Raising Price Target

March 11, 2015

TICKER	NASDAQ: REPH
RATING	BUY
PRICE TARGET	$12.00
Price (March 10, 2015)	$5.47

Recro Pharma, Inc.

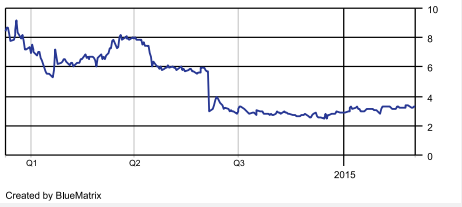
Metamorphic acquisition may pay for Itself, adds Phase 3-ready candidate & reduces risk

Market Data	
Market Cap (M):	$42.2
Shares out (M):	7.7
Float (M):	4.3
Daily Vol, 3 Mo Avg (M):	0.0
52-Week Range:	$9.88-$2.36
Cash & Cash Eq (M):	$23.9
Debt (M):	$0.0
NAV (M):	NA

Financial Metrics	
Short Interest (M):	0.0
Instit. Holdings (%):	NA
Cash Burn (M):	NA
Short Interest (% of Float):	NA

EPS	1Q	2Q	3Q	4Q	FY
2014	-3.67A	-0.36A	-0.61A	-0.48E	-2.83E
2015	-0.56E	-0.41E	-0.36E	-0.47E	-1.80E
2016	—	—	—	—	-1.61E

1-Year Price History



KEN TRBOVICH, CFA
ktrbovich@mlvco.com
Senior Analyst
303-668-0537

With a single transaction, Recro is transforming from a company with a single later stage product opportunity, with no current IP protection and no revenues, to a company with upwards of $70 million in revenues, two late-stage opportunities, one of which has an issued patent through 2022, and both of which may be in Phase 3 trials by the end of this year. This transformation is being brought about in a transaction that has minimal dilution—warrants issued in the acquisition and financing combine to account for just 7% of fully diluted current shares. We think cash flows from the drug manufactuirng business it is acquiring in the transaction can pay off, in less than 5 years, the $50 million term loan Recro is taking on to fund the transaction. **Based on the discounted present value of future cash flows from the manufacturing business after the debt has been repaid, we are raising our target price from $9/share to $12/share. We reiterate our Buy rating in anticipation of the upcoming interim analysis for the Phase 2 study of Dex-IN, Recro's lead compound in development.**

Terms: Recro is paying $50 million up front, issuing 350,000 warrants to Alkermes (ALKS-NR) with an exercise price equal to 2x the price of Recro's shares at the time of closing. In addition Recro has agreed to pay future milestones on development of IV/IM meloxicam equal to $120 million along with low double-digit royalties on sales. Recro has lined up the capital for the transaction by securing a $50 million senior secured 5-year term loan from Orbimed. The term loan carries interest at Libor + 14% with a 1% Libor floor (or a minimum of 15% in total). In addition to the term loan Recro is issuing Orbimed warrants to purchase up to 3% of the fully-diluted shares outstanding, or about 278,000 warrants.

IV/IM Meloxicam is Phase 3 ready program with extensive IP: The new pipeline opportunity carries significant potential similar to Recro's existing Dex-IN for acute post-surgical pain. The IV/IM product is based upon Alkermes' proprietary NanoCrystal™ technology. The product is covered by an issued patent protecting it through 2022 and another being prosecuted that may extend this through 2030. By adding a second product to the portfolio that could be marketed by the same sales force, we believe the transaction significantly reduces the risk profile and enhances the commercial outlook for Recro.

Contract manufacturing business could fund cost of transaction in next five years: In addition to the product opportunity, Recro is acquiring a drug manufacturing facility along with the associated revenues and royalties related to products produced at this facility for other companies. The business generated $73.6 million in revenues and $26.5 million in EBITDA for Alkermes last year. While there is downward pressure on the businesses outlook this year, even at substantially reduced levels of EBITDA, we still think the cash flows from this business cover interest payments and can fully fund the $50 million debt obligation in the next five years. We expect cash flows in subsequent years to accrue to the benefit of Recro's shareholders. Based on an analysis of the potential value of these cash flows, we are raising our target price by $3/share.

We see potential for significant upside for Recro from the pending transaction with Alkermes and we reiterate our Buy rating.

COMPANY DESCRIPTION

Recro Pharma is a specialty pharmaceutical company developing an intranasal form of dexmedetomidine ("Dex-IN") for the treatment of acute, post-surgical pain. There are nearly 50 million surgeries performed each year in the U.S. that cause acute moderate-to-severe pain, creating a $4.5 billion branded-market potential. It's pending transaction with Alkermes adds a profitable drug manufacturing business ($73.6 mln in revenues) that is throwing off cash (EBITDA $26.5 mln) and could pay for itself in less than 5 years. The transaction also includes rights to a proprietary NanoCrystal™ formulation of meloxicam, an NSAID. IV/IM meloxicam is ready to enter Phase 3 trials for the same indication as Dex-IN. The pending transaction enhances the outlook for Recro while reducing and diversifying the risk of its pipeline.

