

Evoked Pharma (EVOK - \$2.68)

1Q17: Gimoti PK Trial in Early 2H17 is the Next Step Towards NDA Filing

Yesterday after the market close, EVOK reported 1Q17 financial results with a net loss of (\$5.1MM), vs. the estimates of Laidlaw (\$2.5MM) and the Street (\$2.6MM). Net loss/share was (\$0.37) vs. (\$0.17) and (\$0.16) for Laidlaw and the Street, respectively. EVOK currently has cash of ~\$14.7MM, enough for operations into 1Q18, in our opinion.

- **Preparations of Gimoti PK study are on track.** During the conference call, management indicated that the trial material preparation is on track and EVOK is working together with Spaulding Clinical Research to start the PK study in 2H17, potentially in 3Q17. EVOK reiterated that the FDA has agreed that a Human Factors validation study is not required. As a reminder, the objective of the bio-equivalency PK study is to determine a dose of Gimoti that is bio-equivalent to that of the reference drug, oral metoclopramide (10mg Reglan tablet) in healthy volunteers (n~100). Although Gimoti has demonstrated to be much more effective in female patients, the FDA would like to see the PK profile of both females and males, given the drug could potentially be used by both genders in the real world if approved.

We anticipate multiple doses of Gimoti will be assessed but the company did not provide more details. As such, the dose of the final version of Gimoti that would be submitted for approval could vary slightly from that used in the prior Phase III (METO IN- 003) clinical setting. We also believe some of the information gained from prior Gimoti in diabetic gastroparesis clinical trials, such as QT/QTc safety data, and that the drug is more effective in female and modest/severe patients, could potentially be incorporated into the final Gimoti package. Should the PK study commence in early 2H17, we anticipate the NDA filing could occur in 4Q17/early 1Q18. EVOK will take the 505(b)(2) route for NDA filing and should the bio-equivalency outcome be established from the PK study; a potential approval decision could slate to late 2018.

- **Action.** We are reiterating our Buy rating and \$8 target price based on our peer comparable, cash driven NPV and forward price/sales analyses. Gimoti, in our opinion, could be an important treatment option for modest/severe diabetic gastroparesis fulfilling the unmet need.

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY-17E	-0.37A	-0.16	-0.22	-0.27	-1.03	NM
FY-16A	-0.45	-0.41	-0.29	-0.12	-1.15	NM
FY-15A	-0.58	-0.52	-0.42	-0.37	-1.87	NM
FY-14A	-0.49	-0.59	-0.63	-0.48	-2.20	NM

Source: Laidlaw & Company estimates

Healthcare/Biotechnology

Ticker:	EVOK
Rating:	Buy
Price Target:	\$8.00

Trading Data:

Last Price (5/15/2017)	\$2.68
52-Week High (7/13/2016)	\$11.11
52-Week Low (11/10/2016)	\$1.35
Market Cap. (MM)	\$42
Shares Out. (MM)	9.338

Yale Jen, Ph.D.

Managing Director/Senior
Biotechnology Analystt
(212) 953-4978
yjen@laidlawltd.com

FOR ANALYST CERTIFICATION AND DISCLOSURES, PLEASE SEE DISCLOSURES SECTION AT THE END OF THIS REPORT. This report has been prepared by Laidlaw & Co (UK), Ltd. Investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. All prices are those current at the end of the previous trading session unless otherwise indicated. Prices and consensus estimates are sourced from a reliable market source

Anticipated Milestones in 2017 and Beyond

Product	Indication	Event	Timing	Importance
Gimoti (EVK-001)	Diabetic gastroparesis	Start Phase I PK study vs. Reglan (10 mg tablet)	3Q17	***
		Complete Phase I PK study	2H17	***
		Report PK study results	2H17	***
		Potential NDA filing	4Q17/1Q18	****
		Potential FDA approval decision	2H18	*****

**** / ***** Major catalyst event that could impact share price very significantly while *** event is more informative

Source: Laidlaw & Company and company presentation

Major Risks

Failures of upcoming clinical studies. Although Gimoti has demonstrated promising efficacy and a satisfactory safety profile from parts of the Phase III study in diabetic gastroparesis; there is no assurance that the upcoming PK clinical study can demonstrate efficacy and safety profiles satisfactory enough along with part of the Phase III study results for gaining clinical approval. Given the clinical study successes are the biggest near-term hurdle to be overcome before Gimoti can be advanced into commercialization, clinical study failure could significantly impair the value of the company's assets and shareholder value. Overall, we view clinical risks of Gimoti are more modest relative to Phase III studies of other biotech companies.

