

Life Sciences Technology

Price:	\$14.92
Fair Value Estimate:	\$25.00
52-Week Range:	\$11.00 - \$24.50
Market Cap (MM):	\$301
Shr.O/S-Diluted (mm):	20.2
Average Daily Volume:	107,021
Book Value:	\$2.17
Yield:	0.0%
Cash/Share:	\$(3.25)
FCF Yield:	(23.4)%
Debt/Cap:	28%

FYE: Dec	2015E	2016E	2017E
EPS:	\$(2.23)E	\$(2.00)E	\$(0.56)E
Prior EPS:	\$(2.27)	NC	NC
Consensus	-2.25	-2.14	-1.42
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



May 6, 2015

T2 Biosystems, Inc.

(TTOO) - BUY

Raising to Buy; Diagnostic Entering Hospitals

PORTFOLIO MANAGER BRIEF

One quarter ahead of expectations, T2 Biosystems announced it has secured two customer contracts and installed its first T2Dx instrument. 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 exceed our forecast placements in 2015. We reiterate our \$25 fair value and upgrade TTOO to a BUY due to its compelling valuation and multitude of catalysts.

ANALYST NOTES

- Despite being ahead of schedule and having two signed contracts in-hand and one installed instrument, T2 Biosystems reiterated its guided 30 T2Dx instrument placements in 2015. Interestingly, all of TTOO's Q1 activity stemmed from non-clinical partners. These novel adoptions, in addition to T2's ongoing conversations with its initial clinical collaborators, give us confidence that management's guidance is conservative for 2015. One instrument will be placed within T2's top-450 US hospital target market and two instruments are earmarked for a European reference lab serving a network of hospitals. QoQ, the number of hospitals performing ROI analysis on the T2 platform increased by 14 to 25. We estimate the discussion-to-conversion cycle will take 6-12 months.
- 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. More importantly, the study found that T2's platform could avert 60.6% of candidemia-related deaths.
- This report further validates the disruptive nature of T2's approach. The IMS report provides T2's salesforce with an additional, independent resource that substantiates the economic and clinical utility of the T2Dx platform. Per management, T2 sales reps utilize this cost-savings data to create customized economic models, illustrating the net savings for each hospital and/or network.
- Basically a risk-free call option for investors, 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 target price of \$25 per share is based on a 24% discount rate on a 5x revenue multiple on FY18. The 5x revenue multiple is based on peer group valuations and historical diagnostic acquisitions.

T2 Biosystems (TTOO)

Annual Income Statement

Paul Knight

Janney Capital Markets

212.888.2696

(\$ in millions, except per share data)

