Trevena, Inc. (TRVN)

No Surprises in 4Q13 Earnings and Clinical Programs Advancing as Expected

MARKET OUTPERFORM | Price: $8.27 | Target Price: $18.00

MARKET DATA

Price	$8.27
52-Week Range:	$6.35 - $9.95
Shares Out. (M):	26.2
Market Cap ($M):	$216.7
Average Daily Vol. (000):	142.0
Cash (M):	$89
Cash/Share:	$3.38
Enterprise Value (M):	$126

Source: Thomson Reuters and JMP Securities LLC

FY DEC		2013A	2014E	2015E
Revenue ($M)	1Q	--	$0.0	--
	2Q	--	$0.0	--
	3Q	--	$0.0	--
	4Q	--	$0.0	--
	FY	**$0.1**	**$0.0**	**$0.0**
EPS	1Q	--	($0.36)	--
	2Q	--	($0.43)	--
	3Q	--	($0.48)	--
	4Q	--	($0.50)	--
	FY	**($29.71)**	**($1.78)**	**($1.98)**
	P/E	NM	NM	NM
	Previous FY	($28.96)	($2.14)	($2.17)

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE

INVESTMENT HIGHLIGHTS

Clinical progress on track with strong balance sheet providing sufficient funding through key value-driving milestones; reiterate Market Outperform rating and $18 price target on Trevena, Inc. Trevena reported 4Q13 earnings slight below our estimates and below consensus due to higher than expected operating expenses. The company ended 2013 with cash of $38MM, which together with ~$60MM proceeds from the company's IPO in January should be sufficient to fund operations through YE15, and past key value-inflection catalysts for both lead development programs. Progress with TRV130 (pain) and TRV027 (heart failure) remains on track and we look to Phase 2 results from both programs in 2015. Additionally, Phase 1 results for TRV734, its novel oral pain candidate, are anticipated in 3Q14. We continue to believe that Trevena's drug candidates, driven by its proprietary "biased ligand" platform have the potential to differentiate from available treatments, both in terms of efficacy and safety.

TRV130 Phase 2 bunionectomy trial on track to initiate in 2Q14. The company anticipates initiating two trials for TRV130 in 2014: a Phase 2a/b bunionectomy trial in 2Q14 and a Phase 2 trial in soft tissue surgery in 4Q14. The bunionectomy trial will enroll ~400 patients and is designed to allow for an adaptive dose selection to identify the optimal dose of TRV130 compared to morphine. The study will be powered to demonstrate superior pain relief vs. morphine, with results expected in 1Q15 that will inform Phase 3 development. The second Phase 2 trial will be designed to support a potentially differentiated tolerability profile and further inform Phase 3 design. Results from this trial are expected in 4Q15. Full results from the Phase 1b PK/PD trial completed in 4Q13, which compared TRV130 with morphine in healthy subjects using an evoked pain model, will be presented in a poster at the American Pain Society meeting in May.

TRV027 Phase 2b trial continuing to enroll patients in line with our expectations. In January 2014, the company commenced the Phase 2 BLAST-AHF trial (NCT01966601) and top-line results are anticipated in 3Q15. The study is a randomized, double-blind, standard of care-controlled trial investigating AHF. At least 500 patients are expected to be enrolled in BLAST-AHF and randomized to receive one of three doses of TRV027 (1.0 mg/hr, 5.0 mg/hr, and 25 mg/hr) or placebo, in addition to standard-of-care therapy. The study is enrolling patients with both low ejection fraction and preserved ejection fraction, since RAS elevation is a key component of both conditions. TRV027 or placebo will be initiated soon after presentation to the hospital, and then continue to be administered for a minimum of 48 hours and up to 96 hours. The primary endpoint of the trial is a composite of five clinically important outcomes: mortality, worsening heart failure, hospital readmission rate, dyspnea, and length of hospital stay. An interim

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analysis is planned after 300 patients have been enrolled and, depending on the outcome of that analysis, enrollment into one or more of the TRV027 arms may be discontinued.