Manufacturing business may pay for itself in 5 years

Alkermes Gainesville, GA., facility is 87,000 ft^{2}used to manufacture solid oral dosage formulations for other companies

The pending acquisition of Alkermes Gainesville, Georgia, manufacturing facility puts an entirely new wrinkle into the composition and outlook of Recro's business. Now, in addition to having a product development pipeline of drugs it intends to develop and sell for its own account, it will be a contract manufacturer for the products of other companies. Initially we expect the positive cash flows associated with this business to be utilized to pay of the $50 million in debt Recro has taken on to effect the transaction with Alkermes. We believe this debt can be paid off within 5 years, meaning future cash flows (years 6 and beyond) become a net benefit to Recro and its investors.

The DEA licensed facility produces several products utilizing active pharmaceutical ingredients requiring special handing and tracking under the Controlled Substances Act.

The facility primarily derives its revenues primarily from Ritalin LA, Focalin XR, Verelan/verapamil, and Zohydro ER. Verelan/verapamil is a generic high blood pressure medication manufactured for Actavis/UCB thus volume of the business if likely to shift based upon changes in market share of various generic formulation including those manufactured at this facility. As the manufacturer for branded Ritalin LA the continued erosion of branded market share to generics is likely to result in lower volumes, but can be subject to change depending on supply of active ingredient that is controlled by the DEA under the controlled substances act. Likewise, the newer treatment for ADHD, Focalin XR (dexmethylphenidate), has been subject to generic competition in the past couple of years. However, it appears this brand has not yet seen generic entry on a couple of dosage strengths and is likely to experience further declines when generic versions of those strengths are introduced. On the positive front, the facility manufactures Zohydro ER, an extended-release hydrocodone marketed by Zogenix (NasdaqGM: ZGNX, not covered). The facility will also manufacture a new abuse-deterrent formulation of this product that was approved by the FDA in January 2015. As the Zogenix's launch of the new product go, so goes an element of this business for Recro.

Manufacturing contracts have long life, but also require long lead time to implement and reach full commercial potential

As you might imagine initiating and validating manufacturing of new products is not a quick process. It involves both winning the contract to manufacture new products and the challenge of verifying compliance with strict quality control under FDA current good manufacturing processes. All of this occurs before a product from the facility can be sold. Once product manufacturing is validated, it may also require FDA approval (as was the case with Zohydro ER and its abuse deterrent version). Even then commercial volumes may initially be low and the long

term value of the business is dependent upon the successful commercialization by the company marketing the product.

Several existing products manufactured at the facility are in latter stages of commercial life placing downward pressure on operating performance in the future

Many of the existing products manufactured at the facility are in latter stages of their life cycle and as such it will likely apply downward pressure to the top line for this business until new opportunities. This could take a couple of years to turn around, but the infrastructure, DEA licenses, and manufacturing expertise are all in place to return the business to higher levels in the future.

Recro is not expected to provide financial details of the business until 75 days after the closing of the business. The closing is not anticipated until early 2Q15. As a result, we may be unable to update our formal model for Recro until midyear. Therefore **our published model excludes the impact of the Alkermes transaction.**

Alkermes' forward guidance suggest business should generate $15 million in cash this year, more than enough to cover interest payments, capital expenditures and still leave some excess cash flow to pay down principal Recro will take on to effect the transaction.

To get a sense for what may be possible we examined both the disclosures by Alkermes and Recro with regard to the business. We used these disclosures to bracket the low (Alkermes changes in forward guidance following the announcement of the transaction) and high-end (Recro disclosures of historic financial contribution the business made to Alkermes in 2014). As a representation of what may be possible with the new business, we have made a preliminary effort to demonstrate its potential. As the table below suggests, the low-end estimate still generates more than enough cash to support the interest ($7.5 million annually) associated with the $50 million in debt used to effect the transaction. We think the capital expenditure figure implied by Alkermes guidance is high and will not likely be at such levels on an ongoing basis. Nonetheless, Alkermes still expected the business to generate at least $ 10 million in cash flow this year, more than enough to have some excess cash remaining to pay down the principal amount of the debt. Carrying forward such assumptions, the business would manage to pay off nearly $17 million, or about 35% of the debt before the 5-year term expires.

