenses:			
Research and development	1,852,116	110,981	Up 1,568.9
General and administrative	1,070,479	221,049	Up 384.3
Purchase of in-process research and development			
Total operating expenses	2,922,595	332,030	Up 780.2
Loss from operations	-2,922,595	-332,030	Deterioration 780.2
Other income (expense):			
Interest income	4,055	1,353	Up 199.7
Interest expense	36,944	39,315	Down 6.0
Change in fair value of preferred stock purchase right			
Change in fair value of warrant liability		-124,000	
Grant income			
Total other income (expense)	-32,889	-161,962	Reduced 79.7
Net loss and comprehensive loss	-2,955,484	-493,992	Deterioration 498.3
Net loss per common share, basic and diluted	-49.0c	-44.0c	Deterioration 11.4
Weighted-average shares used to compute basic and diluted net loss per share	6,002,936	1,133,375	Up 429.7

BALANCE SHEET

Currency in USD	2014-03-31	2013-12-31	Change %
Assets			
Current Assets:			
Cash and cash equivalents	21,835,498	24,196,691	Down 9.8
Prepaid expenses	176,247	234,262	Down 24.8
Total current assets	22,011,745	24,430,953	Down 9.9
Other assets	555,505	555,505	Steady
Total assets	22,567,250	24,986,458	Down 9.7
Liabilities and stockholders' equity			
Current Liabilities:			
Accounts payable and accrued expenses	1,115,853	284,915	Up 291.6
Accrued compensation	385,499	557,399	Down 30.8
Current portion of long-term debt	1,442,592	1,442,592	Steady
Total current liabilities	2,943,944	2,284,906	Up 28.8
Deferred rent expense	15,518	6,830	Up 127.2
Long-term debt, net of current portion	1,156,701	1,511,461	Down 23.5
Total liabilities	4,116,163	3,803,197	Up 8.2

Financial Results (Quarterly) (continued)

31 March, 2014

Stockholders' equity:			
Common stock, 0.0001 par value; authorized shares - 50,000,000; 610 issued and outstanding shares - 6,099,547 at March 31, 2014 and 6,096,752 at December 31, 2013		610	Steady
Additional paid-in capital	44,097,429	43,874,119	Up 0.5
Deficit accumulated during the development stage	-25,646,952	-22,691,468	Deterioration 13.0
Total stockholders' equity	18,451,087	21,183,261	Down 12.9
Total liabilities and stockholders' equity	22,567,250	24,986,458	Down 9.7

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