FY-ending Dec 31,	2012	2013	2014						2015E					2016E	2017E	2018E
	2012	2013	1Q14	2Q14	3Q14	4Q14	2014		1Q15	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
Diagnostics	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.3	\$ 1.1	\$ 1.4	\$ 29.9	\$ 116.1	\$ 231.0
Candida	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	1.1	1.4	29.9	116.1	231.0
Bacteria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HemoStat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.5	3.1	6.0	8.1
T2Dx	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.5	3.1	6.0	8.1
T2Stat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.3	0.0	0.0	0.0	0.1	0.1	0.2	0.5	0.5	0.6	0.6	1.6	0.9	0.4	0.4
Total Revenues	\$ 0.0	\$ 0.3	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.5	\$ 0.9	\$ 1.9	\$ 3.5	\$ 3.5	\$ 33.9	\$ 122.6	\$ 239.5
Consensus Estimate 05-05-15							\$ 0.1	\$ 0.2	\$ 0.4	\$ 1.1	\$ 2.1	\$ 3.6	\$ 3.6	\$ 28.2	\$ 107.7	\$ 239.5
Diagnostics COGS	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.2	\$ 0.8	\$ 1.0	\$ 1.0	\$ 12.0	\$ 40.7	\$ 57.8
Instruments COGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.4	0.4	1.7	3.0	3.6
T2Dx	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.4	0.4	1.7	3.0	3.6
T2Stat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total cost of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	1.0	1.4	1.4	13.6	43.7	61.4
Gross Profit	\$ 0.0	\$ 0.3	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.5	\$ 0.5	\$ 0.9	\$ 2.1	\$ 2.1	\$ 20.2	\$ 78.9	\$ 178.1
Gross Profit Margin	100.0%	100.0%	-	-	-	100%	100.0%	98.4%	90.7%	62.8%	45.8%	59.6%	59.6%	59.7%	64.4%	74.4%
Diagnostics GM										25.0%	25.0%	25.0%	25.0%	60.0%	65.0%	75.0%
Instrument GM										25.0%	20.0%	20.0%	20.6%	45.0%	50.0%	55.0%
Ramping manufacturing utilization (16-17: Full)																
R & D Expenses	11.7	14.9	5.1	4.7	4.8	5.2	19.8	5.9	5.9	5.9	5.8	23.5	23.5	28.0	35.0	45.0
S G & A Expenses	2.9	5.0	1.8	2.4	3.0	3.7	11.0	4.5	5.1	5.2	5.6	20.3	20.3	30.0	51.0	82.2
Non-Cash Expenses (Amort/SBC)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.9	0.9	0.9	0.9	4.0	5.0	6.0
Operating Income	\$ (14.7)	\$ (19.7)	\$ (6.9)	\$ (7.1)	\$ (7.8)	\$ (8.8)	\$ (30.7)	\$ (10.2)	\$ (11.4)	\$ (11.4)	\$ (11.3)	\$ (44.3)	\$ (44.3)	\$ (41.8)	\$ (12.1)	\$ 44.9
Operating Margin	-77121%	-7403%	-	-	-	-7427%	-25782%	-5399%	-2215%	-1304%	-592%	-1268%	-1268%	-123.4%	-9.9%	18.7%
Interest Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Expense	(0.2)	(0.4)	(0.1)	(0.1)	(0.3)	(0.3)	(0.7)	(0.5)	0.0	0.0	0.0	0.0	(0.5)	0.0	0.0	0.0
Other Income (expense)	0.4	(0.5)	0.1	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	\$ (14.5)	\$ (20.6)	\$ (6.9)	\$ (7.3)	\$ (8.1)	\$ (9.1)	\$ (31.4)	\$ (10.6)	\$ (11.4)	\$ (11.4)	\$ (11.3)	\$ (44.7)	\$ (44.7)	\$ (41.8)	\$ (12.1)	\$ 44.9
Income Taxes / (Benefit)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.7
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	35.0%
Net Income Operating	\$ (14.5)	\$ (20.6)	\$ (6.9)	\$ (7.3)	\$ (8.1)	\$ (9.1)	\$ (31.4)	\$ (10.6)	\$ (11.4)	\$ (11.4)	\$ (11.3)	\$ (44.7)	\$ (44.7)	\$ (41.8)	\$ (12.1)	\$ 29.2
Extraordinaries (After Tax)	(4.4)	(6.9)	(1.9)	(1.9)	(0.8)	0.0	(4.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income GAAP	\$ (18.9)	\$ (27.5)	\$ (8.8)	\$ (9.2)	\$ (8.9)	\$ (9.1)	\$ (36.0)	\$ (10.6)	\$ (11.4)	\$ (11.4)	\$ (11.3)	\$ (44.7)	\$ (44.7)	\$ (41.8)	\$ (12.1)	\$ 29.2
Diluted Operating EPS	\$ (6.24)	\$ (8.69)	\$ (4.90)	\$ (5.03)	\$ (0.65)	\$ (0.45)	\$ (3.62)	\$ (0.53)	\$ (0.57)	\$ (0.57)	\$ (0.56)	\$ (2.23)	\$ (2.23)	\$ (2.00)	\$ (0.56)	\$ 1.30
Diluted GAAP EPS	(8.15)	(11.60)	(6.25)	(6.35)	(0.71)	(0.45)	(4.15)	(0.53)	(0.57)	(0.57)	(0.56)	(2.23)	(2.23)	(2.00)	(0.56)	1.30
Consensus Estimate 05-05-15							\$ (4.15)	\$ (0.57)	\$ (0.58)	\$ (0.56)	\$ (0.55)	\$ (2.25)	\$ (2.25)	\$ (1.94)	\$ (0.45)	\$ 1.30
Diluted Shares Outstanding	2.3	2.4	1.4	1.5	12.4	20.0	8.7	20.1	20.1	20.1	20.1	20.1	20.1	20.9	21.8	22.4