Gimoti may not reach anticipated sales. Assuming Gimoti receives approval and is commercialized, the sales potential could fall short of our forecasts. It is difficult to project accurately the sales potential of Gimoti in gastroparesis given that the market is relatively mature and is dominated by generic products. The assumption is that Gimoti could afford more effective drug availability and bypass the hurdle of slow gastric emptying and vomiting. However, the actual clinical performance from the Phase III study could influence physician acceptance for the drug as well as the company's flexibility to price the drug. The lack of a large size comparative clinical study for Gimoti vs. oral metoclopramide with a superior outcome could also slow down the initial market penetration.

Lack of diversified product portfolio increases risk if Gimoti fails. Since Evoke only has only one product in development and without other prospects on their pipeline, EVOK has very limited options to hedge its risk of product failure. As such, any mishap or failure of Gimoti development could significantly reduce the value of EVOK shareholders.

Additional financing could dilute shareholder value. Regardless of whether or not the company forges additional collaborations with partners to generate non-dilutive revenue to support operations, it is likely that Evoke may need to raise additional cash from investors to fund its operations, especially if the company needs to commercialize Gimoti by themselves. As such, the share value for existing investors could be diluted. Further, if the company cannot raise equity capital at favorable terms, the share value of current shareholders could be further impaired.

Limited trading liquidity limits shareholder options. Daily trading volume and name recognition of EVOK shares are relatively modest. Some investors may be hesitant to own the shares due to illiquid trading volume. This could impose constraints if they want to increase or reduce their positions in a volatile stock market.

