The Coming 4,709% Windfall from the Tiny "Future of Medicine" Firm
The Coming 303% Windfall from the Future of Medicine

This is Bill Patalon.

I’d like to welcome you as a subscriber to Private Briefing by telling you about a game-changing medical breakthrough and an exciting opportunity. Once you understand both of those things, I think you’ll be very happy with your decision to join us.

This opportunity revolves around one company that has created what could be the biggest medical revolution of this decade.

In fact, this single firm that has developed a paradigm shifting technology that is on the verge of changing medicine forever.

That’s because this small-cap biotech is a “molecular diagnostics” specialist. The term refers to the marriage of molecular biology and medical testing. It’s a technique that lets doctors and researchers analyze biological markers in a person’s genetic code (the “genome” and “proteome”) in order to diagnose and monitor infectious diseases, detect potential medical risks, to determine which treatments will best serve that patient.

And because of their groundbreaking new methods, this firm has been able to develop a non-invasive, non-surgical “early warning system” for one of the deadliest diseases on earth – cancer.

That means this technology is not only game-changing – it’s life-changing.

The system can detect cancer months, and in some cases even years, before the disease fully metastasizes.
But in order to understand how big the potential is here, you have to know how cancer screening has been conducted for over a century…

So before I tell you about the company at the heart of technology and the way we’re going to play this opportunity for massive profits, let’s quickly review what’s at stake here.

A “New Wave” in Biotech

Worldwide, about 1 in 4 deaths is caused by cancer.

Add that to the fact that over one million people in the United States get diagnosed each year, cancer is the second-leading cause of death in the U.S., followed only by heart disease, for the past two decades.

And it’s not just about how deadly cancer is.

Today, cancer costs the global economy more money than any other disease known to man.

In fact, according to the American Institute of Cancer Research (AICR), cancer costs nearly $895 billion annually. Compare that to heart disease that only costs $753 billion.

Nothing else comes close, traffic accidents and diabetes – the subsequent leading causes of death – costs only $408 billion combined.

For the majority of cancers, the only way to make a definite diagnosis is through a surgical biopsy, where doctors physically remove tissue from your body.

Source: EHM, Money Morning Staff Research

Cancer – The Silent Killer

This disease accounts for 74 million deaths worldwide. That is one out of every four deaths worldwide.

Upon diagnosis 57.6% of patients are already at an advanced stage of cancer.

Source: EHM, Money Morning Staff Research
These kinds of surgeries are not only frightening they can be incredibly painful.

A bone marrow biopsy is considered one of the most painful and invasive medical procedures the human body has to endure. Bone marrow is the spongy material inside some of your larger bones where blood cells are produced. To retrieve the cells locked inside the marrow for testing, doctors are forced to insert long needles into the back of your hip bone, pushing through the bone to retrieve the sample.

The worst part, you’re only able to use a mild sedative to dull “surface level tissue” – meaning that doctors can only administer a small amount of numbing medication to a very thin layer of skin tissue, leaving the deeper muscle and bone untouched.

Oftentimes during another violent procedure, a renal biopsy where doctors extract kidney tissue, patients describe the feeling as equitable to being stabbed by a knife.

Fact is, outside of forcing patients to endure an incredibly painful procedure, the way that surgical biopsies are performed today can lead to serious complications, like major blood vessel punctures, collapsed lungs, or life-threatening infections, just to name a few.

And even when detection is successful – the diagnosis can come too late, meaning the cancer has already reached an irreversible stage.

That’s what makes the company I have found for you today so imperative today’s medical community.

Instead of having to cut into someone to see if they have cancer, this new technology makes it possible for doctors to administer a simple non-invasive, pain-free test to achieve the same result.

The firm company I’m talking about is San Diego, Calif.-based TrovaGene Inc. (Nasdaq: TROV) and their Precision Cancer Monitoring (PCM) platform has already demonstrated in clinical studies the ability to identify and track melanoma, lung, colorectal, and pancreatic cancers using this advanced proprietary technology.
Thanks to its core technology, TrovaGene operates as two companies in one – as a small medical laboratory… and as a biotech research firm. The company has the proprietary technology and unique tests that make it possible for oncologists to eschew traditional surgical biopsies and use urine-based tests to screen for certain cancers.

Put in layman’s terms, the company makes possible a “liquid biopsy.”

At its simplest level, instead of having to cut into someone to see if he or she has cancer, TrovaGene makes it possible for doctors to administer a urine test to achieve the same result.

Indeed, in some cases, TrovaGene’s tests are even better.

The company’s so-called PCM technology can be used to detect and measure circulating tumor DNA (ctDNA) from cancer cells.