Acquisition of Manufacturing Business Likely to Be Self-Funding		
	Low	High
Manufacturing revenues	$40,000	$73,600
Manufacturing COGs	$25,000	$47,100
EBITDA	$15,000	$26,500
Interest on Term Loan (14% + LIBOR)	$7,500	$7,500
Capital Expenditures	$5,000	$5,000
Initial Cash Flow from Transaction	$2,500	$14,000
Est. Debt repayment in 5 yrs	$16,856	$50,000
Net Cash contribution	N/A	$1,735
Source: Alkermes, Recro, MLV Estimates		

Figures in '000s

Even at levels well below historic performance, the business could generate sufficient cash to cover interest and completely repay the debt in the next five years

Using more optimistic, though tempered, assumptions we considered debt-holders (Orbimed) desire to be repaid over the course of the 5-year term loan. As the table below demonstrates, the business can generate sufficient cash flow to cover interest payments and pay off the debt in the next five years. This model assumes a 16% reduction in revenues and margin compression driving down EBITDA by 40% before the business begins a slow rebound toward 2014 levels. The net effect is the complete repayment of the debt in the next five years, meaning contributions of the business in subsequent years begin to accrue to the shareholders of Recro as opposed to its creditors.

Once debt is repaid, conservative cash generating potential for the subsequent four years is worth $2.90/share to Recro shareholders

To determine the potential value under such a model we applied a 20% discount rate to the cash flows that could be generated in the four years after the debt is repaid. In none of these years did we ever assume the EBITDA reached levels achieved by Alkermes last year (high model above). Still the business generates more than $80 million in free-cash flow over this period. Discounted back, and assuming fully diluted shares (including the warrants issued to effect transaction along with all other existing options and warrants) the future contribution is worth about $2.90/share.

Manufactuing Model Discounting from 2014 Performance					
	2015	2016	2017	2018	2019
Manufacturing Revenues	$66,240	$62,928	$61,669	$65,986	$69,286
Cost of manufacturing	$47,693	$45,937	$45,019	$45,531	$46,421
EBITDA	$18,547	$16,991	$16,651	$20,456	$22,864
Interest on Debt	$7,500	$6,368	$5,300	$4,122	$2,234
Capital Expenditures	$3,500	$3,500	$3,500	$3,750	$4,000
Debt Repayment	$7,547	$7,123	$7,851	$12,584	$14,895
Ending Debt Balance	$42,453	$35,330	$27,479	$14,895	$0
Net Free-Cash Flow	$0	$0	$0	$0	$1,735

Source: Recro reports, MLV Estimates

Figures in '000s

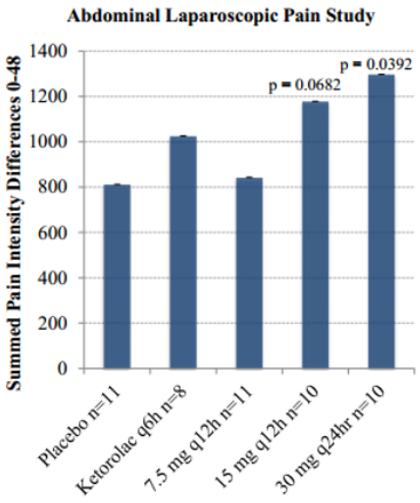
Proprietary NanoCrystal™ formulation of IV/IM meloxicam has been extensively studied in 6 Phase 2 trials

IV/IM Meloxicam adds Phase 3 ready project to Pipeline

As a key part of the transaction with Alkermes, Recro will rights to develop a proprietary formulation of meloxicam for intravenous/intramuscular administration to treat pain. The product has already been tested in six Phase 2 clinical studies involving over 700 patients. While Alkermes tabled development after it picked up the rights in its 2011 acquisition of Elan's formulation and manufacturing business the data from the trials was actually quite good.

Trial	Design	Outcome
Phase II Study N1539-02	Acute pain following dental surgery (N = 230)	Statistically significant differences for all doses compared to placebo were seen in SPID24, pain relief and onset of pain relief
Phase II Study N1539-04	Acute pain following open abdominal hysterectomy surgery (N = 486)	Statistically significant differences for all doses compared to placebo were seen in multiple efficacy analyses, including SPID24. meloxicam 30 mg and 60 mg produced the greatest response with no difference between doses
Phase II Study N1539-05	Acute pain following laparoscopic abdominal surgery (N =50)	Study stopped early (planned N = 250) for business reasons. However, statistically significant differences in SPID48 observed for 30mg QD dose despite small sample size

Source: Recro Presentation March 9, 2015



Source: Recro Presentation March 9, 2015

Meloxicam is currently approved as an oral, COX-2 inhibitor, used to treat pain related indications such as osteoarthritis and rheumatoid arthritis. As a non-steroidal anti-inflammatory drug, meloxicam is part of a class of drugs that have also been used to treat mild-to-moderate acute pain as a single agent, or in conjunction with opioids to treat moderate-to-severe pain. Presently, there is no FDA approved intravenous/intramuscular formulation of meloxicam. Meloxicam was first approved for use in the U.S. market in April 2000.

Data from the Phase 2 trials paints a compelling picture for the ability of IV/IM meloxicam to reduce acute post-surgical pain. The Phase 2 trials identified an effective dose (30mg), above which there appeared to no additional benefit. The trial also identified lower doses (5mg and 7.5mg) at which there appeared to be much less, if any, effect. In addition to identifying an effective dose range, these trials have demonstrated what appears to be clinically meaningful differences in duration of effect from existing non-opioid alternatives such as ibuprofen, ketorolac and acetaminophen (APAP). This could give IV/IM meloxicam a significant advantage in the ambulatory surgery market where patients are discharged on the day of surgery and may benefit from longer lasting analgesic effect than provided by existing products (see table below).

