

February 4, 2014

Key Metrics

HTBX - NASDAQ	\$7.22
Pricing Date	Feb 3 2014
Price Target	\$36.00
52-Week Range	\$15.29 - \$6.62
Shares Outstanding (mm)	6.4
Market Capitalization (\$mm)	\$46.2
3-Mo Average Daily Volume	21,137
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$3.75
Price/Book	1.9x
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

Advisory Board Replaces Chief Medical Officer

Investment Highlights:

- Clinical Advisory Board Appointed.** Yesterday, Heat Biologics announced that it has instituted a clinical advisory board (CAB) consisting of a group of leading experts in the domains of oncology drug development and cancer immunotherapy. The CAB will not only effectively supplant the role of Chief Medical Officer, but also provide valuable guidance to the firm on the development path for its various platform programs as well as liaise closely with Heat Biologics' clinical team, led by Melissa Price, Ph.D., the firm's head of regulatory affairs. In the wake of the creation of the CAB, we reiterate our Buy rating and 18-month price target of \$36.00 per share on HTBX.
- Experts Provide Value-Added Scientific / Strategic Knowledge.** In our view, the members of the CAB should provide essential feedback to Heat Biologics going forward. The CAB is chaired by Justin Stebbing, M.D., Ph.D. Dr. Stebbing is currently Professor of Oncology at Imperial College, London, U.K., and obtained his medical degree from Trinity College at Oxford University. He pursued his residency at Johns Hopkins in the U.S. Gary Acton, M.D. has over 20 years of clinical, commercial and corporate pharmaceutical expertise in all stages of drug development for solid and hematological malignant indications. Dr. Acton has supervised several successful U.S. NDA and European MAA approvals. Llew Keltner, M.D., Ph.D. is the founder and CEO of EPISTAT. He was formerly CEO of AgonOx, President of Novici Biotech, CEO and President of Light Sciences Oncology, and CEO of Metastat. Dr. Keltner received an M.S. in Epidemiology and Biostatistics, a Ph.D. in Biomedical Informatics, and an M.D. from Case Western Reserve University. Mark Schoenberg, M.D. is the Bernard L. Schwartz Distinguished Professor of Urologic Oncology at The Johns Hopkins University with a clinical practice dedicated to treatment of invasive bladder cancer. Dr. Schoenberg received his medical degree from the University of Texas Health Science Center.
- Multiple Value Drivers Approaching.** We anticipate the initiation of enrollment in 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 the first quarter of 2013.
- Attractive Valuation.** Heat Biologics currently trades at a <\$50mm enterprise value. NewLink Genetics (NLNK/NASDAQ, Not Rated), trades at a \$900mm enterprise value. If interim data from NewLink's Phase 3 pancreatic cancer trial - slated for release in the coming months - 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					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.

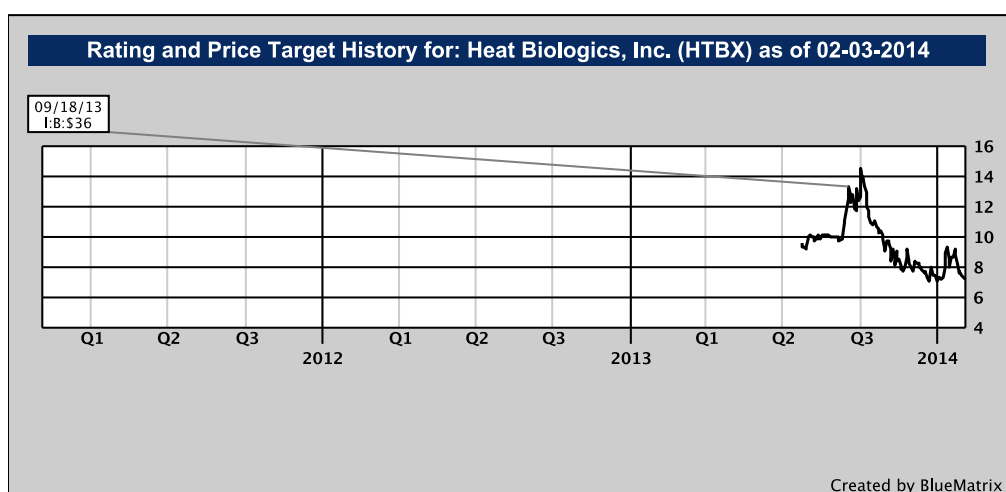
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Aegis Capital Corp. has performed investment banking services for and received fees from Heat Biologics, Inc. within the past 12 months.

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



Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	82.93	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

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