



January 8, 2015

Key Metrics

BIOC - NASDAQ	\$3.30
Pricing Date	Jan 8 2015
Price Target	\$16.00
52-Week Range	\$10.02 - \$2.27
Shares Outstanding (mm)	4.5
Market Capitalization (\$mm)	\$14.9
3-Mo Average Daily Volume	21,284
Institutional Ownership	9%
Debt/Total Capital	58.6%
ROE	NM
Book Value/Share	\$0.75
Price/Book	4.4x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS (\$) FY: December

	2013A	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q-Mar	(10.67)	--	(1.96)A	--	(0.87)E
2Q-Jun	(10.83)	--	(0.67)A	--	(0.61)E
3Q-Sep	(15.72)	--	(0.87)A	--	(0.44)E
4Q-Dec	(13.57)	--	(0.89)E	--	(0.35)E
FY	(50.80)	--	(4.00)E	--	(2.13)E
P/E	NM		NM		NM

Revenue (\$M)

	2013A	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q-Mar	0.0	--	0.0A	--	0.5E
2Q-Jun	0.0	--	0.0A	--	0.9E
3Q-Sep	0.0	--	0.0A	--	1.5E
4Q-Dec	0.0	--	0.1E	--	2.5E
FY	0.1	--	0.2E	--	5.4E

**Company Description:**

Biocept, Inc. (<http://www.biocept.com/>) is a San Diego-based emerging molecular diagnostics company.

Biocept, Inc.**Rating: Buy****Advancing Lung Cancer Test; Patient Access Expansion****Investment Highlights:**

- NSCLC Test Collaboration.** Biocept and Insight Genetics announced this morning their collaboration to generate an enhanced diagnostic for the expression and mutation of ALK, a major therapeutic target in the treatment of non-small cell lung cancer (NSCLC). Insight Genetics is a molecular diagnostic assay company. The collaboration aims to evaluate the combination of both companies' platform technologies to enhance detection of ALK status in NSCLC patients. Biocept's technology captures and analyzes CTCs (circulating tumor cells) and ctDNA (circulating tumor DNA), while Insight Genetics' technology determines ALK expression and whether the gene has mutated over the course of treatment. We believe the enhanced test may provide better identification and monitoring functions. Investors should be aware that ALK positive patients have targeted treatment options with two key drugs, Pfizer's Xalkori (Crizotinib) and Novartis's Zykadia (ceritinib). In the wake of this update, we reiterate our Buy rating and 12-month price target of \$16.00 per share.
- Patient Access Expanded.** Biocept announced yesterday that its proprietary liquid biopsy testing will be offered to participants in the America's Choice Provider Network (ACPN), a Preferred Provider Organization (PPO). We note that this collaboration expands patient access to the liquid biopsy by approximately 19 million Americans and bodes well for the firm's future revenue streams.
- HER2 Positive Identification.** Biocept's recent poster presentation at the 2014 San Antonio Breast Cancer Symposium demonstrated that its breast cancer diagnostic test has the ability to identify patients who have developed HER2-positive CTCs during disease progression after an initial HER2-negative diagnosis by solid biopsy. The findings showed that 22% of 311 patients, who were previously HER2 negative according to a solid tumor biopsy, were found to be HER2 positive by CTC analysis upon disease progression. Therefore these patients became potential candidates for anti-HER2 therapy such as Herceptin (trastuzumab). We believe that Biocept's test could provide an informative and convenient way to monitor and identify such potential patients for optimal treatment outcome. To evaluate the sensitivity of patients with HER2+ CTC to HER2-targeted therapy, patients identified by the test are being treated with Herceptin in a clinical trial conducted at the Dana-Farber/Harvard Cancer Center.
- Cash Runway.** We believe the firm will continue to ramp up the sales of its breast cancer and lung cancer tests going forward, though it is likely to remain unprofitable in the near term. Biocept had \$8.8mm in cash as of September 30, 2014 and may need to raise additional capital in 2015.

Table 1: Biocept, Inc. (BIOC) – Historical Income Statements, Financial Projections

