



November 24, 2014

Key Metrics

BIOC - NASDAQ	\$3.26
Pricing Date	Nov 21 2014
Price Target	\$16.00
52-Week Range	\$10.02 - \$2.27
Shares Outstanding (mm)	4.5
Market Capitalization (\$mm)	\$14.7
3-Mo Average Daily Volume	25,826
Institutional Ownership	9%
Debt/Total Capital	58.6%
ROE	NM
Book Value/Share	\$0.75
Price/Book	4.3x
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	(0.70)E	(0.87)E
2Q-Jun	(10.83)	(0.89)E	(0.67)A	(0.59)E	(0.61)E
3Q-Sep	(15.72)	(0.90)E	(0.87)A	(0.45)E	(0.44)E
4Q-Dec	(13.57)	(0.74)E	(0.89)E	(0.38)E	(0.35)E
FY	(50.80)	(4.05)E	(4.00)E	(2.04)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	1.0E	0.5E
2Q-Jun	0.0	0.1E	0.0A	1.9E	0.9E
3Q-Sep	0.0	0.4E	0.0A	3.2E	1.5E
4Q-Dec	0.0	0.6E	0.1E	4.8E	2.5E
FY	0.1	1.1E	0.2E	10.9E	5.4E



Company Description:

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

Biocept, Inc.

Rating: Buy

Lung Cancer Test Launched; 2014 3Q Results

Investment Highlights:

- NSCLC Test Launched.** Biocept recently announced the launch of its liquid biopsy test for non-small cell lung cancer (NSCLC). The firm's first CLIA-validated assay for lung cancer will be testing for ALK fusions on CTCs (circulating tumor cells) captured in Biocept's patented device. As in the oncologists' testing guidelines of treatment decisions for NSCLC patients, ALK positive patients have targeted treatment options with two key drugs, Pfizer's Xalkori (Crizotinib) and Novartis's Zykadia (ceritinib). We note that a blood based genomic test is far less invasive than a surgical biopsy, therefore its real-time diagnostic and monitoring functions give physicians insight into the molecular status of the therapeutic outcome. Such tests also avoid the risk of complication when a surgical biopsy is attempted. Together with the previously commercialized breast cancer test, the firm provides options for health care providers and researchers when a tumor biopsy is not available or is unsafe to perform. In the wake of this update, we reiterate our Buy rating and 12-month price target of \$16.00 per share.
- 2014 3Q Results.** In the third quarter of 2014, Biocept recorded 96 commercial cases, which led to a total of 110 cases in the first nine months of 2014. Revenue for the third quarter was \$10,000. We note that the revenue from commercial cases is recognized as collected from payors, the majority of which should be recognized in the following quarter. Yet the cost of revenue is recognized in the current quarter, creating a lag between the revenue and the corresponding cost. For the third quarter, the firm had a net loss of \$3.9mm, or (\$0.87) per share. 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. The average price collected per commercial test is approximately \$1,500. Our current revenue projections for 2014 and 2015 stand at \$0.2mm and \$5.4mm respectively, with diluted EPS at (\$4.00) and (\$2.13) per share. Biocept had \$8.8mm in cash as of September 30, 2014 and may need to raise additional capital in 2015.
- More In the Pipeline.** Biocept plans to offer additional biomarkers for lung cancer by the end of 2014 and during 2015, including EGFR mutations, Ros1 fusions, KRAS mutations, and EGFR and MET amplification. EGFR mutation status is also a biomarker included in oncologists' treatment guidelines. Patients who have EGFR mutations are eligible for Tyrosine Kinase Inhibitors such as Tarceva from Genentech or Iressa from AstraZeneca. Additionally, the firm announced its further collaboration with The University of Texas MD Anderson Cancer Center on ovarian cancer, and its collaboration with Rosetta Genomics whereby Biocept's microfluidic channel technology will capture the CTCs and Rosetta Genomics will extract and analyze microRNA from these cells.

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.

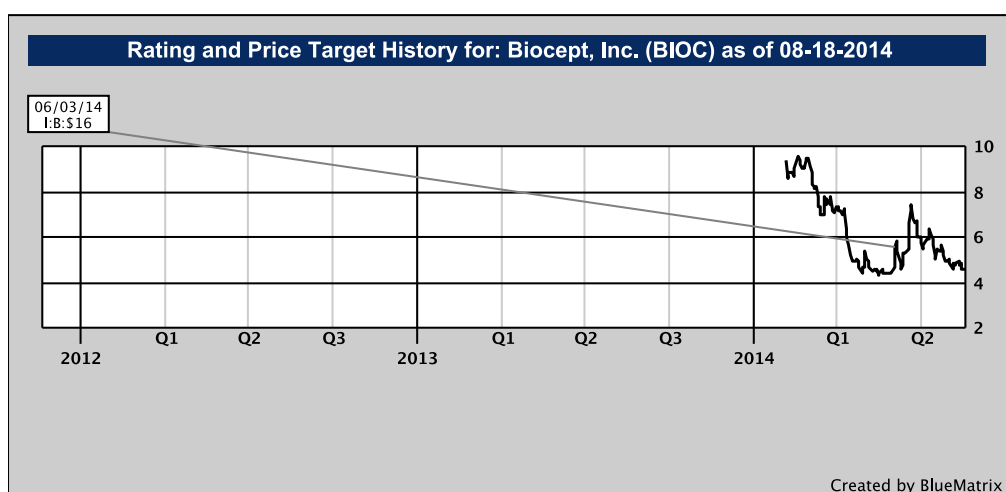
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Aegis Capital Corp. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

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]	81.48	61.36
HOLD [HOLD]	18.52	20.00
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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