Figure 1: Income Statement

Evoke Pharma – Income Statement												
(\$'000)	2015	2016	1Q17	2Q17E	3Q17E	4Q17E	2017E	2018E	2019E	2020E	2021E	2022E
Revenue												
EVK-001 sales	0	0		0	-	-	0	0	15,536	32,129	51,172	85,954
Product royalty revenue	0	0	-	-	-	-	0	0	0	0	0	0
Total revenue	0	0	-	-	-	-	0	0	15,536	32,129	51,172	85,954
Costs of goods	0	0					0	0	1,398	2,892	4,605	7,736
Research and development	8,154	6,952	771	1,071	1,714	2,485	6,041	5,135	5,186	4,772	3,579	2,326
General and administrative	3,664	3,593	1,210	1,222	1,246	1,265	4,942	5,387	5,872	6,341	6,785	7,260
Marketing and sales	0	0	0	0	0	0	0	0	23,100	24,255	24,983	25,732
Total Operating Expenses	11,818	10,544	1,980	2,293	2,960	3,750	10,983	10,522	35,556	38,260	39,952	43,054
Operating Incomes (losses)	(11,818)	(10,544)	(1,980)	(2,293)	(2,960)	(3,750)	(10,983)	(10,522)	(20,021)	(6,131)	11,220	42,900
Other expense		(145)	-	-	-	-	0	0	0	0	0	0
Interest income	5	0	1	-	-	-	1	1	1	1	1	2
Interest expense	(307)	(123)	-	-	-	-	0	0	0	0	0	0
Financing costs related to warrant liability		(534)	-	-	-	-	0	0	0	0	0	0
Change in fair value of warrant liability	0	598	(3,073)	100	(100)	101	(2,972)	100	100	100	100	100
Total Other Income, net	(302)	(205)	(3,072)	100	(100)	101	(2,971)	101	101	101	101	102
Income before tax	(12,120)	(10,749)	(5,052)	(2,193)	(3,060)	(3,649)	(13,954)	(10,421)	(19,920)	(6,029)	11,321	43,001
Tax Rate								32%	32%	32%	35%	35%
Tax	0	0	-	-	-	-	0	3,335	6,374	1,929	(3,962)	(15,050)
Net Income (Loss)	(12,120)	(10,749)	(5,052)	(2,193)	(3,060)	(3,649)	(13,954)	(7,086)	(13,545)	(4,100)	7,359	27,951
Net Income (Loss) Applicable to Common Shareholders	(12,120)	(10,749)	(5,052)	(2,193)	(3,060)	(3,649)	(13,954)	(7,086)	(13,545)	(4,100)	7,359	27,951
Net Earnings (Losses) Per Share—Basic and Diluted	(\$1.87)	(\$1.15)	(\$0.37)	(\$0.16)	(\$0.22)	(\$0.27)	(\$1.03)	(\$0.45)	(\$0.82)	(\$0.23)	\$0.41	\$1.50
Shares outstanding—basic and diluted	6,486	9,338	13,528	13,578	13,628	13,678	13,603	15,603	16,603	17,603	18,103	18,603
	6,486	9,338	13,528	13,578	13,628	13,678	13,603	15,603	16,603	17,603	18,103	18,603
Margin Analysis (% of Sales/Revenue)												
Costs of goods							9%	9%	9%	9%	9%	9%
R&D	NA	15%	7%	3%								
MG&A	NA	95%	62%	38%								
Operating Income (loss)	NA	-19%	22%	50%								
Net Income	NA	-13%	14%	33%								
Financial Indicator Growth Analysis (YoY%)												
Total Revenue	NA	107%	59%	68%								
R&D	-18%	-15%	-91%	-49%	28%	65%	-13%	-15%	1%	-8%	-25%	-35%
SG&A	16%	-2%	-67%	52%	50%	54%	38%	9%	9%	8%	7%	7%
Marketing and sales	NA	NA					NA	5%	6%	5%	3%	3%
Operating Loss	-10%	-11%	-83%	-21%	36%	61%	4%	-4%	90%	-69%	-283%	282%
Total Other Income, net	209%	-32%	918%	-238%	-88%	-87%	1352%	-103%	0%	0%	0%	0%
Pretax Income	-9%	-11%	-58%	-26%	1%	139%	30%	-25%	91%	-70%	-288%	280%
Net Income	-9%	-11%	-58%	-26%	1%	139%	30%	-49%	91%	-70%	-279%	280%
EPS	-15%	-38%	-80%	-61%	-21%	115%	-11%	-56%	80%	-71%	-275%	270%
Yale Jen, Ph.D. 212-953-4978												

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates.

DISCLOSURES:

ANALYST CERTIFICATION

The analyst responsible for the content of this report hereby certifies that the views expressed regarding the company or companies and their securities accurately represent his personal views and that no direct or indirect compensation is to be received by the analyst for any specific recommendation or views contained in this report. Neither the author of this report nor any member of his immediate family or household maintains a position in the securities mentioned in this report.

EQUITY DISCLOSURES

For the purpose of ratings distributions, regulatory rules require the firm to assign ratings to one of three rating categories (i.e. Strong Buy/Buy-Overweight, Hold, or Underweight/Sell) regardless of a firm's own rating categories. Although the firm's ratings of Buy/Overweight, Hold, or Underweight/Sell most closely correspond to Buy, Hold and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis against the analyst sector universe of stocks. An analyst's coverage sector is comprised of companies that are engaged in similar business or share similar operating characteristics as the subject company. The analysis sector universe is a sub-sector to the analyst's coverage sector, and is compiled to assist the analyst in determining relative valuations of subject companies. The composition of an analyst's sector universe is subject to change over time as various factors, including changing market conditions occur. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12-months relative to the analyst's sector universe.

Additional information available upon request.