FY end December 31

\$ in thousands, except per share data

	2012A	2013A	2014E				2014E	2015E				2015E
			1QA	2QA	3QA	4QE		1QE	2QE	3QE	4QE	
Revenue												
Product revenue	-	-					-					-
Service revenue	109	134	28	19	10	100	158	500	900	1,500	2,500	5,400
Total revenue	109	134	28	19	10	100	158	500	900	1,500	2,500	5,400
Expenses												
Cost of revenues	1,202	2,329	658	359	538	633	2,189	740	900	1,167	1,500	4,307
Research & development	6,562	3,087	1,009	1,108	1,311	1,300	4,728	1,350	1,350	1,350	1,350	5,400
Selling and marketing	785	149	11	423	812	900	2,147	900	900	900	900	3,600
General and administrative	2,063	2,513	1,877	1,033	1,061	1,100	5,071	1,100	1,100	1,100	1,100	4,400
Total expenses	10,612	8,078	3,555	2,923	3,722	3,933	14,134	4,090	4,250	4,517	4,850	17,707
Gain (loss) from operations	(10,503)	(7,944)	(3,527)	(2,904)	(3,712)	(3,833)	(13,976)	(3,590)	(3,350)	(3,017)	(2,350)	(12,307)
Other income/expense												
Interest income/expense	(2,187)	(2,070)	(1,394)	(94)	(151)	(150)	(1,790)	(300)	(300)	(300)	(300)	(1,200)
Change in fair value of warrant liability	454	782	(206)	2	3	-	(201)	-	-	-	-	-
Other income/expense	(23)	-	-	-	-	-	-	-	-	-	-	-
Total investment income and other	(1,756)	(1,288)	(1,601)	(92)	(148)	(150)	(1,991)	(300)	(300)	(300)	(300)	(1,200)
Loss before provision for income taxes	(12,259)	(9,232)	(5,128)	(2,996)	(3,860)	(3,983)	(15,967)	(3,890)	(3,650)	(3,317)	(2,650)	(13,507)
Provision for income taxes	(1)	(1)	-	(1)	-	-	(1)	-	-	-	-	-
Net loss	(12,260)	(9,233)	(5,128)	(2,997)	(3,860)	(3,983)	(15,968)	(3,890)	(3,650)	(3,317)	(2,650)	(13,507)
Net loss per share (basic)	(76.43)	(50.80)	(1.96)	(0.67)	(0.87)	(0.89)	(4.00)	(0.87)	(0.61)	(0.44)	(0.35)	(2.13)
Net loss per share (diluted)	(76.43)	(50.80)	(1.96)	(0.67)	(0.87)	(0.89)	(4.00)	(0.87)	(0.61)	(0.44)	(0.35)	(2.13)
Weighted average number of shares outstanding (basic)	160	180	2,617	4,450	4,450	4,455	3,993	4,465	5,975	7,485	7,495	6,355
Weighted average number of shares outstanding (diluted)	160	180	2,617	4,450	4,450	4,455	3,993	4,465	5,975	7,485	7,495	6,355

Source: Company Reports and Aegis Capital Corp. estimates

Required Disclosures

Price Target

Our 12-month price target is \$16.00 per share.

Valuation Methodology

We utilize a risk-adjusted Net Present Value (rNPV) approach to determine our price target objective. Using a discounted cash flow analysis, we derive an rNPV-based total firm value of roughly \$175 million, which translates into a price per share of \$16.00, assuming roughly 11 million fully-diluted shares outstanding and roughly \$25 million in cash as of the end 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. Diagnostic tools in clinical development may not advance due to inadequate safety. Regulatory agencies may decline to approve submissions in a timely manner, or may not approve a candidate at all. The firm may require substantial funding to advance the clinical progress of its diagnostic products, which could be dilutive to current shareholders. Sales of the firm's products could depend upon reimbursement from private, as well as public, reimbursement agencies.

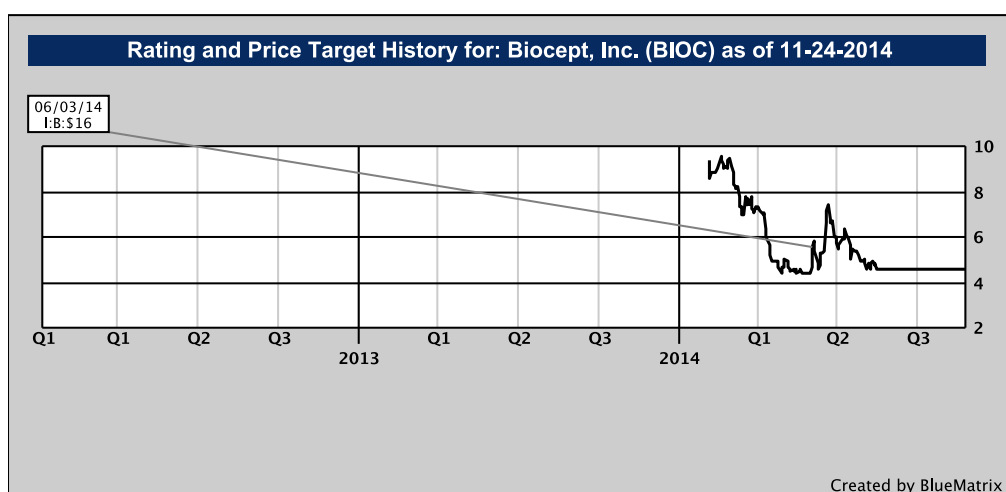
For important disclosures go to www.aegiscap.com.

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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 Biocept, Inc. within the past 12 months.

Aegis Capital Corp. makes a market in Biocept, Inc..



Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	83.33	76.67
HOLD [HOLD]	16.67	50.00
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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