

## Equity Research

### Flexion Therapeutics, Inc.

FLXN: FX006 Timeline Accelerated One Year

• **Summary:** FLXN announced on September 3, 2014 after market close that following its recent meeting with FDA to discuss the FX006 development program, the company is advancing its development timeline by one year. Further details are below and will be discussed on a conference call at 8:30am ET on September 4, but in a nutshell this timeline advance is enabled by FDA removing the requirement of the repeat-dose safety study as a prerequisite for NDA filing, and allowing FLXN to file off of the Phase 2b confirmatory study plus one Phase 3 study. FLXN will now accelerate the Phase 3 study to start in late 2014 rather than H2 2015. Product launch could potentially be moved up from late 2017 to early 2017, in our estimation, as a result of the development plan changes. Based on information available thus far, we expect the timeline changes to have a modest impact on R&D spending, and no change to anticipated financing needs, in 2014-2015. We look forward to additional color on the conference call.

• **Positive takeaways from FLXN's recent FDA meeting:** FLXN recently met with FDA to discuss the development program for FX006, resulting in three positive takeaways for FLXN's program: (1) FDA will count the ongoing Phase 2b confirmatory study as the first of 2 pivotal efficacy trials required for approval of a single-dose administration of FX006; (2) FDA guided that one additional placebo-controlled pivotal trial will suffice to support an NDA filing; (3) FDA communicated that data from a repeat dose-dose safety study (which FLXN had planned to start by end of 2014) will not be required to enable approval of FX006 for single-dose administration.

• **Continued on the following page.**

#### Valuation Range: \$24.00 to \$26.00

Our valuation range of \$24-\$26 is DCF-based and assumes WACC=15% and no terminal value. Risks to our valuation pertain to FLXN's ability to successfully develop and commercialize FX006, including product concentration, clinical, regulatory, commercial, intellectual property, and future financing risk.

#### Investment Thesis:

We believe that FX006 can generate strong revenue and earnings growth due to 3 key positives: a large and growing market opportunity in OA; the potential to address an unmet medical need; and the opportunity for self-commercialization and strong revenue growth to drive operating margin expansion.

**Outperform / V**

Sector: Specialty Pharmaceuticals  
Overweight

#### Company Note

EPS	2013A	2014E		2015E	
		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	(\$5.92)	(\$0.86) A	NC	(\$0.76)	NC
Q2 (June)	(6.07)	(0.38) A	NC	(0.88)	NC
Q3 (Sep.)	(6.38)	(0.66)	NC	(0.85)	NC
Q4 (Dec.)	(4.66)	(0.80)	NC	(0.82)	NC
FY	(\$23.02)	(\$2.59)	NC	(\$3.32)	NC
CY	(\$23.02)	(\$2.59)		(\$3.32)	
FY P/EPS	NM	NM		NM	
Rev.(MM)	\$0	\$0		\$0	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful  
V = Volatile, \* = Company is on the Priority Stock List

Quarterly 2014 EPS do not add to FY2014 EPS due to change in share counts and February 2014 IPO.

Ticker	FLXN
Price (09/03/2014)	\$12.82
52-Week Range:	\$11-21
Shares Outstanding: (MM)	15.6
Market Cap.: (MM)	\$200.0
S&P 500:	2,000.72
Avg. Daily Vol.:	28,902
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$4.0
LT Debt/Total Cap.:	27.0%
ROE:	NM
3-5 Yr. Est. Growth Rate:	NM
CY 2014 Est. P/EPS-to-Growth:	NM
Last Reporting Date:	08/07/2014

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Please see page 8 for rating definitions, important disclosures and required analyst certifications

All estimates/forecasts are as of 09/03/14 unless otherwise stated.

