

Life Sciences Technology

July 15, 2015

Price:	\$16.50
Fair Value Estimate:	\$25.00
52-Week Range:	\$11.00 - \$24.50
Market Cap (MM):	\$334
Shr.O/S-Diluted (mm):	20.3
Average Daily Volume:	98,151
Book Value:	\$2.17
Yield:	0.0%
Cash/Share:	\$(3.25)
FCF Yield:	(21.2)%
Debt/Cap:	28%

FYE: Dec	2015E	2016E	2017E
EPS:	\$(2.23)E	\$(2.00)E	\$(0.56)E
Prior EPS:	NC	NC	NC
Consensus	-2.25	-2.11	-1.18
P/E Ratio:	NA	NA	NA

Quarterly EPS:

Q1	\$(0.53)A	NA	NA
Q2	\$(0.57)E	NA	NA
Q3	\$(0.57)E	NA	NA
Q4	\$(0.56)E	NA	NA

Quarterly Revenue (M):

Q1	\$0A	NA	NA
Q2	\$1E	NA	NA
Q3	\$1E	NA	NA
Q4	\$2E	NA	NA
Year:	\$4E	\$34E	\$123E



## T2 Biosystems, Inc.

(TTOO) - BUY

### Biotech Upside with DGx: Mgt. Meetings

#### PORTFOLIO MANAGER BRIEF

We met with T2 management yesterday. The company continues to show confidence in 30 hospital placements this year following FDA approval last year. T2 technology allows the diagnostic of candida blood infection in 2-4 hours from the current standard of 3-4 days. Patient survival increases from 60% to 90%. While our fair value is \$25 per share, it is based on a 2017 estimated value of \$52 per share.

#### ANALYST NOTES

- T2 Biosystems reiterated its guided 30 T2Dx instrument placements in 2015. With 25 of the top-450 hospital completing their ROI analysis in Q1, the release of the compelling economic data from the study conducted by IMS Health, and earlier than expected penetration in Europe, TTOO is in a favorable position to meet exceed our forecast placements in 2015.
- T2 is in active discussions with 25% of the top 450 US hospitals. Active discussions include hospital economic analysis that can show \$2-5 cost savings for every \$1 spent on the T2 system. The T2 system is nuclear magnetic resonance technology that allows direct detection of candida at levels of 1 part per sample versus current standards requiring 1,000 or more parts per blood sample.
- April 8th, IMS Health released its economic impact study of rapid Candida species identification in Future Microbiology. Exceeding our top-end savings of \$829 per patient, the IMS report estimated that by utilizing the T2 platform, a top-450 hospital with 5,100 annual high-risk patients could save \$5.8 million per year (\$1,149/ per patient) vs. blood culture.
- The announced T2 collaboration with Canon Life Sciences demonstrates the ability of T2's management to pinpoint a significant unmet clinical need; engage in a JV to externally fund the R&D cost; and expand the company's addressable market by \$700 million to \$3.7 billion. Still in very early stages and likely a 2017-2018+ revenue story, we discuss the Lyme disease opportunity in more detail in a previous [note](#).
- Our fair value of \$25 per share is based on a 24% discount rate on a 5x revenue multiple on FY18. The future value would be \$52 per share. The 5x revenue multiple is based on peer group valuations and historical diagnostic acquisitions.

## 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.

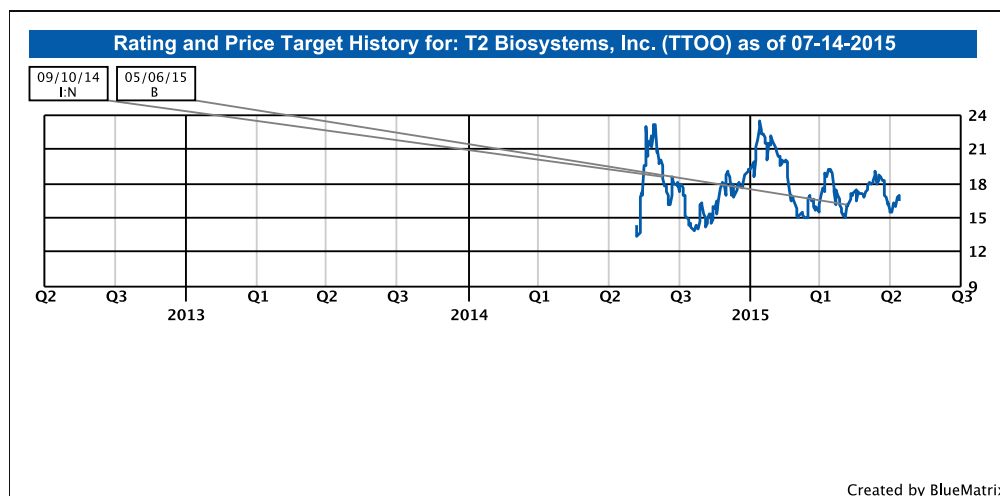
### Definition of Ratings

**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 6/30/15

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	112	54.34	31	27.68
<b>NEUTRAL [N]</b>	94	45.63	13	13.83
<b>SELL [S]</b>	0	0.00	0	0.00

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

## Other Disclosures

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