IV/IM meloxicam's product profile is highly differentiated from other IV administered, non-opioid based treatments for acute pain

Attribute	Meloxicam	Ketorolac	Caldolor (ibuprofen)	Ofirmev (APAP)
Route	IV/IM	IV/IM	IV	IV
Onset of pain relief	< 10 min	30 min	N/A	N/A
Time to peak analgesic effect	40 min	1-2 hrs	N/A	N/A
Duration of pain relief	18-24 hrs	4-6 hrs	4-6 hrs	4-6 hrs
Admin.	IV bolus / pre-filled syringe	Ready to use IV bolus (15 sec)	Dilution required, 30 min infusion	Ready to use, 15 min infusion

Source: Recro Presentation March 9, 2015

The IV/IM meloxicam program represents an opportunity, much like Cadence's efforts to develop Ofirmev, an intravenous form of acetaminophen long after the oral version of the product had been introduced to market. For Cadence, the development of an intravenous formulation resulted in new intellectual property protection for Ofirmev, which was approved in 2009—more than 50 years after acetaminophen was first approved in its oral form in the United States.

Current patent on IV/IM meloxicam protects product through 2022 and pending patent could extend this through 2030

IV/IM meloxicam already has at least one issued patent and one pending patent. This will likely protect the product from generic competition until 2022 and may be extended with additional patent issuance to 2030. While we remain confident Recro will secure patent protection for Dex-IN, the application is still in the process of being prosecuted at the U.S. Patent & Trademark Office. Thus, the new program would be considered to have far greater security and less risk relative to generics than Recro's current lead compound.

Nature, size, timing and costs for Phase 3 program will not be clear until Recro meets to discuss with FDA later this year

We expect Recro to arrange an end-of-Phase 2 (EOP2) meeting with the FDA to discuss regulatory requirements and path forward to complete development of IV/IM meloxicam. The meeting is not likely to occur until 3Q15. By then Recro will have top line results from its Phase 2 study of Dex-IN being tested to treat post-operative pain following bunionectomy surgery. Interim results are likely just a few weeks away and represent the next positive catalyst we anticipate for the stock. After the EOP@ meeting management should be able to provide a detailed plan for the two Phase 3 programs to treat acute post-surgical pain. At this time, management will only say that it does not intend to initiate any Phase 3 study for which it does not have sufficient capital to complete and as such it is highly unlikely they would run four Phase 3 trials simultaneously for the two programs. The effort to develop both could slow the timeline for Dex-IN, but we think the risk diversification benefits of a broadened pipeline is well worth it.

We see significant potential upside from IV/IM meloxicam, but we are excluding it from our valuation due to the number and magnitude of variables at this time

Valuing IV/IM meloxicam is heavily dependent upon assumptions regarding the cost of completing development, timing and value of milestones Recro would owe to Alkermes, anticipated dilution that may be required to fund development, the potential delay in development timeline for Dex-IN, and the length of IV/IM meloxicam's commercial life that may extend to 2022, or 2030. Placing an accurate value on the opportunity at this time is highly uncertain, but our preliminary estimates suggest it may be worth an additional $2-$15/share to our target price. Given the number of significant variables and wild swings that changes in these variables can cause, we are excluding the upside potential from our valuation at this time.

VALUATION AND BALANCE SHEET

Our previous valuation of Recro relied exclusively on the potential for Dex-IN, a product we still think can approach $100 million in sales in 2020 and easily reach $200 million in sales by 2022 from just 4%-5% share of the post-surgical acute pain market. Using a 14% discount rate from future cash flows exclusively associated with Dex-IN, we arrive at a target price of $9 per share even after factoring in significant dilution needed to support development and launch of this product.

We continue to believe the stock is poised for a significant advance this year on news of positive Phase 2b clinical trial results for Dex-IN, possible patent issuance protecting the product out to 2031, and initiation of Phase 3 trials. The risk-

reducing benefits of these events would further increase our valuation from $9 today to a level approaching $13 a year from now.

There is potential for significant upside to our current target price once we gain greater visibility into costs and timing for IV/IM meloxicam development

While we believe IV/IM meloxicam could present a similarly sized opportunity for the same market, we believe timing and costs associated with these development efforts are too uncertain for us to include it in our valuation at this time. We expect to do so later this year, once the company provides additional color on the structure of the milestones and it has had a chance to more extensively analyze the nature, timing and costs of future studies required to support an NDA. Clearly, there is upside in terms of revenue potential, but it also comes with additional capital needs to support development. For now we are excluding any upside from this opportunity in our valuation.