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Together we'll go far



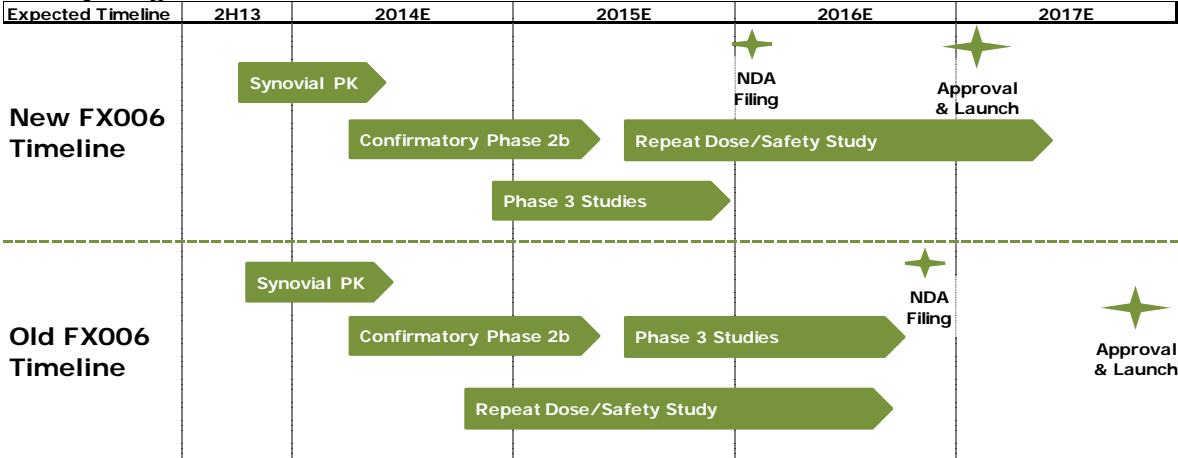
**Company Description:**

Flexion Therapeutics, Inc. is a development stage specialty pharmaceutical company, focused on osteoarthritis (OA) pain treatments. The lead product candidate, FX006, is a sustained-release intra-articular steroid injection in Phase 2b trials for the treatment of moderate to severe OA pain in the knee. FLXN is also developing FX007 for post-operative pain, and FX005 for end stage OA pain.

**Continued from page 1:**

- **Clinical development timeline impact – potentially moved up nearly a year, with possible product launch in early 2017 rather than late 2017.** The key outcome of FLXN's FDA meeting was FDA's agreeing to allow an FX006 NDA filing without requiring completion of the repeat-dose safety study as a prerequisite (instead allowing approval for single dose administration without this data, then adding it to the label subsequently via a sNDA). Previously, we expected FLXN to run its Phase 3 program from 2H:2015 to 2H:2016 (following Phase 2b confirmatory study completion) and its repeat-dose safety study from late 2014 to 2H:2016, with both studies finishing in time to allow a late 2016 NDA filing. Now, with the removal of the repeat-dose safety study as a gating item to NDA filing, the critical path is now completion of the Phase 3 study (which is now clarified as a single study) – and by moving this study up to start in late 2014, with a late 2015 completion, FLXN could be in a position to file the NDA in early 2016 in our estimation. This could enable an early 2017 launch, rather than the late 2017 we had assumed previously. See Exhibit 1 within for details.
- **R&D spending impact – likely to be modest.** The phase 3 study is being accelerated, but in the scope of overall R&D spend this change should result in a relatively modest impact to overall spending levels, as the Phase 3 timing is essentially being flipped with the timing of the repeat-dose safety study. While the Phase 3 study is planned to include 462 patients and thus represents a substantial investment, the cost of the repeat-dose safety study is also likely substantial, with 3-4 doses expected per patient (versus one for Phase 3), a one year enrollment duration (versus 6 months for Phase 3), and two MRIs per patient (none in Phase 3).
- **Need for next financing likely unchanged.** Our model has assumed FLXN's first follow-on financing (estimated \$75MM) will occur in H2 2015 (after Phase 2b confirmatory study data). With modest impact to R&D spend likely, we would not expect changes to this anticipated financing need.
- **Comparator data will be provided in Phase 3.** The Phase 3 design will include an arm with active comparator, TCA IR (current standard of care, immediate release triamcinolone acetonide). FLXN has already shown superior efficacy to TCA IR in Phase 2b so adding this arm should not be a significant risk, and having this data in Phase 3 results could prove beneficial in labeling.
- **Some risk to starting Phase 3 before completion of Phase 2b confirmatory study, but risk appears modest and compensated by timeline gain:** FLXN will now start the Phase 3 in late 2014, before completion of the Phase 2b confirmatory trial in Q2 2015 (previously the two studies were sequential). The Phase 2b confirmatory includes a 20mg dosing arm, in addition to the 40mg used in the Phase 2b and planned for the Phase 3. The 20mg arm was included per FDA's request, and there's a risk that it could turn out to be deemed by FDA as the lowest effective dose – and the Phase 3 will already be in progress with a 40mg dose. However we see this as a relatively low risk, and one that is more than compensated by the timeline gain. In our view the 20mg is unlikely to be shown to be substantially safer than the 40mg, since the safety of the 10mg and 40mg were similar; and the 20mg is unlikely to have comparable efficacy to the 40mg, given the clear separation shown between the 10mg and the 40mg in the Phase 2b study.
- **Conference call September 4 at 8:30am ET:** Dial-in is (855) 770-0022 for domestic and (908) 982-4677 for international.

