



January 21, 2015

Key Metrics

BIOC - NASDAQ	\$2.34
Pricing Date	Jan 21 2015
Price Target	\$16.00
52-Week Range	\$10.02 - \$2.27
Shares Outstanding (mm)	4.5
Market Capitalization (\$mm)	\$10.5
3-Mo Average Daily Volume	21,481
Institutional Ownership	9%
Debt/Total Capital	58.6%
ROE	NM
Book Value/Share	\$0.75
Price/Book	3.1x
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****Additional Biomarkers In Lung Cancer Test****Investment Highlights:**

- EGFR and ROS1 Mutation Detection.** Biocept recently announced the launch of its EGFR mutation test that targets a region of the gene that includes T790M, a biomarker that identifies therapy-resistant tumors utilizing its proprietary technology. The launch of this analysis in non-small cell lung cancer (NSCLC) expands the firm's existing test menu of commercialized blood based assays for circulating tumor DNA (ctDNA) and circulating tumor cells (CTCs). Biocept also announced the launch of ROS1 testing on CTCs, which defines a molecular subgroup of NSCLC and should help physicians identify patients receptive to certain therapeutic options. We note that these expanded offerings could help drive the firm's future revenues. In the wake of this update, we reiterate our Buy rating and 12-month price target of \$16.00 per share.
- Plasma Biomarker Monitoring Leads to Targeted Therapy.** We note that ~ 20% of the NSCLC patients are identified as EGFR-mutant, which leads to targeted therapies focused on this population, tyrosine kinase inhibitors (TKIs). Though TKIs can be effective in shrinking tumors initially, patients may ultimately develop resistance because of secondary mutations such as T790M. Monitoring these secondary mutations using a blood sample in a clinical setting could enhance the treatment outcome, in our view. It is a similar case with ROS1, a gene that encodes the proto-oncogene receptor tyrosine kinase, whose chromosomal rearrangements can be identified by Biocept's new blood test. Patients with ROS1-positive tumors could be receptive to a therapy that inhibits this target. A recent publication demonstrated that crizotinib, a targeted therapy drug, effectively halts the growth of lung tumors driven by rearrangements of the ROS1 gene. We remind investors that Biocept has launched the ALK chromosomal rearrangements test for NSCLC in late 2014. Together, the firm's tests enable clinicians to have a better profile of NSCLC patients through a non-invasive liquid biopsy, and make a treatment decision that could achieve the best clinical outcome.
- 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.

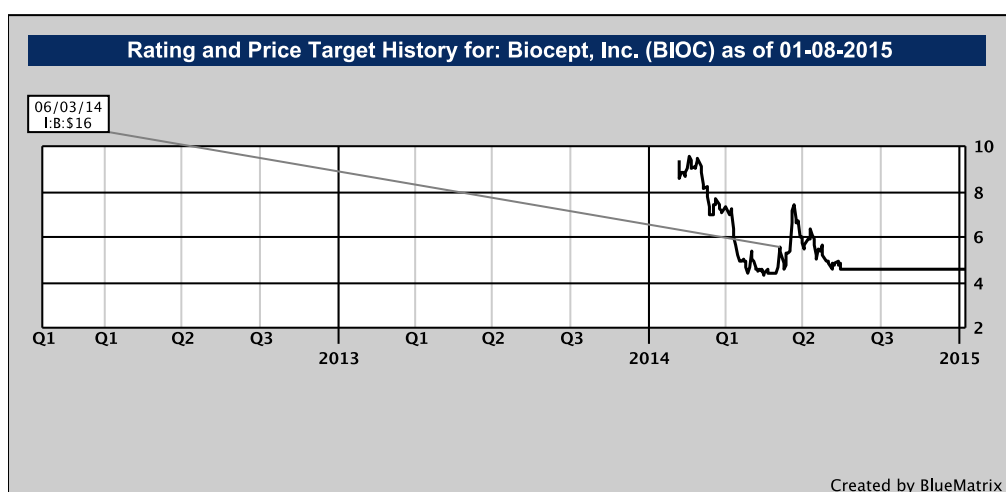
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Aegis Capital Corp. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

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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