Phase 1 trial for TRV734 initiated in 1Q14. In February 2014, the company initiated of the first Phase 1 trial for TRV734, a small molecule G protein biased ligand at the μ-opioid receptor in development for moderate to severe acute and chronic pain, to evaluate safety, tolerability, and PK/PD of single-ascending doses of TRV734 in healthy subjects. Data from this trial are expected in 3Q14.

Candidate from δ-opioid platform to be selected for development in 2014. The company is developing orally bioavailable, small molecule G protein biased ligands of the δ-opioid receptor for the treatment of CNS disorders. A candidate for further development is expected to be selected later in 2014, with advancement into human trials potentially by the end of 2015.

FY2013 FINANCIAL SUMMARY

TRVN reported 2013 EPS loss of ($29.71), slightly below our forecast of ($28.96) and below consensus estimates of ($23.70). Revenue of $0.1MM was below our estimate of $0.2MM and in line with consensus estimates. Total operating expenses were $23.5MM, greater than our estimate of $20.0MM, driven by higher than expected R&D and SG&A costs. R&D expenses were $18.8MM, compared to our estimate of $16.2MM. SG&A expenses were $4.7MM, compared to our estimate of $3.8MM. Cash and equivalents totaled $38.0MM as of December 31, 2013. Trevena subsequently raised net proceeds of $59.6MM from its January 2014 IPO.

We have updated our model (Figure 1) to reflect the 2013 financial results and guidance for cash burn. Management stated that current cash (pro forma ~$98MM) should be sufficient to fund operations through YE 2015.

FIGURE 1. 2013 Earnings Summary and Changes to Our Model

TRVN	2013			2014 est		2015 est	
	JMP est	Cons	Actual	JMP old	JMP new	JMP old	JMP new
Revenue	**0.2**	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**
R&D	16.2		18.8	51.5	39.0	52.0	39.0
SG&A	3.8		4.7	4.1	7.9	5.5	7.9
Total operating expense	20.0		23.5	55.6	46.9	57.5	46.9
Net income (loss)	**(21.6)**		**(23.6)**	**(55.6)**	**(46.9)**	**(57.5)**	**(46.9)**
Shares outstanding (diluted)	0.7		0.8	25.9	26.4	26.5	26.4
EPS (diluted)	**($28.96)**	**($23.70)**	**($29.71)**	**($2.14)**	**($1.78)**	**($2.17)**	**($1.78)**

Source: JMP Securities LLC, Company reports

JMP FACTS AND DISCLOSURES

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Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.
Market Perform (MP): JMP Securities expects the stock price to perform in line with relevant market indices over the next 12 months.
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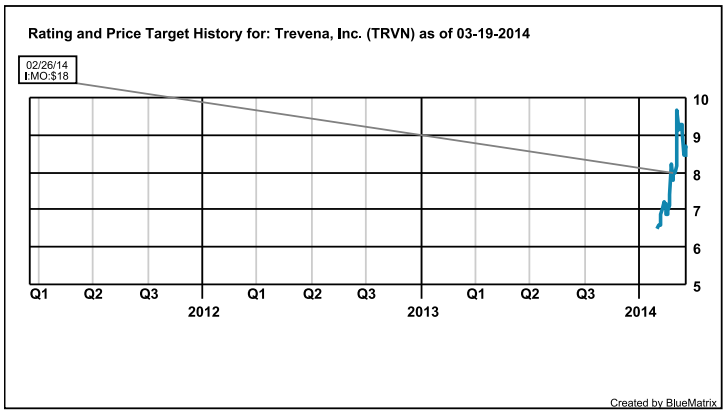
MARKET OUTPERFORM	Buy	250	*57.34%*	Buy	250	*57.34%*	99	*39.60%*
MARKET PERFORM	Hold	136	*31.19%*	Hold	136	*31.19%*	16	*11.76%*
MARKET UNDERPERFORM	Sell	7	*1.61%*	Sell	7	*1.61%*	0	*0%*
COVERAGE IN TRANSITION		43	*9.86%*		43	*9.86%*	0	*0%*
TOTAL:		436	*100%*		436	*100%*	115	*26.38%*

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with NASD Rule 2711, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: JMP Securities.



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