**Exhibit 1. FX006 Development Plan Is Expected to Accelerate Following a Recent FDA Meeting – Comparing the New and Old Potential Timelines**



Source: Wells Fargo Securities, LLC estimates and Company reports

## Financial Model

FLXN - Revenue Forecast (in MM except price per injection)																		
US Market																		
	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	FY 2033E	
Overall Patient Pool																		
Number of patients with knee OA diagnosis	13.5	13.8	14.2	14.7	15.1	15.5	16.0	16.4	16.9	17.4	17.9	18.4	19.0	19.5	20.1	20.7	21.3	
Growth, y/y	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	
Number of patients with knee OA and IA steroid Rx																		
Growth, y/y	3.4	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.4	4.5	4.6	4.7	4.9	5.0	5.2	5.3	
Avg No. of steroid injections/patient	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	
Total number of steroid injections	3.7	3.8	3.9	4.0	4.1	4.3	4.4	4.5	4.7	4.8	4.9	5.1	5.2	5.4	5.5	5.7	5.8	
Number of patients with knee OA and HA Rx																		
Growth, y/y	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.7	1.7	1.8	
Avg No. of HA injections/patient	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	
Total number of HA injections	1.3	1.4	1.4	1.5	1.5	1.6	1.6	1.6	1.7	1.7	1.8	1.8	1.9	2.0	2.0	2.1	2.1	
Total patients - steroid and HA																		
Growth, y/y	4.5	4.6	4.7	4.9	5.0	5.2	5.3	5.5	5.6	5.8	6.0	6.1	6.3	6.5	6.7	6.9	7.1	
Total injections - steroid	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	
Total injections - steroid and HA	5.0	5.2	5.3	5.5	5.7	5.8	6.0	6.2	6.3	6.5	6.7	6.9	7.1	7.3	7.5	7.7	8.0	
Growth, y/y	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	
FX006 Market Opportunity																		
Based on steroid injection volumes and FX006 pricing																		
Total injections - steroid	3.7	3.8	3.9	4.0	4.1	4.3	4.4	4.5	4.7	4.8	4.9	5.1	5.2	5.4	5.5	5.7	5.8	
FX006 price/injection	\$500	\$500	\$510	\$520	\$531	\$541	\$552	\$563	\$574	\$586	\$598	\$609	\$622	\$634	\$647	\$660	\$673	
Market opportunity - FX006	\$1,849.9	\$1,903.5	\$1,997.9	\$2,097.0	\$2,200.9	\$2,310.1	\$2,424.6	\$2,544.8	\$2,671.0	\$2,803.4	\$2,942.4	\$3,088.3	\$3,241.4	\$3,402.1	\$3,570.8	\$3,747.8	\$3,933.6	
Growth, y/y	2.9%	2.9%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
FX006 Penetration and Volumes																		
Number of patients receiving IA steroid	3.4	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.4	4.5	4.6	4.7	4.9	5.0	5.2	5.3	
Est. %penetration of FX006	0.6%	2.5%	5.0%	8.8%	12.5%	17.5%	22.5%	25.0%	22.5%	20.0%	18.8%	17.5%	16.3%	15.0%	6.3%	3.1%	1.3%	
Est. no. of FX006 injections/patient	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	
Total no. FX006 ins. (steroid group)	0.0	0.1	0.3	0.5	0.7	1.0	1.3	1.5	1.4	1.3	1.3	1.2	1.2	1.1	0.5	0.2	0.1	
Number of patients receiving HA	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.7	1.7	1.8	
Est. %penetration of FX006	0.6%	2.5%	5.0%	8.8%	12.5%	17.5%	22.5%	25.0%	22.5%	20.0%	18.8%	17.5%	16.3%	15.0%	6.3%	3.1%	1.3%	
Est. no. of FX006 injections/patient	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	
Total no. FX006 ins. (HA group)	0.0	0.0	0.1	0.2	0.2	0.3	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.2	0.1	0.0	
Total FX006 injections	0.0	0.2	0.4	0.6	0.9	1.4	1.8	2.1	1.9	1.7	1.7	1.6	1.5	1.5	0.6	0.3	0.1	
Growth, y/y	NM	311.6%	105.8%	80.1%	47.0%	44.1%	32.3%	14.3%	(7.4%)	(8.5%)	(3.5%)	(4.0%)	(4.5%)	(5.0%)	(57.1%)	(48.6%)	(58.8%)	
FX006 Pricing and Revenues																		
FX006 price/injection	\$500	\$500	\$510	\$520	\$531	\$541	\$552	\$563	\$574	\$586	\$598	\$609	\$622	\$634	\$647	\$660	\$673	
Price increase, y/y	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
FX006 revenues	\$21.0	\$86.5	\$181.6	\$333.6	\$500.2	\$735.0	\$991.9	\$1,156.7	\$1,092.7	\$1,019.4	\$1,003.1	\$982.6	\$957.7	\$927.8	\$405.8	\$212.9	\$89.4	
Growth, y/y	NM	311.6%	108.9%	83.7%	49.9%	46.9%	34.9%	16.6%	(5.5%)	(6.7%)	(1.6%)	(2.0%)	(2.5%)	(3.1%)	(56.3%)	(47.5%)	(58.0%)	
Source: Wells Fargo Securities, LLC estimates and company reports																		