We are raising our target price by $3/share to reflect the value we think Recro shareholders can receive from the acquisition of the drug manufacturing facility from Alkermes

We are including potential for contributions from the contract manufacturing business. While still very preliminary, we are confident the business can generate sufficient cash flows in five years to pay off the $50 million in debt Recro is taking on to effect the transaction with Alkermes. As we describe above, even at reduced EBITDA levels relative to most recent experience of Alkermes, the future cash flows from the manufacturing business represent a significant asset that should drive value for Recro shareholders in the long run. Based upon just four years of cash flows, following the repayment of debt, we think it could be worth as at least $2.90/share (see explanation above). As such we are raising our target price for Recro from $9/share to $12/share.

INVESTMENT RISKS

Significant downside risk exists if Recro is unable to complete the planned transaction with Alkermes

Transaction Risk – there is a risk the transaction with Alkermes does not close and Recro could owe Alkermes a $5 million termination fee. In addition to the lost capital, Recro would also suffer from the loss of the perceived benefit of the planned transaction. As such, the termination of the planned transaction with Alkermes would be a significant negative catalyst for the stock.

Clinical Trial Risk — dexmedetomidine is approved for sedation in countries around the world but has never been approved for pain relief, or in an intranasal form. Drug development is a risky business that is speculative in nature. Failure in clinical trials, regardless of the stage of development, can cause significant volatility and may reduce a company's ability to raise needed capital, or to remain in business.

Investing in drug development companies involves a high degree of risk and should be considered speculative

Funding Risk —as a microcap, drug development stock, Recro carries significant funding risk. If Phase 2b, or Phase 3 study are not positive for Dex-IN, it could be difficult, or even impossible, for Recro to raise the capital needed to develop its pipeline.

Dilution Risk — an investment in a drug development company carries dilution risk, the only question is how much? The biggest dilution risk that can occur is a sizeable offering under unfavorable market conditions, or worse, in conjunction with adverse company news.

Regulatory Risk — even with successful clinical trials, the regulatory review process is rigorous and can result in substantial delays, need for further pre-clinical or clinical studies, and is not a guarantee of approval. FDA may determine the drug's risk/benefit does not favor patients, or see safety concerns from other products that could hinder or prevent approval.

Supplier Risk — Recro's API supply and nasal pump supplier are provided separately by single sources. Failure of suppliers, or contract manufacturers, to maintain quality manufacturing practices in accordance with FDA standards would have significant negative implications for Recro. If this were to occur during FDA review, it could result in a complete response letter that Recro may not satisfy until it finds and qualifies alternative suppliers or its existing suppliers regain compliance with FDA standards.

Commercial Risk — even if Recro is able to gain FDA approval for Dex-IN, it still carries commercial risk of failure. The effort required to build out a 50-60 person sales organization would likely cost the company $15-$20 million on an annual basis. This along with other launch-related expenses are likely to exceed the costs of development for Dex-IN. As such, the inability to generate a meaningful level of sales (e.g. >$30 million) could result in ongoing financial burden to the company that would divert capital resources from other development efforts. Alternatively, the inability to adequately fund its selling effort could cause the company to fall well short of sales expectations implied by our estimates.

Intellectual Property Risk — Recro currently does not have patents protecting its formulation of Dex-IN or the intranasal use of Dex to treat pain. Absent patents, the company would only be eligible for three years of exclusivity before a generic product could be approved and launched. Recro has patents pending at the U.S. Patent & Trademark Office, but failure to secure a patent would have significant negative implications for our model and the long-term prospects for DEX-IN.

Note: Financials exclude impact of pending transaction with Alkermes that is expected to close in early 2Q15

