

Specialty Pharmaceuticals

Flexion Therapeutics, Inc.

(FLXN) - BUY

Price: **\$17.27**

Fair Value Estimate: \$31.00

52-Week Range: \$11.06-\$20.85

Market Cap (MM): \$270

Shr.O/S-Diluted (mm): 15.6

Average Daily Volume: 36,062

FYE: Dec	2013A	2014E	2015E
EPS:	\$(2.69)A	\$(2.09)E	\$(2.36)E
Prior EPS:		NC	NC
P/E:	NA	NA	NA

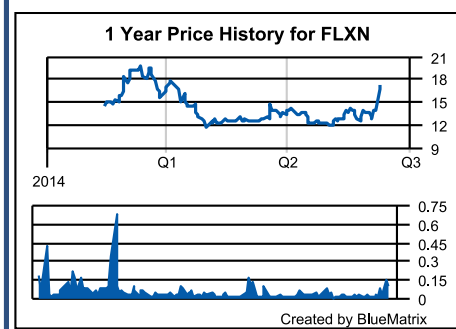
Quarterly EPS:

Q1	\$(0.75)A	\$(0.86)A	--
Q2	\$(0.75)A	\$(0.38)A	--
Q3	\$(0.75)A	\$(0.42)E	--
Q4	\$(0.51)A	\$(0.59)E	--

FYE: Dec	2013A	2014E	2015E
Revenue (M):	\$0.0A	\$0.0E	--

Quarterly Revenue (M):

Q1	\$0.0A	\$0.0E	--
Q2	\$0.0A	\$0.0E	--
Q3	\$0.0A	\$0.0E	--
Q4	\$0.0A	\$0.0E	--



FLXN: IP Comes Through for FX006

KEY POINTS:

- **US Composition of Matter Issued for FX006:** After the close last night, FLXN announced that they had been issued a composition of matter patent for FX006. The patent covers the overall description of FX006 including a claim to injectable formulation of sustained-release microparticles that contain triamcinolone acetonide (TCA) in a poly(lactic-co-glycolic) acid polymer matrix (PLGA). Other elements covered are load, dose, release parameters, molecular weight and ratios.
- **Patent Protection to 2031:** Though issued late in the clinical progress, late also means that the runway for FX006, if clinically successful and approved, is long with patent expiration in 2031.
- **What About Competition?** The issued patent covers not just TCA but other salts as well; however, there are at least two other steroids that are not explicitly covered and that FLXN does not have claim on. That being said, FLXN can make a claim of Prior Art against any companies attempting to make microsphere formulations with those steroids which would make for a unnecessarily risky clinical program.
- **Upcoming Catalysts:** FLXN has catalysts on the horizon with the initiation of the FX006 pivotal Phase 3 in 4Q14 and the top-line data from the Phase 2b in 1Q15.
- **Maintain Buy Rating, \$31 FV:** We value FLXN at \$31/share based on a sum-of-the-parts analysis with FX006 sales at \$26/share based on 3.5x multiple of 2019 US sales discounted 5 years at 35%. The remaining \$5/share value is based on cash (end 2014) and tech value.

Equity Research
FLASH Note

Research Analyst Certifications and Important Disclosures
are on pages 2 - 3 of this report

IMPORTANT DISCLOSURES

Research Analyst Certification

I, Chiara Russo, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Flexion Therapeutics, Inc. currently is, or during the past 12 months was, a Janney Montgomery Scott LLC client. Janney Montgomery Scott LLC, provided investment banking related services.

Janney Montgomery Scott LLC managed or co-managed a public offering of securities for Flexion Therapeutics, Inc. in the past 12 months.

Janney Montgomery Scott LLC received compensation for investment banking services from Flexion Therapeutics, Inc. in the past 12 months.

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from Flexion Therapeutics, Inc. in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

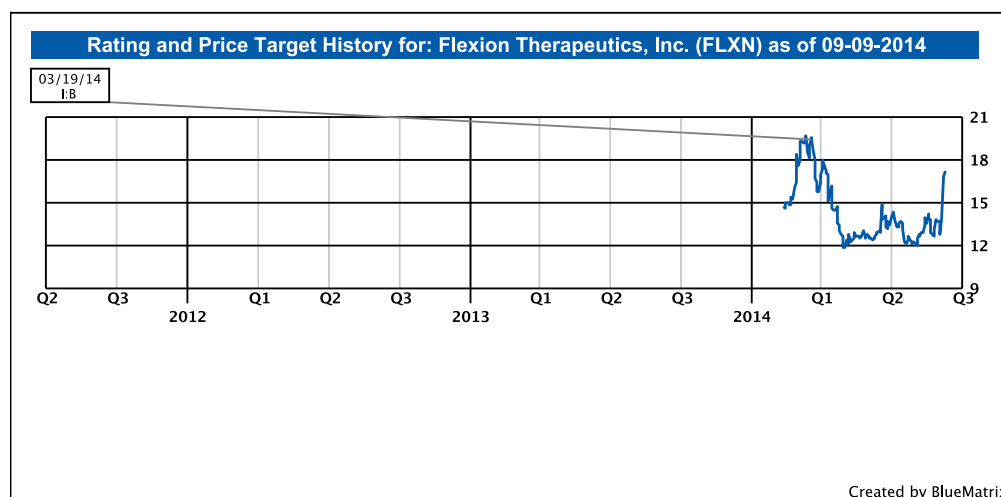
Definition of Ratings

BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

NEUTRAL: Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

SELL: Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

Price Charts



Janney Montgomery Scott Ratings Distribution as of 6/30/14

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	207	53.80	53	25.60
NEUTRAL [N]	176	45.70	28	15.90
SELL [S]	2	0.50	0	0.00

***Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.**

Other Disclosures

Janney Montgomery Scott LLC, is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.

This report is for your information only and is not an offer to sell or a solicitation of an offer to buy the securities or instruments named or described in this report. Interested parties are advised to contact the entity with which they deal or the entity that provided this report to them, should they desire further information. The information in this report has been obtained or derived from sources believed by Janney Montgomery Scott LLC, to be reliable. Janney Montgomery Scott LLC, however, does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of Janney Montgomery Scott LLC at this time and are subject to change without notice.

Investment opinions are based on each stock's 6-12 month return potential. Our ratings are not based on formal price targets, however, our analysts will discuss fair value and/or target price ranges in research reports. Decisions to buy or sell a stock should be based on the investor's investment objectives and risk tolerance and should not rely solely on the rating. Investors should read carefully the entire research report, which provides a more complete discussion of the analyst's views. Supporting information related to the recommendation, if any, made in the research report is available upon request.