Here’s how that PCM technology works.

As a result of the meaningful advances in gene-sequencing technology, TrovaGene’s PCM capability gives doctors a biomarker—a way to assess certain cancers by using samples of patients’ urine to find, measure and track something called circulating tumor DNA – or ctDNA.

Scientists and oncologists can use this biomarker to detect, identify and monitor cancers in a way that allows them to develop timely and potentially more effective treatment regimens.

What Is ctDNA?

As tumor cells die as a result of treatment or natural processes, small, degraded fragments of DNA are released into the bloodstream and—as Trovagene was first to discover—in the urine as well. This circulating tumor DNA (ctDNA) offers a new means of detecting and monitoring at the molecular level.

The ability to isolate this ctDNA gives physicians greater insights about cancer mutations and how they react to treatment. Trovagene urine- and blood-based tests can detect circulating tumor DNA fragments from within a large sample, providing a systemic view of cancer mutations.

Source: Money Morning Staff Research
Many studies found that as human cancer tumors progress and grow, they “mutate” – change genetically.

And because these **somatic mutations** are only present in tumor-cell DNA, they provide for a very specific biomarker that can be detected, watched and measured.

What happens is that dying tumor cells release small bits of their DNA – called **cell-free circulating-tumor DNA** – into the bloodstream. This ctDNA can be measured with tests of blood or urine, and in a way, that’s far less invasive than conventional surgical biopsy procedures.

Several tests are available through TrovaGene’s federally certified lab operation. At the same time, the company continues to run clinical research studies to determine the effectiveness and viability of its technologies.

“We have demonstrated, in multiple clinical studies, our ability to identify and track oncogene mutations that are known to drive melanoma, lung, colorectal, and pancreatic cancers,” **Antonius Schuh**, the company’s former CEO, said late last year. TrovaGene has repeatedly been “pleased by… interim data and look[s] forward to continuing to build the body of clinical evidence supporting our liquid biopsy solution for cancer monitoring.”

The option to replace traditional biopsies and scans with either a blood or urine test gives physicians the flexibility to create a monitoring plan that fits with virtually any patient care setting.

Cancer is dynamic. Now, thanks to TrovaGene’s PCM technology, the way it’s monitored can be too.

To protect its PCM technology, TrovaGene’s execs say the company’s core technology is globally protected by patents. In fact, in December
2015, the firm received that the U.S. Patent and Trademark Office patented TrovaGene’s “Compositions, Methods and Kits for Isolating Nucleic Acids from Body Fluids Using Anion Exchange Media,” encompassing its methods for rapid separation, isolation of systemically derived ctDNA, and purification of nucleic acids from urine samples. The patent expands the intellectual property covering TrovaGene’s PCM technology.

And that is just the tip of the iceberg. TrovaGene has reportedly 87 patents issued and another 61 patent applications pending for its core technology.

But this is far from a one and done system.

In addition to diagnosing new cancers – it allows doctors to effectively watch and measure existing cancers so they can develop timely and more effective treatment regimens.

So, patients would be essentially relying on this system before, during and after treatment consistently.

It goes even further...

Since this preventive technology is so easy to administer and will have such a large impact on the general public, it is likely to become part of a primary doctor’s routine physical exam.

That means every human being on the planet (who visits a doctor regularly) could potentially be given this test in the not-to-distant future.

That bears repeating: Every person on planet Earth could one day use this technology to screen for cancer.

And the market TrovaGene is pursuing is huge – even massive.

A Promising Slice of a Big Market

As a development-stage firm, TrovaGene is creating research-and-development collaborations with Big Pharma firms. The resulting clinical studies – with the big healthcare networks, as well as with the top cancer centers – will ignite revenue and earnings growth over the long haul.
And there’s plenty of business to be had – especially in the closely held in vitro diagnostics (IVD) market.

When we refer to “in vitro diagnostics,” we’re essentially talking about a medical test that takes place outside the body – for instance, in a test tube.

According to ResearchandMarkets, the IVD market was worth $53.3 billion in 2013. And it’s projected to hit $70 billion by 2017. Now, that’s a compound annual growth rate (CAGR) of only 5.34%. But portions of the IVD market – geographic slices like Asia and technological slices like molecular diagnostics – will grow much, much faster.

And TrovaGene is focusing its efforts on those high-growth subsets of the IVD market.

So, this isn’t a “pure” growth play, but one built on the fastest growing parts of a slow-and-steady market.