Source: Company reports, Janney Capital Markets estimates, Capital IQ

05/05/15

T2 Biosystems (TTOO)
Annual Revenue Breakout and Margins

Paul Knight
Janney Capital Markets
212.888.2696

% of Revenues

FY-ending Dec 31,	2012	2013	2014					2015E					2016E	2017E	2018E
	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
Revenues:															
Diagnostics	0.0%	0.0%				0.0%	0.0%	0.0%	0.0%	32.0%	56.2%	38.9%	88.2%	94.8%	96.5%
Instruments	0.0%	0.0%				0.0%	0.0%	0.0%	12.5%	16.5%	15.0%	14.2%	9.1%	4.9%	3.4%
Other	100.0%	100.0%				100.0%	100.0%	100.0%	87.5%	51.5%	28.7%	46.9%	2.7%	0.3%	0.2%
Total Revenues	100.0%	100.0%				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Diagnostics COGS	0.0%	0.0%				0.0%	0.0%	0.0%	0.0%	24.0%	42.2%	29.1%	35.3%	33.2%	24.1%
Instruments COGS	0.0%	0.0%				0.0%	0.0%	0.0%	9.3%	13.2%	12.0%	11.3%	5.0%	2.5%	1.5%
Gross Margin	100.0%	100.0%				100.0%	100.0%	98.4%	90.7%	62.8%	45.8%	59.6%	59.7%	64.4%	74.4%
Diagnostics GM	0.0%	0.0%				0.0%	0.0%	0.0%	0.0%	25.0%	25.0%	25.0%	60.0%	65.0%	75.0%
Instrument GM	0.0%	0.0%				0.0%	0.0%	0.0%	25.0%	20.0%	20.0%	20.6%	45.0%	50.0%	55.0%
R&D Expenses	61721.1%	5615.0%				4378.2%	16622.7%	3121.3%	1147.9%	675.1%	303.0%	672.4%	82.7%	28.6%	18.8%
S G & A Expenses	15500.0%	1888.0%				3148.7%	9259.7%	2376.6%	992.2%	595.0%	289.9%	582.1%	88.6%	41.6%	34.3%
Op Margin	-77121%	-7403%				-7426.9%	-25782.4%	-5399.5%	-2214.8%	-1304.5%	-591.5%	-1268.0%	-123.4%	-9.9%	18.7%
Pretax Margin	-76079%	-7748%				-7626.9%	-26378.2%	-5648.4%	-2214.8%	-1304.5%	-591.5%	-1281.4%	-123.4%	-9.9%	18.7%
Tax Rate	0.0%	0.0%				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	35.0%
Net Margin	-76079%	-7748%				-7626.9%	-26378.2%	-5648.4%	-2214.8%	-1304.5%	-591.5%	-1281.4%	-123.4%	-9.9%	12.2%

YoY % Change

FY-ending Dec 31,	2012	2013	2014					2015E					2016E	2017E	2018E
	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
Revenues:															
Diagnostics													2103.6%	288.6%	98.9%
Instruments													521.0%	95.1%	34.2%
Other													-45.1%	-55.6%	0.0%
Total Revenues													870.3%	261.9%	95.4%
Diagnostics COGS													1075.3%	240.1%	42.1%
Instruments COGS													330.4%	77.3%	20.8%
Cost of Revenues													867.4%	219.9%	40.6%
Gross Profit													872.3%	290.3%	125.7%
R&D Expenses								15.9%	25.5%	22.8%	11.3%	18.6%	19.3%	25.0%	28.6%
S G & A Expenses								142.6%	108.5%	74.3%	48.1%	84.4%	47.7%	70.0%	61.2%
Operating Income															
Pretax Income													93.4%	29.0%	-371.1%
Net Income Operating															
Diluted Operating EPS															
Shares Outstanding															

Source: Company reports, Janney Capital Markets estimates, Capital IQ

05/05/15

T2 Biosystems (TTOO)

Annual Cash Flow Statement

Paul Knight

Janney Capital Markets

212.888.2696

(\$ in millions, except per share data)

