



April 23, 2014

Key Metrics

EVOK - NASDAQ	\$9.29
Pricing Date	Apr 22 2014
Price Target	\$60.00
52-Week Range	\$14.25 - \$6.48
Shares Outstanding (mm)	6.0
Market Capitalization (\$mm)	\$55.7
3-Mo Average Daily Volume	49,673
Institutional Ownership	NA
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$3.55
Price/Book	2.6x
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	(0.56)E	(0.60)E
2Q-Jun	(0.35)	--	(0.53)E	(0.59)E	(0.63)E
3Q-Sep	(0.41)	--	(0.69)E	(0.46)E	(0.48)E
4Q-Dec	(0.27)	(0.70)E	(0.73)E	(0.38)E	(0.40)E
FY	(1.20)	(2.20)E	(2.26)E	(1.88)E	(1.98)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 Pharma Starts Phase 3 Trial On Schedule****Investment Highlights:**

- **Phase 3 Trial Starts In-Line With Guidance.** Yesterday, Evoke announced that it had successfully randomized and dosed the first patient in its ~200-subject, randomized, placebo-controlled study. This important milestone was reached in-line with prior guidance, and has accrued ahead of our expectations. 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. In the wake of the Phase 3 trial initiation, we reiterate our Buy rating and 18-month price target of \$60.00 per share.
- **Strong Financial Position.** The company previously reported financial results for 2013 that demonstrated how capital-efficient its operations are, closing the year with \$24.2mm in cash. We expect the proceeds from the firm's IPO to be sufficient to fund the company through the release of data from its Phase 3 trial in the first half of 2015. Furthermore, we would point investors to the fact that Evoke remains a heavily-outsourced company, with minimal headcount and very modest executive team retention costs, which amounted to only \$355,000 in 2013.
- **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	2016E	2017E
				1QE	2QE	3QE	4QE				
Revenue											
Product revenue	-	-	-	-	-	-	-	-	-	2,100	61,000
Service revenue	-	-	-	-	-	-	-	-	-	-	-
Research and other	-	-	-	-	-	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-	-	-	-	2,100	61,000
Expenses											
Cost of product and service revenue	-	-	-	-	-	-	-	-	-	-	-
Research & development	1,844	1,166	957.0	1,500	2,500	3,500	4,500	12,000	10,600	3,800	2,800
Selling and marketing	-	-	-	-	-	-	-	-	-	18,000	54,000
General and administrative	571	837	1,645	650	700	750	800	2,900	9,000	29,000	46,000
Total expenses	2,415	2,002	2,602	2,150	3,200	4,250	5,300	14,900	19,600	50,800	102,800
Gain (loss) from operations	(2,415)	(2,002)	(2,602)	(2,150)	(3,200)	(4,250)	(5,300)	(14,900)	(19,600)	(48,700)	(41,800)
Other income/expense											
Interest income	-	-	7	(110)	(115)	(120)	(90)	(435)	(59)	960	960
Interest expense	-	-	(160)	-	-	-	-	-	-	-	-
Change in fair value of warrant liability	13	(15)	(82)	-	-	-	-	-	-	-	-
Total investment income and other	13	(15)	(235)	(110)	(115)	(120)	(90)	(435)	(59)	960	960
Income (Loss) before provision for income taxes	(2,401)	(2,018)	(2,836)	(2,260)	(3,315)	(4,370)	(5,390)	(15,335)	(19,659)	(47,740)	(40,840)
Deferred income tax benefit	-	-	-	-	-	-	-	-	-	-	-
Net loss/income	(2,401)	(2,018)	(2,836)	(2,260)	(3,315)	(4,370)	(5,390)	(15,335)	(19,659)	(47,740)	(40,840)
Net loss per share (basic)	(2.18)	(1.79)	(1.20)	(0.37)	(0.53)	(0.69)	(0.73)	(2.26)	(1.98)	(4.11)	(3.35)
Net loss per share (diluted)	(2.18)	(1.79)	(1.20)	(0.37)	(0.53)	(0.69)	(0.73)	(2.26)	(1.98)	(4.11)	(3.35)
Weighted average number of shares outstanding (basic)	1,103	1,124	2,368	6,137	6,217	6,297	7,377	6,797	9,917	11,629	12,192
Weighted average number of shares outstanding (diluted)	1,103	1,124	2,368	6,137	6,217	6,297	7,377	6,797	9,917	11,629	12,192

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 ~\$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.

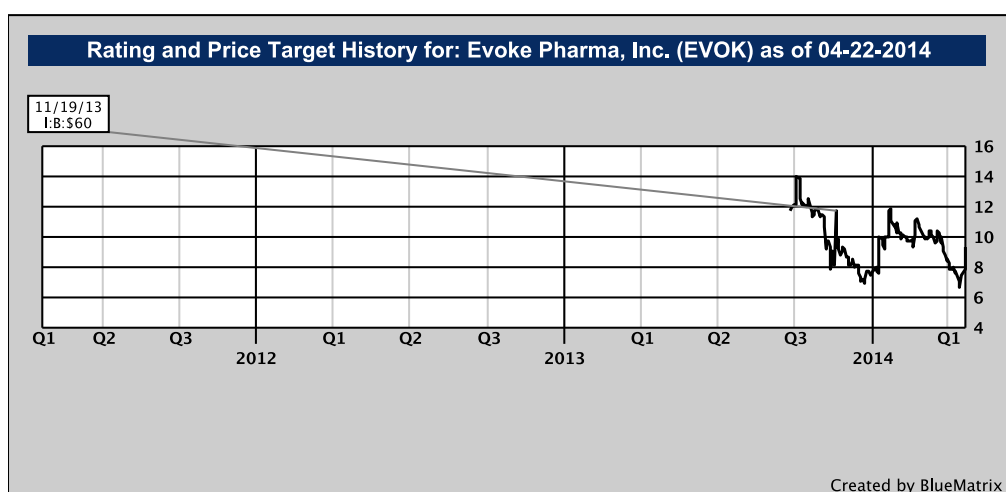
For important disclosures go to www.aegiscap.com.

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]	80.43	37.84
HOLD [HOLD]	19.57	22.22
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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