And that is just one sectors that TrovaGene stands to benefit from. According to MarketWatch, the personalized medicine market is expected to hit $149 billion by 2020 and the molecular diagnostics market is expected to add another $9.3 billion on top of that.
In other words, with TrovaGene, we get growth – but not volatility.

That explains why some of the smartest “smart money” on Wall Street has taken big stakes in TrovaGene.

Smart Money Buyers

With stocks like this, we always look for “triggers” – catalysts that can help ignite a rally.

These coverage-provider deals – taken together – are a great example of one such promising “trigger.” By giving a big base of patient’s access to TrovaGene’s Liquid Biopsy services, the company gets needed revenue – and growing exposure for its technology with oncologists and other doctors.

In the past three months, the company has made four huge deal announcements – all of which granted health-insurance access to the entire suite of its Liquid Biopsy tests.

Back on Jan. 21 – TrovaGene’s shares posted a high-double-digit gain after the company announced an agreement that provides in-network insurance coverage to the 22 million members of the America’s Choice Provider Network (ACPN).

Under the terms of the ACPN pact, TrovaGene was established as a preferred provider, meaning its PCM services will be covered by more than 1,700 medical-services payers in North America.

“We are very much looking forward to having a provider as progressive and innovative as TrovaGene in our national provider network,” said Seth Breeden, chief operating officer of ACPN. “It is with great excitement that we can now offer our members access to TrovaGene’s PCM services.”

Founded in 2012, ACPN is an independent, multispecialty national network provider that covers all 50 States, Canada, the Dominican Republic, Guam, Mexico and Puerto Rico.

Shortly after its deal with ACPN, TrovaGene inked a deal under which preferred provider organization (PPO) FedMed’s 550,000 doctors, 4,000
hospitals and 40 million Americans will have access to all the biotech firm’s **PCM** tests and services.

Just as key: TrovaGene’s PCM services will be covered as a participating laboratory testing provider for clients of FedMed, which include major health insurers such as *Aetna, Cigna* and *Humana*.

“FedMed is among the largest national provider networks in the country, and this agreement is an important step in our ability to offer oncologists and their patients access to our liquid biopsy testing services through their health benefit plans,” said *TrovaGene* Chief Commercial Officer **Matt Posard**. “We’re very pleased with the positive response we are receiving from national provider networks, validating our decision to design the PCM platform to report on clinically actionable cancer genes that can translate into clear use scenarios and better reimbursement outcomes. We remain committed to creating a strong foundation of studies demonstrating the multiple clinical utilities of our technology, which we believe will broaden health insurance coverage and patient access this year.”

Only a month later, the company said it reached another healthcare-coverage deal with **Fortified Provider Network** (FPN).

Like the others, TrovaGene’s deal with FPN means that its PCM tests and services would be covered as “in-network” for Fortified’s 4 million members nationwide.

“Becoming a Fortified Provider Network member is an important milestone for TrovaGene, as we expand the number of covered lives with health insurance access to our [PCM] technology,” said Posard. “We continue to execute on our strategy to commercialize our novel liquid biopsy platform, and we look forward to playing a significant role in improving the care of Fortified’s cancer patients with our non-invasive tests for the detection and monitoring of medically relevant oncogene mutations.”

And the final piece of this smart buyer quartet is **Multiplan Inc.**

On March 1, TrovaGene announced that it would be partnering with the **New York**-based healthcare provider that services more than 68 million members and nearly 900,000 providers.
This was a milestone deal for TrovaGene. Multiplan is currently the industry’s most comprehensive provider of healthcare cost management solutions and includes clients from insurers, health plans, third party administrators, self-funded employers, HMOs and other entities that pay medical bills in the commercial healthcare, government, workers compensation, and auto medical markets.

After the announcement, TrovaGene’s shares jumped nearly 11.8% in a single day.

Fact is, all four of these deals just happened within a few weeks of each other this year. And all four pretty much guarantee one thing:

This firms’ Early Warning Detection system is about to be rolled out to millions of doctor’s offices and hospitals – and that means that the revenue will be pouring in.

But this isn’t the only near-term “trigger” that will help TrovaGene’s shares skyrocket to new heights.

Another triggers is the growing recognition from more “mainstream” investors and media folks – something we’re definitely starting to see with TrovaGene.

**Bryan Brokmeier**, an analyst at **Cantor Fitzgerald**, who recently reiterated his “Buy” recommendation on TrovaGene – with a target price of $10 – following the company’s string of benefits-coverage deals.

According to Brokmeier, these deals “further [demonstrate] the company’s commercialization plan as it expands patient access to its urine-based liquid biopsy tests. We anticipate additional data to be published and presented in the coming months, which should further support the validation and clinical utility of TROV’s urine-based tests, which we view as necessary to obtain managed care contracts.”