Source: Wells Fargo Securities, LLC estimates and company reports

FLXN - INCOMESTATEMENT (In MM except per share data)													
2014													
	FY 2011A	FY 2012A	FY 2013A	Mar-14 10A	Jun-14 20A	Sep-14 30E	Dec-14 40A	FY 2014E	FY 2015E	FY 2016E	FY 2017E	FY 2018E	CAGR (E) '14E-'17E
FX006 Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$21.0	\$86.5	NM
Total Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$21.0	\$86.5	NM
Cost of Products Sold	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2.3	\$9.5	
Gross profit	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$18.7	\$77.0	NM
S&M	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2	\$0.2	\$0.4	\$1.9	\$14.1	\$40.5	\$44.8	387.1%
G&A	\$3.0	\$3.9	\$6.7	\$2.3	\$2.2	\$2.6	\$2.7	\$9.8	\$11.7	\$12.8	\$14.1	\$15.5	13.1%
R&D	\$8.2	\$11.1	\$11.1	\$4.2	\$3.6	\$7.8	\$9.8	\$25.3	\$48.5	\$51.2	\$38.4	\$42.3	14.8%
EBITDA	(\$11.2)	(\$15.0)	(\$17.7)	(\$6.4)	(\$5.8)	(\$10.5)	(\$12.7)	(\$35.4)	(\$62.0)	(\$78.1)	(\$74.2)	(\$25.5)	NM
Amortization and Depreciation	\$0.1	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	
Operating Income	(\$11.3)	(\$15.0)	(\$17.8)	(\$6.4)	(\$5.8)	(\$10.5)	(\$12.7)	(\$35.5)	(\$62.1)	(\$78.2)	(\$74.3)	(\$25.6)	NM
Interest expense	\$0.0	\$0.0	(\$0.5)	(\$0.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Interest income	\$0.2	\$0.2	\$0.2	\$0.0	\$0.0	\$0.1	\$0.1	\$0.2	\$0.2	\$0.3	\$0.2	\$0.3	
Net interest	\$0.2	\$0.2	\$0.2	\$0.1	\$0.0	\$0.1	\$0.1	\$0.1	\$0.2	\$0.3	\$0.2	\$0.3	
Other	(\$0.3)	(\$0.2)	(\$0.2)	(\$0.0)	(\$0.1)	\$0.0	\$0.0	(\$0.1)	\$0.0	\$0.0	\$0.0	\$0.0	
Total other income	(\$0.2)	\$0.0	(\$0.4)	(\$0.1)	(\$0.1)	\$0.1	\$0.1	(\$0.0)	\$0.2	\$0.3	\$0.2	\$0.3	NM
Pretax Income	(\$11.4)	(\$15.0)	(\$18.2)	(\$6.5)	(\$5.9)	(\$10.4)	(\$12.6)	(\$35.5)	(\$61.8)	(\$77.9)	(\$74.0)	(\$25.3)	NM
Income tax provision	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	NM
Net Income	(\$11.4)	(\$15.0)	(\$18.2)	(\$6.5)	(\$5.9)	(\$10.4)	(\$12.6)	(\$35.5)	(\$61.8)	(\$77.9)	(\$74.0)	(\$25.3)	NM
Shares outstanding (basic)	0.5	0.5	0.8	7.6	15.619	15.697	15.776	13.681	18.638	24.2	31.0	31.6	