Income Statement

Recro Pharma (REPH)	2014E					2015E											
Income Statement ($000)	1QA	2QA	3QA	4Q	Year	1Q	2Q	3Q	4Q	Year	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Dex-IN sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,924.0	41,295.9	85,920.2	156,419.9	209,216.1
Cost of goods	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,481.0	10,324.0	21,480.1	39,105.0	52,304.0
Gross profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,443.0	30,971.9	64,440.2	117,314.9	156,912.1
R&D expense	227.0	1,837.2	3,633.7	2,500.0	8,197.9	3,000.0	2,000.0	2,000.0	3,500.0	10,500.0	15,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0
G&A expense	646.6	958.6	1,084.4	1,200.0	3,889.7	1,350.0	1,150.0	1,200.0	1,350.0	5,050.0	5,504.5	6,749.9	24,694.7	27,282.5	35,737.7	54,001.6	78,036.9
Total operating expense	873.6	2,795.8	4,718.1	3,700.0	12,087.5	4,350.0	3,150.0	3,200.0	4,850.0	15,550.0	20,504.5	11,749.9	29,694.7	32,282.5	40,737.7	59,001.6	83,036.9
Operating profit	(873.6)	(2,795.8)	(4,718.1)	(3,700.0)	(12,087.5)	(4,350.0)	(3,150.0)	(3,200.0)	(4,850.0)	(15,550.0)	(20,504.5)	(11,749.9)	(22,251.7)	(1,310.6)	23,702.5	58,313.3	73,875.2
Interest income	0.2	2.3	4.6	0.0	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grant income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense	(4,272.9)	0.0	0.0	0.0	(4,272.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit (loss)	(5,146.3)	(2,793.5)	(4,713.5)	(3,700.0)	(16,353.3)	(4,350.0)	(3,150.0)	(3,200.0)	(4,850.0)	(15,550.0)	(20,504.5)	(11,749.9)	(22,251.7)	(1,310.6)	23,702.5	58,313.3	73,875.2
Tax (benefit)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22,420.0
Net income	(5,146.3)	(2,793.5)	(4,713.5)	(3,700.0)	(16,353.3)	(4,350.0)	(3,150.0)	(3,200.0)	(4,850.0)	(15,550.0)	(20,504.5)	(11,749.9)	(22,251.7)	(1,310.6)	23,702.5	58,313.3	51,455.2
Preferred stock dividends	(1,270.1)	0.0	0.0	0.0	(1,270.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income to common SH	(6,416.4)	(2,793.5)	(4,713.5)	(3,700.0)	(17,623.4)	(4,350.0)	(3,150.0)	(3,200.0)	(4,850.0)	(15,550.0)	(20,504.5)	(11,749.9)	(22,251.7)	(1,310.6)	23,702.5	58,313.3	51,455.2
EPS, diluted	**(3.67)**	**(0.36)**	**(0.61)**	**(0.48)**	**(2.83)**	**(0.56)**	**(0.41)**	**(0.36)**	**(0.48)**	**(1.36)**	**(1.61)**	**(0.86)**	**(1.51)**	**(0.09)**	**1.61**	**3.96**	**3.50**
Weighted average diluted shares	1,749.9	7,707.6	7,707.6	7,707.6	6,218.2	7,707.6	7,707.6	8,957.6	10,207.6	11,457.6	12,707.6	13,707.6	14,707.6	14,707.6	14,707.6	14,707.6	14,707.6
YoY sales growth	--	--	--	--	--	--	--	--	--	--	--	--	--	316.1%	108.1%	82.1%	33.8%
Gross margin	--	--	--	--	--	--	--	--	--	--	--	--	75.0%	75.0%	75.0%	75.0%	75.0%
Operating margin	--	--	--	--	--	--	--	--	--	--	--	--	nm	nm	27.6%	37.3%	35.3%
Tax rate	--	--	--	--	--	--	--	--	--	--	--	--	--	--	0.0%	0.0%	30.3%
YoY EPS growth	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	146.0%	-11.8%

Source: MLV & Co. estimates

Statement of Cash Flows

Recro Pharma (REPH)	2014E					2015E												
Cash Flow ($000)	1QA	2QA	3QA	4QE	Year	1QE	2QE	3QE	4QE	Year	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
EBIT	(873.6)	(2,795.8)	(4,718.1)	(3,700.0)	(12,087.5)	(4,350.0)	(3,150.0)	(3,200.0)	(4,850.0)	(15,550.0)	(20,504.5)	(11,749.9)	(22,251.7)	(1,310.6)	23,702.5	58,313.3	73,875.2	106,021.2
D&A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock compensation expense	19.5	155.0	155.0	155.0	484.5	155.0	155.0	155.0	155.0	620.0	750.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
EBITDA	(854.2)	(2,640.8)	(4,563.1)	(3,545.0)	(11,603.0)	(4,195.0)	(2,995.0)	(3,045.0)	(4,695.0)	(14,930.0)	(19,754.5)	(10,749.9)	(21,251.7)	(310.6)	24,702.5	59,313.3	74,875.2	107,021.2
Cash interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(22,420.0)	(40,288.1)
Accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1,494.4)	(4,724.0)	(6,719.6)	(10,616.0)	(7,950.1)	(8,552.7)
Inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1,417.7)	(4,481.7)	(6,374.9)	(10,071.4)	(7,542.3)	(8,113.9)
Prepaid expense	(271.6)	17.3	136.3	0.0	(118.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1,351.0)	(129.4)	(422.8)	(913.2)	(1,201.8)	(522.6)
Other receivables	2.6	35.8	(86.8)	0.0	(48.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A/P & accrued expense	306.9	681.6	580.8	0.0	1,569.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,742.3	1,506.5	3,909.3	7,991.4	9,817.0	4,861.2
Other	0.2	2.3	4.6	0.0	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash from operations	(815.947)	(1,903.8)	(3,928.2)	(3,545.0)	(10,193.0)	(4,195.0)	(2,995.0)	(3,045.0)	(4,695.0)	(14,930.0)	(19,754.5)	(10,749.9)	(17,772.4)	(8,139.2)	15,094.6	45,704.2	45,577.9	54,405.2
Capital expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	(815.947)	(1,903.8)	(3,928.2)	(3,545.0)	(10,193.0)	(4,195.0)	(2,995.0)	(3,045.0)	(4,695.0)	(14,930.0)	(19,754.5)	(10,749.9)	(17,772.4)	(8,139.2)	15,094.6	45,704.2	45,577.9	54,405.2
Cash from operations	(815.947)	(1,903.8)	(3,928.2)	(3,545.0)	(10,193.0)	(4,195.0)	(2,995.0)	(3,045.0)	(4,695.0)	(14,930.0)	(19,754.5)	(10,749.9)	(17,772.4)	(8,139.2)	15,094.6	45,704.2	45,577.9	54,405.2
Cash from investing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash from financing	30,708.1	(168.8)	0.0	0.0	30,539.3	0.0	0.0	24,412.5	0.0	24,412.5	0.0	44,640.0	0.0	0.0	0.0	0.0	0.0	0.0
Net change in cash	29,892.2	(2,072.6)	(3,928.2)	(3,545.0)	20,346.3	(4,195.0)	(2,995.0)	21,367.5	(4,695.0)	9,482.5	(19,754.5)	33,890.1	(17,772.4)	(8,139.2)	15,094.6	45,704.2	45,577.9	54,405.2
Cash, beginning	12.8	29,905.0	27,832.4	23,904.1	12.8	20,359.1	16,164.1	13,169.1	34,536.6	20,359.1	29,841.6	10,087.1	43,977.2	26,204.8	18,065.6	33,160.2	78,864.4	124,442.3
Cash, ending	29,905.0	27,832.4	23,904.1	20,359.1	20,359.1	16,164.1	13,169.1	34,536.6	29,841.6	29,841.6	10,087.1	43,977.2	26,204.8	18,065.6	33,160.2	78,864.4	124,442.3	178,847.4
Cash, average	14,958.9	28,868.7	25,868.2	22,131.6	10,186.0	18,261.6	14,666.6	23,852.9	32,189.1	25,100.4	19,964.4	27,032.2	35,091.0	22,135.2	25,612.9	56,012.3	101,653.3	151,644.9

Source: MLV & Co. estimates

Balance Sheet

Recro Pharma (REPH)	2014E					2015E												
Balance Sheet ($000)	1QA	2QA	3QA	4QA	Year	1Q	2Q	3Q	4Q	Year	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Cash	29,905.0	27,832.4	23,904.1	20,359.1	20,359.1	16,164.1	13,169.1	34,536.6	29,841.6	29,841.6	10,087.1	43,977.2	26,204.8	18,065.6	33,160.2	78,864.4	124,442.3	178,847.4
Accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,494.4	6,218.4	12,938.0	23,554.0	31,504.1	40,056.8
Inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,417.7	5,899.4	12,274.3	22,345.7	29,888.0	38,002.0
Other receivables	35.8	0.0	86.8	86.8	86.8	86.8	86.8	86.8	86.8	86.8	86.8	86.8	86.8	86.8	86.8	86.8	86.8	86.8
Prepaid expense	287.3	270.0	133.7	133.7	133.7	133.7	133.7	133.7	133.7	133.7	133.7	133.7	1,484.7	1,614.1	2,036.9	2,950.1	4,151.8	4,674.5
Current assets	30,228.1	28,102.3	24,124.7	20,579.7	20,579.7	16,384.7	13,389.7	34,757.2	30,062.2	30,062.2	10,307.7	44,197.8	30,688.4	31,884.4	60,496.2	127,801.0	190,073.1	261,667.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,837.5	5,197.5	5,197.5	5,197.5	5,197.5	5,197.5	5,197.5	5,197.5
Total assets	**30,228.1**	**28,102.3**	**24,124.7**	**20,579.7**	**20,579.7**	**16,384.7**	**13,389.7**	**34,757.2**	**30,062.2**	**30,062.2**	**12,145.2**	**49,395.3**	**35,885.9**	**37,081.9**	**65,693.7**	**132,998.5**	**195,270.6**	**266,865.0**
Accounts payable	32.4	400.2	682.2	682.2	682.2	682.2	682.2	682.2	682.2	682.2	682.2	682.2	2,252.3	2,982.5	4,355.2	6,867.5	9,473.9	11,199.5
Accrued expense	792.4	937.3	1,236.2	1,236.2	1,236.2	1,236.2	1,236.2	1,236.2	1,236.2	1,236.2	1,236.2	1,236.2	7,408.4	8,184.7	10,721.3	16,200.5	23,411.1	26,546.7
Current liabilities	824.8	1,337.6	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	1,918.4	9,660.7	11,167.2	15,076.5	23,068.0	32,885.0	37,746.2
Other	0.0	0.0	0.0															
Total liabilities	**824.8**	**1,337.6**	**1,918.4**	**1,918.4**	**1,918.4**	**1,918.4**	**1,918.4**	**1,918.4**	**1,918.4**	**1,918.4**	**1,918.4**	**1,918.4**	**9,660.7**	**11,167.2**	**15,076.5**	**23,068.0**	**32,885.0**	**37,746.2**
Shareholders' equity	**29,403.2**	**26,764.7**	**22,206.3**	**18,661.3**	**18,661.3**	**14,466.3**	**11,471.3**	**34,676.3**	**29,981.3**	**29,981.3**	**10,226.8**	**47,476.9**	**26,225.2**	**25,914.7**	**50,617.2**	**109,930.5**	**162,385.7**	**229,118.8**
Liabilities & equity	**30,228.1**	**28,102.3**	**24,124.7**	**20,579.7**	**20,579.7**	**16,384.7**	**13,389.7**	**36,594.7**	**31,899.7**	**31,899.7**	**12,145.2**	**49,395.3**	**35,885.9**	**37,081.9**	**65,693.7**	**132,998.5**	**195,270.6**	**266,865.0**

Source: MLV & Co. estimates

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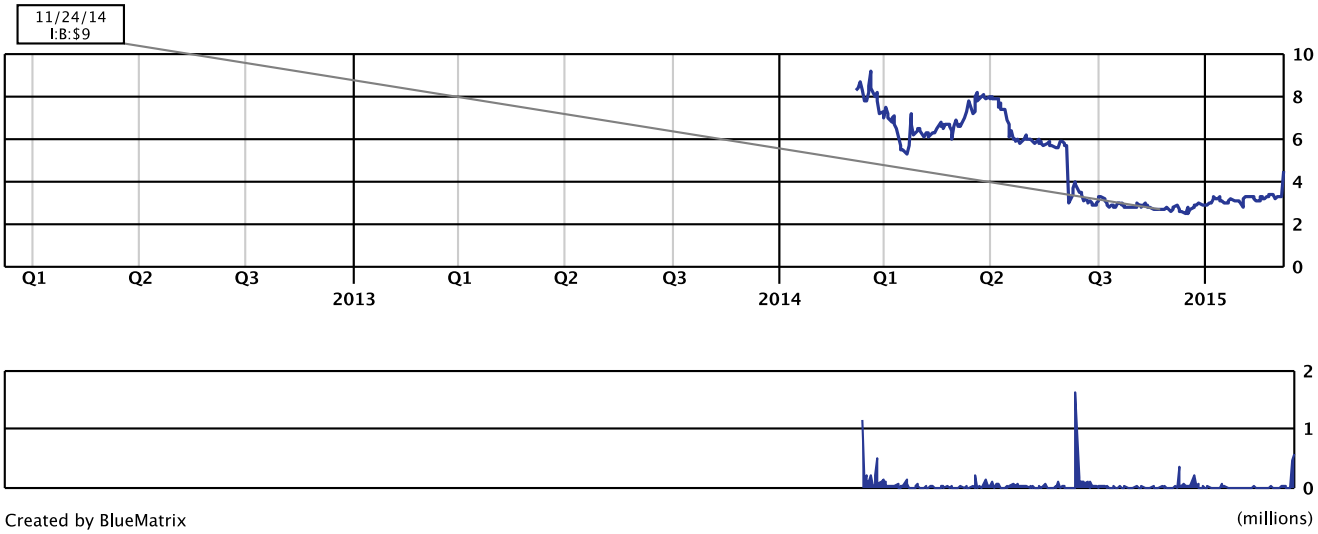
Recro Pharma, Inc. (REPH): Share Price (in USD) and Volume History as of 03-09-2015



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To receive any additional information upon which this report is based, including disclosures please contact MLV at 212-542-5880 or write to: Research Department, MLV & Co LLC, 1251 Avenue of the Americas, 41st Floor, New York, NY 10020.

LOCATIONS

New York
1251 Avenue of the Americas
41st Floor
New York, NY 10020
212-542-5880

Houston
520 Post Oak Blvd
Suite 850
Houston, TX 77027
832-208-2030

Menlo Park
932 Santa Cruz Avenue
Suite C
Menlo Park, CA 94025
415-325-4187

CONTACT INFORMATION

Research | Healthcare

Arlinda Lee, Ph.D.
alee@mlvco.com
646-412-7701

Vernon T. Bernardino
vbernardino@mlvco.com
646-412-7675

Raghuram Selvaraju, Ph.D.
rselvaraju@mlvco.com
212-542-5868

Ken Trbovich
ktrbovich@mlvco.com
212-317-1577

George B. Zavoico, Ph.D.
gzavoico@mlvco.com
212-542-5877

Ben Shim
bshim@mlvco.com
646-412-7703

Thomas Yip
tyip@mlvco.com
212-542-5876

Sales and Trading

Scott Ammaturo
sammaturo@mlvco.com
646-556-9218

Roger Weiss
rweiss@mlvco.com
212-542-5867

Brian M. Dorst
bdorst@mlvco.com
212-542-5879

Brad Deason
bdeason@mlvco.com
832-319-2029

Christian Moscicki
cmoscicki@mlvco.com
646-412-7697