**Jason Kolbert**, an analyst at **Maxim Group**, also recently reiterated his “Buy” rating on TrovaGene, with a target price of $12 a share.

Other estimates run as high as $13 – about 190% above the company’s recent trading price.
At *Private Briefing*, we never follow Wall Street’s lead. But we’re always happy when the sell-side crowd starts to follow ours.

Back in April 2015, in a *Wired* magazine piece, **Tina Nova**, the senior vice president of oncology at TrovaGene partner **Illumina Inc. (Nasdaq: ILMN)**, wrote that the still-in-development PCM technology is “the most exciting thing I’ve seen since I started my career.”

“The most exciting thing I’ve seen since I started my career.”

~ Tina Nova, Senior Vice President at Illumina Inc.

Also back in April, **The New York Times** explained how PCM technology could be used to watch for recurrences with current cancer patients and as an “early warning systems” for cancer outbreaks in thought-to-be-healthy patients.

And while these two triggers puts TrovaGene ahead of almost any other biotech stock on the market right now, there is one more trigger that is the biggest “Buy” signal of them all…

The Only Way to Fly… and Buy

As co-author **Anthony Gallea** and I researched our 1998 book, “*Contrarian Investing: How to Buy and Sell When Others Won’t and Make Money Doing It,*” we made a valuable discovery.

On a beaten-down stock – one that’s trading well below its highs – the single-best “Buy” indicator is **insider buying**.

Corporate insiders sell their company’s shares for many reasons – including tax management, estate planning and investment diversification.
But those same insiders buy for only one reason: They see a clear opportunity to cash in on their own stock.

And cash in big…

So mimicking the purchases of corporate insiders is probably the simplest – and shrewdest – profit strategy you can employ.

By corporate insiders, we’re talking about the “C-suite” executives – the CEOs, COOs, CTOs and CFOs. And we’re also talking about board members – a group that includes “inside” directors (usually corporate officers) and “outside” directors (“independents” who help guide the firm and serve as part of the “checks and balances” approach to corporate management).

All of these insiders – by definition – know their own company better than anyone. They know the company’s market. Know its array of offerings – both products and services. Know the competition. And know the “state of the business” – the trends in revenue and profit that are major determinants of their company’s market valuation.

That “intelligence advantage” has a clear payoff.

For instance, one study found that “insider-purchase stocks” generated average annual returns of 26.3% – versus 15.6% for the overall market during the period studied.

The bottom line: If you want to shift the market odds in your favor, go out and buy a “basket” of the same stocks that insiders are buying.

In Contrarian Investing, Tony and I developed a way for investors to gauge the bullishness of an insider-buying signal.

In essence, the larger the purchase – and the greater the number of purchasers – the more bullish the signal.

We even established a “hard number” to help folks decide whether the insider buying at a company was meaningful.

According to one research duo, the average insider purchase during the period studied was $59,000. To build in a “margin of safety,” Tony
and I doubled that amount to $120,000.

And we developed a “good/better/best” type of “litmus test” for insider transactions, outlining the scenario in this way:

TrovaGene has already hit the “better” mark – and we won’t be surprised if there’s more to come.

On Aug. 12, Dr. Stanley N. Tennant, an independent director on the TrovaGene board, snapped up 10,000 shares at $6.06 each, spending $60,600 to do so.

According to company records, Tennant is a Greensboro, N.C., cardiologist and has been a TrovaGene outside director for nearly five years. So we can deduce that he has a pretty good understanding of TrovaGene’s market and financial prospects.

In a follow-up U.S. Securities and Exchange Commission filing, Antonius Schuh, TrovaGene’s CEO, disclosed his purchase of 20,000 shares of his company’s stock. He made the purchase at $5.45 a share, for a total outlay of $109,000.

So we’re talking about two insiders buying a combined $170,000 worth of TrovaGene’s shares.

It’s that big-hit potential that attracted another type of “insider” – a type that Tony and I referred to in our book as “knowledgeable outsiders.”

The Outsider

His name is Roberto Mignone, he runs the $2 billion Bridger Management LLC hedge fund, and he’s grabbed 15% of TrovaGene’s outstanding shares.

Mignone is a “knowledgeable outsider” because he focuses a lot of his attention on healthcare-related stocks. In fact, half his $2 billion fund is allocated to stocks in that sector.

And Mignone continues to accumulate TrovaGene.
According to SEC filings, Bridger acquired about 263,300 shares of TrovaGene in late February. It purchased the shares in three transactions, at an average price of $5.36 per share.