Laidlaw & Co (UK) Ltd. has not provided any investment banking services for the company (ies) mentioned in this report over the last 12 months.

RATINGS INFORMATION

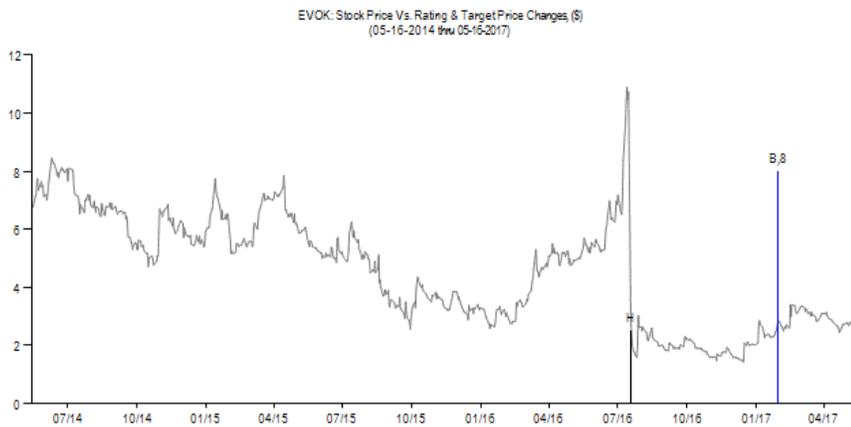
Rating and Price Target Change History

3 Year Rating Change History

Date	Rating	Closing Price (\$)
07/19/2...	Hold (H)	2.47
01/30/2...	Buy (B)	2.85

3 Year Price Change History

Date	Target Price (\$)	Closing Price, (\$)
07/19/2...		2.47
01/30/2...	8.00	2.85



Source: Laidlaw & Company

Created by: Blue-Compass.net

Laidlaw & Company Rating System*		% of Companies Under Coverage With This Rating	% of Companies for which Laidlaw & Company has performed services for in the last 12 months	
			Investment Banking	Brokerage
Strong Buy (SB)	Expected to significantly outperform the sector over 12 months.	0.00%	0.00%	0.00%
Buy (B)	Expected to outperform the sector average over 12 months.	63.64%	29.55%	2.27%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	2.27%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

ADDITIONAL COMPANIES MENTIONED

ADDITIONAL DISCLOSURES

As of the date of this report, neither the author of this report nor any member of his immediate family or household maintains an ownership position in the securities of the company (ies) mentioned in this report.

This report does not provide individually tailored investment advice and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Laidlaw & Co (UK), Ltd. recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate

in some or all of them. This report is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy.

Associated persons of Laidlaw & Co (UK), Ltd not involved in the preparation of this report may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned herein and may trade them in ways different from those discussed in this report. While Laidlaw & Co (UK), Ltd., prohibits analysts from receiving any compensation. Bonus or incentive based on specific recommendations for, or view of, a particular company, investors should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

With the exception of information regarding Laidlaw & Co (UK), Ltd. this report is based on public information. Laidlaw & Co (UK), Ltd makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete and it should not be relied upon as such. Any opinions expressed are subject to change and Laidlaw & Co (UK), Ltd disclaims any obligation to advise you of changes in opinions or information or any discontinuation of coverage of a subject company. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other Laidlaw & Co (UK), Ltd business areas. Laidlaw & Co (UK), Ltd associated persons conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

Any trademarks and service marks contained in this report are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. This report or any portion thereof may not be reprinted, sold or redistributed without the written consent of Laidlaw & Co (UK), Ltd. This report is disseminated and available primarily electronically, and, in some cases, in printed form.

The information and opinions in this report were prepared by Laidlaw & Co (UK), Ltd. For important disclosures, please see Laidlaw & Co (UK), Ltd.'s disclosure website at www.LaidlawLtd.com, or contact your investment representative or Laidlaw & Co (UK), Ltd at 546 Fifth Ave, 5th Floor, New York, NY 10036 USA.

© 2017 Laidlaw & Co. (UK), Ltd.

NOTES: