ROTH Capital Partners

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FLASH NOTE | EQUITY RESEARCH | May 25, 2012

Healthcare: Pharmaceuticals

Synergy Pharmaceuticals, Inc. | SGYP - $4.58 - NASDAQ | *Buy*

Company Update

Stock Data	
52-Week Low - High	$3.17 - $8.74
Shares Out. (mil)	64.31
Mkt. Cap.(mil)	$294.5
3-Mo. Avg. Vol.	194,223
12-Mo.Price Target	$12.00
Cash (mil)	$51.1
Tot. Debt (mil)	$0.0

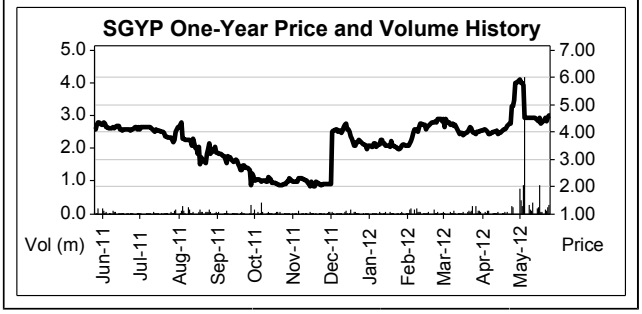
Cash (mil): Cash is proforma of ~$45 million financing in 2Q12

EPS $

Yr Dec	—2011—	—2012E—	—2013E—
		Curr	Curr
1Q	(0.08)A	(0.13)A	-
2Q	(0.10)A	(0.13)E	-
3Q	(0.01)A	(0.14)E	-
4Q	(0.12)A	(0.15)E	-
YEAR	(0.30)A	(0.55)E	(0.48)E
P/E	NM	NM	NM

Revenue ($ millions)

Yr Dec	—2011—	—2012E—	—2013E—
		Curr	Curr
1Q	0.0A	0.0A	-
2Q	0.0A	0.0E	-
3Q	0.0A	0.0E	-
4Q	0.0A	0.0E	-
YEAR	0.0A	0.0E	0.0E



SGYP: DDW Update - All Systems Go

We recently attended the Digestive Disease Week (DDW) meetings in San Diego. We met with Synergy management, which confirmed our positive bias towards the company's pipeline. We reiterate our Buy rating.

- **Meetings with management.** At the recent DDW meeting, we met with Synergy management (including new Chief Medical Officer Gail Comer, MD). Our overall take was positive relative to expectations. Key takeaways follow:

- **Plecanatide for constipation update.** The phase 2/3 trial enrollment should approach 600 by the end of May 2012. Assuming enrollment of ~120 patients/month, the target of 880 patients should be met in early-to-mid August. Following 12-week follow-up and a month to compile the data, we target presentation of clinical data in late November/early December (in-line with guidance of 4Q12).

- **Plecanatide for IBS-C update.** We expect a near-term meeting with FDA for this next indication for plecanatide (constipation with greater pain component). Assuming an investigator meeting in September (post summer), we would expect enrollment to start in October 2012 (ahead of the CIC data, but not by a material amount).

- **SPP-333 update.** We expect phase 1 work to start in August 2012. We expect that this next generation of plecanatide may be more stable and better suited for an ulcerative colitis indication.

- **Tone of the DDW meeting was positive.** We noted a high interest in FRX/IRWD's linaclotide for constipation at the DDW meeting (our opinion), which we view as positive given that plecanatide may be a similar to improved version of that drug (may have lower rates of diarrhea side effect). This should lead to increasing inquiries from key opinion leaders in this therapeutic category, which we believe benefits Synergy.

Intraday Price: $4.52 at 10:02AM ET 5/25/2012

VALUATION

We value shares of Synergy Pharmaceuticals based on a sum-of-the-parts analysis. The main driver is plecanatide at $10/share with lesser contribution from SP-333 ($1.50/share) and future indications/technology value ($0.50/share).

Impediments to our price target include, but are not limited to, unexpected adverse clinical outcomes, inability to attain a partnership, and inability to raise additional financial resources on reasonable terms.

RISKS

In addition to the risks inherent in drug development and marketing, key investment risks for Synergy Pharmaceuticals include:

- **Clinical risk** – We anticipate positive clinical data for the plecanatide program. Further, the phase 2/3 clinical data is longer in duration, which adds risk beyond the early stage trials. Failure of this data to match expectations could have a material adverse impact on company shares.
- **Partnership risk** – We expect that Synergy will outlicense, partner, or sell its clinical programs prior to product launch. Failure to monetize these assets on favorable terms could have a material adverse impact on company shares.

COMPANY DESCRIPTION

Synergy Pharmaceuticals, Inc., a development stage biopharmaceutical company, focuses on the development of drugs to treat gastrointestinal disorders and diseases. It is developing plecanatide that completed Phase 2a clinical trial and is undergoing a Phase II/III clinical trial for the treatment chronic idiopathic constipation and constipation-predominant irritable bowel syndrome; and SP-333, a second generation GC-C receptor analog, which is in pre-clinical stage for the treatment of gastrointestinal inflammatory diseases, such as ulcerative colitis. The company is headquartered in New York, New York.

Regulation Analyst Certification ("Reg AC"): The research analyst primarily responsible for the content of this report certifies the following under Reg AC: I hereby certify that all views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Disclosures:

Within the last twelve months, ROTH has received compensation for investment banking services from Synergy Pharmaceuticals, Inc..

ROTH makes a market in shares of Synergy Pharmaceuticals, Inc. and as such, buys and sells from customers on a principal basis.

Within the last twelve months, ROTH has managed or co-managed a public offering for Synergy Pharmaceuticals, Inc..

On September 28, 2010, ROTH changed its rating system in order to replace the Hold rating with Neutral.

On May 26, 2011, ROTH changed its rating system in order to incorporate coverage that is Under Review.

Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

			IB Serv./Past 12 Mos. as of 05/25/12	
Rating	**Count**	**Percent**	**Count**	**Percent**
Buy [B]	**192**	**71.64**	**60**	**31.25**
Neutral [N]	**59**	**22.01**	**5**	**8.47**
Sell [S]	**1**	**0.37**	**0**	**0**
Under Review [UR]	**16**	**5.97**	**8**	**50.00**

Ratings System Definitions - ROTH employs a rating system based on the following:

Buy: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

Not Covered [NC]: ROTH does not publish research or have an opinion about this security.