Since then, Bridger has acquired 440,000 more shares.

With those transactions, Bridger now owns 3.29 million shares of the company – which is more than 10% of TrovaGene’s shares outstanding.

Bridger has been invested in TrovaGene since late June 2013.

And the investment is “passive,” meaning Team Mignone isn’t likely to start applying public pressure on the biotech’s management team – as activist investor Icahn did with Apple Inc. (Nasdaq: AAPL) and its CEO, Tim Cook, a year ago.

One thing I like here is that Bridger added to its position even as TrovaGene rallied.

That underscores a point I often make when talking about insider purchases: When insiders (and knowledgeable outsiders) take positions like this, they aren’t doing so to ride the stock for a few points – they’ve taken these big stakes because they see an opportunity for massive profits.

And a massive profit is clearly what Bridger is shooting for here.

In fact, Mignone’s philosophy essentially dictates it.


Mignone is quieter – more secretive – than some of his hedge-fund brethren. Indeed, his company is careful to keep its returns a closely guarded secret, according to reports I perused.

According to Burton, and others who’ve studied him, Mignone believes too much capital makes it tough for a hedge-fund manager to generate big profits. So he doesn’t want his fund to get much bigger than it is right now.

Before Bridger buys a stock, Mignone and his team engage in “extensive analysis.” And the portfolio they run follows a “long/short” strategy.

According to Burton, “Mignone’s core positions include roughly 30 long positions, which are each limited to 5% of the portfolio initially and never get larger than 10%. He has about sixty core short positions, each no bigger than 2% percent at the start. He never allows them to grow bigger than 4%. Overall, the gross exposure is 150% to 200%, meaning the value of the long and short positions adds up to 1.5 to 2 times the net assets in the fund. The net exposure is between 20% and 60%.”

If you look at our litmus test on insider buying, this scenario is definitely in “better” territory.

Axing the Leader

On March 28, TrovaGene announced the firings of CEO Antonius Schuh and CFO Stephen Zaniboni, alleging that the two execs failed to present the company with a lucrative opportunity for a new precision medicine, instead taking the opportunity for their own personal benefit.

Because of that the company also moved to claim the “opportunity” for itself. TrovaGene filed a civil suit in the Superior Court of the State of California for “breach of fiduciary duty.” As part of that suit, it asked the court to order Schuh and Zaniboni to turn their interests in the new drug over to TrovaGene.

However, despite what Wall Street would like you to believe, this new opportunity doesn’t take away from the company’s existing PCM business and, in fact, might represent an entire new market for TrovaGene.

“The acquisition of new therapeutics in the field of precision medicine presents an exciting opportunity for TrovaGene,” said Dr. Thomas Adams, who has been appointed interim CEO. ”We intend to bring that
opportunity to TrovaGene where it rightfully belongs for the good of our shareholders,"

While it’s definitely a negative that this came to light -and that it led to the firing of two executives – it also may have spotlighted a new growth venue for TrovaGene.

Adams went to great lengths to underscore that this issue is “not a matter of something being taken out of TrovaGene, as the company has not yet developed therapeutics.”

But TrovaGene views itself as a “complete” precision-medicine firm – and not just a PCM player. And though it launched its business with a focus on diagnostics, it always planned to develop drugs, too. This incident may have spotlighted a way to get into that venue right now – proving TrovaGene’s commitment to rapidly pursuing growth.

The Bottom Line: A Foundation for Years of Growth and Profits

TrovaGene’s shares are right now trading around $4.75.

The median target price for next year by Wall Street analysts is currently $8 a share, an impressive double-digit gain of 68% from the current share price. The high estimate of $12 would allow us to pocket a solid 152% profit from here.

But here’s something else to consider.

Analysts’ expectations are usually very conservative and rarely take the entire picture into account.

Let’s just take a look at one sector – personalized medicine.

Today, TrovaGene’s revenue is nearly $290 thousand.

As I explain before, analysts are projecting the personalized medicine market to grow to $149 billion by 2020.

If TrovaGene were to capture even 1% of that total growth that would be an additional $1.5 billion in revenue.
Which is why, when you take into account the different market’s that TrovaGene is already a leader in, I could easily see this stock adding anywhere from an additional 75% to 100% the conservative 152% analysts are already predicting.

So we could actually be looking at gains anywhere between 266% to 304% over the next 12 months.

In short, it’s a great time to cash in on TrovaGene, and it’s patented “early warning’ Precision Cancer Monitoring system for cancer.

**Action to Take:** *Buy TrovaGene Inc. (Nasdaq: TROV) at market, employ a 25% trailing stop to protect capital and profits.*
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