FY-ending Dec 31,	2012	2013	2014					2015E					2016E	2017E	2018E
	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
Operating Activities															
Net Income	\$ (14.5)	\$ (20.6)	\$ (6.9)	\$ (7.3)	\$ (8.1)	\$ (9.1)	\$ (31.4)	\$ (10.6)	\$ (11.4)	\$ (11.4)	\$ (11.3)	\$ (44.7)	\$ (41.8)	\$ (12.1)	\$ 29.2
Depreciaton & Amortization	0.6	0.6	0.1	0.2	0.2	0.2	0.7	0.3	0.5	0.7	0.8	2.3	4.3	6.3	8.0
Stock-based Compensation	0.4	0.6	0.2	0.3	0.6	0.6	1.7	1.0	0.5	0.5	0.7	2.6	3.0	4.0	5.0
Working Capital	0.2	0.8	0.8	0.4	(0.2)	(0.2)	0.7	1.9	(2.0)	(2.0)	(2.0)	(4.1)	(10.0)	(15.0)	(10.0)
Other	0.0	0.6	(0.1)	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net from Operations	\$ (13.3)	\$ (18.1)	\$ (5.8)	\$ (6.4)	\$ (7.5)	\$ (8.5)	\$ (28.2)	\$ (7.4)	\$ (12.4)	\$ (12.2)	\$ (11.9)	\$ (43.9)	\$ (44.5)	\$ (16.8)	\$ 32.2
Investing Activities															
Acquisitions	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Capital Expenditures	(0.3)	(0.5)	(0.3)	(0.2)	(0.5)	(1.0)	(2.1)	(1.1)	(0.6)	(0.8)	(0.9)	(3.3)	(4.5)	(7.0)	(20.0)
Other	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net from Investing	\$ (0.3)	\$ (0.4)	\$ (0.3)	\$ (0.2)	\$ (0.5)	\$ (1.0)	\$ (2.1)	\$ (1.1)	\$ (0.6)	\$ (0.8)	\$ (0.9)	\$ (3.3)	\$ (4.5)	\$ (7.0)	\$ (20.0)
Financing Activities															
Debt (repurchase)	\$ 4.6	\$ 38.9	\$ (0.4)	\$ (0.4)	\$ 6.7	\$ 9.8	\$ 15.7	\$ 0.0	\$ (10.0)	\$ 10.0	\$ 0.0	\$ 0.0	\$ 20.0	\$ 0.0	\$ 0.0
Sale/Repurchase of Common Stock	0.0	0.1	0.0	0.1	60.0	(2.1)	58.1	0.0	0.0	0.0	0.0	0.0	50.0	0.0	0.0
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	(0.8)	1.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net from Financing	\$ 4.6	\$ 39.0	\$ (0.4)	\$ (1.2)	\$ 67.8	\$ 7.8	\$ 73.9	\$ 0.0	\$ (10.0)	\$ 10.0	\$ 0.0	\$ 0.0	\$ 70.0	\$ 0.0	\$ 0.0
Exchange Rate Effect	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Change in Cash	\$ (9.0)	\$ 20.5	\$ (6.5)	\$ (7.8)	\$ 59.7	\$ (1.7)	\$ 43.7	\$ (8.6)	\$ (23.0)	\$ (3.0)	\$ (12.7)	\$ (47.3)	\$ 21.0	\$ (23.8)	\$ 12.2
Cash Flow	\$ (13.9)	\$ (20.0)	\$ (6.8)	\$ (7.1)	\$ (7.9)	\$ (8.8)	\$ (30.7)	\$ (10.3)	\$ (10.9)	\$ (10.7)	\$ (10.5)	\$ (42.4)	\$ (37.5)	\$ (5.8)	\$ 37.2
Cash Flow Per Share	(\$6.00)	(\$8.44)	(4.80)	(4.93)	(0.64)	(0.44)	(\$3.54)	(0.51)	(0.54)	(0.53)	(0.52)	(\$2.12)	(\$1.80)	(\$0.27)	\$1.66
EBITDA	\$ (14.1)	\$ (19.1)	\$ (6.8)	\$ (7.0)	\$ (7.6)	\$ (8.6)	\$ (30.0)	\$ (9.9)	\$ (10.9)	\$ (10.7)	\$ (10.5)	\$ (42.0)	\$ (37.5)	\$ (5.8)	\$ 52.9
EBITDA per Share	(\$6.08)	(\$8.05)	(4.79)	(4.82)	(0.62)	(0.43)	(\$3.46)	(0.49)	(0.54)	(0.53)	(0.52)	(\$2.09)	(\$1.80)	(\$0.27)	\$2.36
Free Cash Flow	\$ (13.6)	\$ (18.6)	\$ (6.1)	\$ (6.6)	\$ (8.0)	\$ (9.5)	\$ (30.3)	\$ (8.6)	\$ (13.0)	\$ (13.0)	\$ (12.7)	\$ (47.3)	\$ (49.0)	\$ (23.8)	\$ 12.2
Free Cash Per Share	(\$5.87)	(\$7.83)	(4.29)	(4.58)	(0.65)	(0.48)	(\$3.49)	(0.43)	(0.65)	(0.65)	(0.63)	(\$2.36)	(\$2.35)	(\$1.09)	\$0.54

Source: Company reports, Janney Capital Markets estimates, Capital IQ

05/05/15

T2 Biosystems (TTOO)
Annual Balance Sheet Statement

Paul Knight
Janney Capital Markets
212.888.2696

(\$ in millions, except per share data)

FY-ending Dec 31,	2012	2013	2014					2015E					2016E	2017E	2018E
	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
Assets															
Current:															
Cash + Equivalents	\$ 9.7	\$ 30.2	\$ 23.7	\$ 15.9	\$ 75.6	\$ 73.8	\$ 73.8	\$ 65.3	\$ 42.3	\$ 39.3	\$ 26.6	\$ 26.6	\$ 47.6	\$ 23.7	\$ 35.9
Short-Term Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables - net	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.1	0.6	1.1	1.6	1.6	4.1	7.8	10.3
Inventories	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.3	1.8	3.3	4.8	4.8	12.3	23.5	31.0
Other	0.1	0.2	0.2	0.2	1.1	1.2	1.2	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total Current Assets	\$ 9.8	\$30.4	\$ 23.9	\$ 16.1	\$ 76.7	\$ 75.3	\$ 75.3	\$ 66.4	\$ 45.4	\$ 44.4	\$ 33.7	\$ 33.7	\$ 64.7	\$ 55.8	\$ 78.0
PP & E, net	\$ 1.2	\$ 1.1	\$ 1.2	\$ 1.3	\$ 1.7	\$ 2.8	\$ 2.8	\$ 5.3	\$ 5.4	\$ 5.5	\$ 5.5	\$ 5.5	\$ 5.8	\$ 6.5	\$ 18.5
Goodwill & Intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Available-for-sales secs. & LT cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets	0.4	0.4	0.7	2.6	0.5	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Assets	\$ 11.4	\$31.9	\$ 25.8	\$ 20.1	\$ 78.9	\$ 79.1	\$ 79.1	\$ 72.8	\$ 51.8	\$ 50.9	\$ 40.3	\$ 40.3	\$ 71.5	\$ 63.4	\$ 97.6
Liabilities and Shareholders' Equity															
Current:															
Current Debt	\$ 0.8	\$ 1.8	\$ 1.8	\$ 1.8	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ (9.7)	\$ 0.3	\$ 0.3	\$ 0.3	\$ 20.3	\$ 20.3	\$ 20.3
Accounts Payable & Accruals	1.3	2.3	3.4	5.0	6.3	4.4	4.4	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Other Liabilities	0.0	0.0	0.0	0.0	0.1	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total Current Liabs.	\$ 2.1	\$4.0	\$ 5.2	\$ 6.7	\$ 6.7	\$ 5.2	\$ 5.2	\$ 7.5	\$ (2.5)	\$ 7.5	\$ 7.5	\$ 7.5	\$ 27.5	\$ 27.5	\$ 27.5
Long-Term Debt	\$ 5.1	\$ 3.3	\$ 2.9	\$ 2.4	\$ 10.7	\$ 20.7	\$ 20.7	\$ 20.6	\$ 20.6	\$ 20.6	\$ 20.6	\$ 20.6	\$ 20.6	\$ 20.6	\$ 20.6
Other Liabilities	0.8	1.3	1.2	1.2	0.0	0.3	0.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Stockholders Equity	3.5	23.3	16.6	9.6	61.4	53.0	53.0	43.5	32.5	21.6	11.0	11.0	22.2	14.1	48.3
Total Liabs. & Equity	\$ 11.4	\$ 31.9	\$ 25.8	\$ 20.1	\$ 78.9	\$ 79.1	\$ 79.1	\$ 72.8	\$ 51.8	\$ 50.9	\$ 40.3	\$ 40.3	\$ 71.5	\$ 63.4	\$ 97.6
Audit	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Ratio Analysis

