

Life Sciences Technology

Price:	\$15.04
Fair Value Estimate:	\$25.00
52-Week Range:	\$11.00 - \$24.50
Market Cap (MM):	\$301
Shr.O/S-Diluted (mm):	20.0
Average Daily Volume:	NA
Book Value:	\$4.96
Yield:	0.0%
Cash/Share:	\$(7.61)
FCF Yield:	(52.0)%
Debt/Cap:	18%

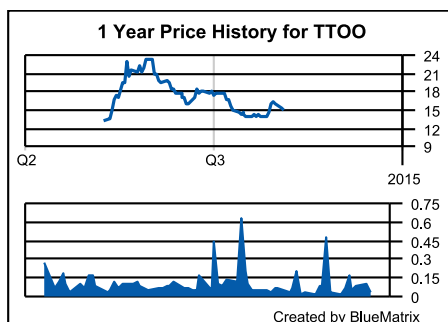
FYE: Dec	2014E	2015E	2016E
EPS:	\$(3.60)E	\$(2.10)E	\$(1.50)E
Prior EPS:	\$(2.97)	\$(2.00)	NC
Consensus	-3.06	-2.00	-1.48
P/E Ratio:	NA	NA	NA

Quarterly EPS:

Q1	\$(4.90)A	\$(0.49)E	NA
Q2	\$(5.03)A	\$(0.51)E	NA
Q3	\$(0.65)A	\$(0.54)E	NA
Q4	\$(0.46)E	\$(0.55)E	NA

Quarterly Revenue (M):

Q1	\$0A	\$0E	NA
Q2	\$0A	\$0E	NA
Q3	\$0A	\$1E	NA
Q4	\$0E	\$1E	NA
Year:	\$0E	\$2E	\$33E



November 5, 2014

## T2 Biosystems, Inc.

(TTOO) - NEUTRAL

### Just the Facts: Candida Dgx ahead of Schedule

#### PORTFOLIO MANAGER BRIEF

With FDA authorization ahead of schedule, sales hires and potential pricing dynamics are exceeding our initial assumptions. The company has hired 2 salespeople YTD and expects to add 5 by the end of November. Pacing of organizational progress is vital to our waterfall model, and T2 is several months ahead of schedule. While we maintain our estimates, we see upside to outer-year numbers in light of management's cost-per-test color (>\$250) and our initial one-test per patient assumption.

#### ANALYST NOTES

##### Key takeaways:

- Sales rep hires and commercialization are ahead of schedule. The company expects 7 salespeople by the end of 2014. We initially modeled for 4 in 2014.
- Upside to pricing. After further discussions with major hospitals and additional value proposition work, T2 believes that it can charge in excess of \$250 per test under its instrument rental model. With 80% of instruments expected to be rentals, the 25% increase in cost of test above our modeled assumptions could present an opportunity for upside in 2016 and 2017. We wait to adjust our adoption curve and price-per-test assumptions until there is tangible data.

##### Upcoming milestones:

- Final IMS Health data in 3-9 months. Preliminary data from IMS Health's economic analysis suggests that prior cost savings may have been underestimated. A favorable report between now and commercialization of T2's platform could generate additional interest, shifting the adoption curve higher.
- International distribution. T2 obtained its European CE mark in July. The company is currently in discussions with distributors, both multinational and regional, to sell its T2Dx platform to hospitals and clinics in Europe. We don't anticipate material revenues in 2015, but an agreement with a large multinational would be intriguing.
- T2 reported a 3Q14 burn of \$8.1 million. T2 currently has \$75.6 million in cash, which we estimate is enough to support the company through mid-to-late 2017. We modestly adjust our 2014 and 2015 estimates due to a higher headcount in 2014 than previously expected.
- Our valuation approach places a revenue multiple on the company to determine the fair market value. We detail our fair value estimate of \$25 per share in a previous [note](#).

## IMPORTANT DISCLOSURES

### Research Analyst Certification

I, Paul Knight, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

### Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

T2 Biosystems, Inc. currently is, or during the past 12 months was, a Janney Montgomery Scott LLC client. Janney Montgomery Scott LLC, provided investment banking related services.

Janney Montgomery Scott LLC managed or co-managed a public offering of securities for T2 Biosystems, Inc. in the past 12 months.

Janney Montgomery Scott LLC received compensation for investment banking services from T2 Biosystems, Inc. in the past 12 months.

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from T2 Biosystems, Inc. in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

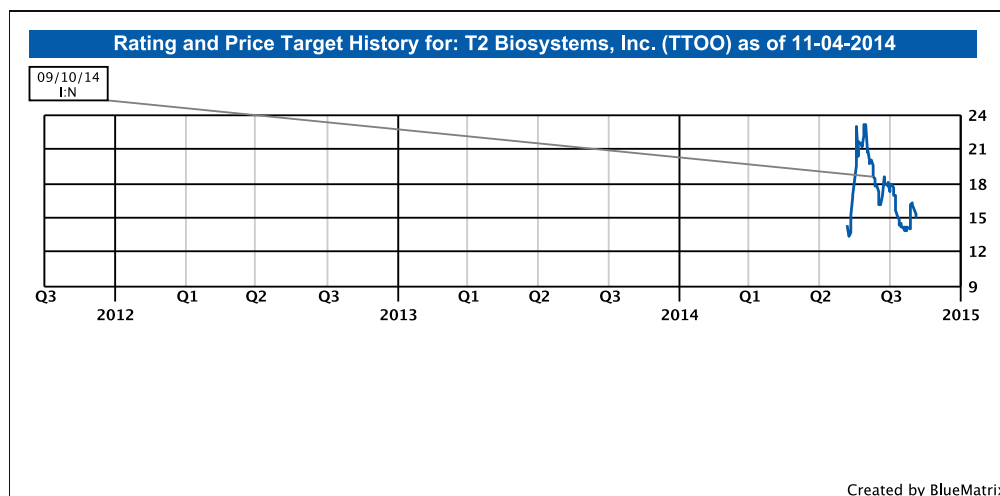
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**BUY:** Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

**NEUTRAL:** Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

**SELL:** Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 9/30/14

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
<b>BUY [B]</b>	169	52.81	24	14.20
<b>NEUTRAL [N]</b>	150	46.88	18	12.00
<b>SELL [S]</b>	1	0.31	0	0

\*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

## Other Disclosures

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