FY-ending Dec 31,	2012	2013	2014					2015E					2016E	2017E	2018E
	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
Book Per Share	\$1.50	\$9.81	\$11.75	\$6.65	\$4.96	\$2.64	\$6.11	\$2.17	\$1.62	\$1.08	\$0.55	\$0.55	\$1.06	\$0.65	\$2.16
Net Cash per Share	\$1.65	\$10.60	\$13.51	\$8.06	\$5.22	\$2.64	\$6.10	\$2.21	\$1.56	\$0.92	\$0.28	\$0.28	\$0.32	(\$0.79)	(\$0.22)
Return on Assets (ROA)	(126.5%)	(64.6%)	(107.2%)	(145.7%)	(41.0%)	(45.9%)	(39.7%)	(58.4%)	(87.8%)	(89.5%)	(112.5%)	(111.1%)	(58.5%)	(19.1%)	29.9%
Return on Equity (ROE)	(415.5%)	(88.6%)	(166.9%)	(302.8%)	(52.7%)	(68.5%)	(59.2%)	(97.7%)	(139.9%)	(210.7%)	(412.8%)	(407.6%)	(188.3%)	(85.9%)	60.5%
Return on Invest Capital	(3531.2%)	NA	NA	NA	NA	(2186.6%)	(7581%)	(3183.6%)	(469.6%)	(254.8%)	(173.6%)	(680.9%)	(249.1%)	(37.2%)	53.5%
NOPAT	(14.6)	(20.0)	(6.9)	(7.2)	(7.9)	(8.9)	(30.9)	(10.3)	(11.4)	(11.4)	(11.3)	(44.4)	(41.8)	(12.1)	29.2
Invested Capital	0.4	(0.6)	(1.3)	(0.8)	(3.1)	0.4	0.4	0.3	2.4	4.5	6.5	6.5	16.8	32.5	54.5
Inventory Turnover	NA	NA	NA	NA	NA	0	0.0	0.0	0.1	0.4	0.9	0.3	1.1	1.9	2.0
Days Sales Outstanding	0.0	0.0	NA	NA	#DIV/0!	152.0	608.1	42.1	103.0	112.0	74.7	163.8	43.5	23.0	15.5
Current Ratio	4.6	7.5	4.6	2.4	11.5	14.6	14.6	8.9	(17.8)	6.0	4.5	4.5	2.4	2.0	2.8
Debt / Equity	169.0%	21.7%	27.8%	43.3%	17.9%	39.5%	39.5%	48.0%	33.5%	96.5%	190.4%	190.4%	184.3%	290.2%	84.7%
Debt / Capital	62.8%	17.9%	21.8%	30.2%	15.2%	28.3%	28.3%	32.5%	25.1%	49.1%	65.6%	65.6%	64.8%	74.4%	45.9%

Source: Company reports, Janney Capital Markets estimates, Capital IQ

05/05/15

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.

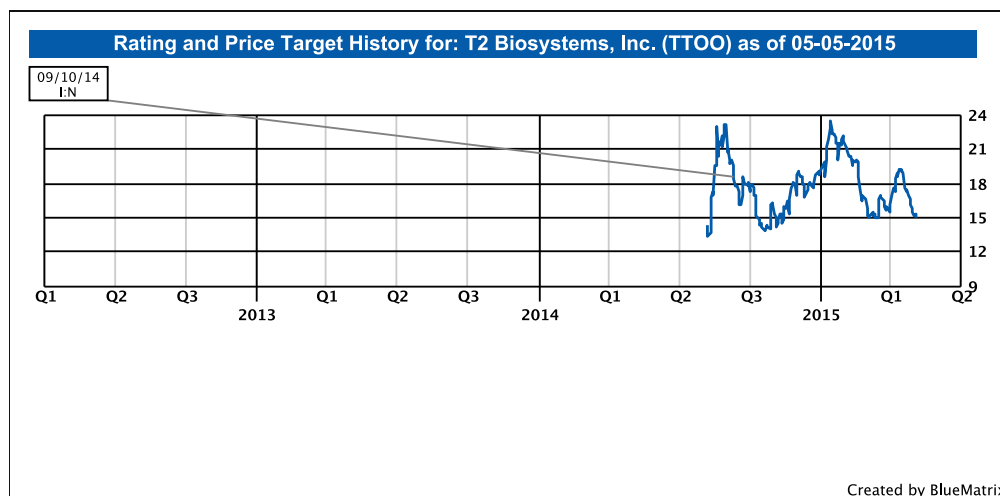
Definition of Ratings

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 3/31/15

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	140	50.36	21	15.00
NEUTRAL [N]	137	49.28	14	10.22
SELL [S]	1	0.36	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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