Shares outstanding (diluted)	0.5	0.5	10.6	13.3	15.6	15.7	15.8	15.1	18.6	24.2	31.0	31.6	
Shares outstanding (for EPS)	0.5	0.5	0.8	7.6	15.6	15.7	15.8	13.7	18.6	24.2	31.0	31.6	
EPS	(\$27.59)	(\$23.02)	(\$23.02)	(\$0.86)	(\$0.38)	(\$0.66)	(\$0.80)	(\$2.59)	(\$3.32)	(\$3.22)	(\$2.39)	(\$0.80)	NM
Margin Analysis													
Gross Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	89.0%	89.0%	
S&M as % of sales	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	192.5%	51.8%	
G&A as % of sales	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	67.2%	18.0%	
R&D % sales	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	182.6%	48.9%	
EBITDA margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	(352.8%)	(29.5%)	
Operating margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	(353.3%)	(29.6%)	
Pre-tax margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	(352.2%)	(29.3%)	
Statutory tax rate	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	
AMT tax rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Tax rate, effective	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 margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	(352.2%)	(29.3%)	
Year/Year Changes													
FX006 Revenues	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	311.6%	
Total Revenues	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	311.6%	
Gross profit	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	311.6%	
S&M	NM	NM	NM	NM	NM	NM	NM	NM	442.9%	642.6%	186.7%	10.7%	
G&A	29.5%	34.3%	69.9%	70.0%	32.3%	10.0%	100.0%	45.6%	19.6%	10.0%	10.0%	10.0%	
R&D	34.3%	34.3%	28.3%	28.3%	21.0%	198.8%	338.5%	129.1%	91.3%	5.6%	(25.0%)	10.2%	
EBITDA	33.9%	33.9%	18.2%	40.5%	25.1%	112.9%	255.9%	99.9%	75.2%	26.0%	(5.0%)	(65.6%)	
Operating income	33.0%	33.0%	18.3%	40.5%	25.1%	112.6%	254.7%	99.6%	75.0%	26.0%	(5.0%)	(65.5%)	
Net income	30.9%	30.9%	21.4%	40.1%	23.8%	106.5%	241.7%	95.1%	74.3%	26.0%	(5.0%)	(65.8%)	
Earnings per share	NM	NM	(16.6%)	(85.5%)	(93.7%)	(89.6%)	(82.8%)	(88.7%)	27.9%	(2.8%)	(25.9%)	(66.5%)	

Source: Wells Fargo Securities, LLC estimates and company reports

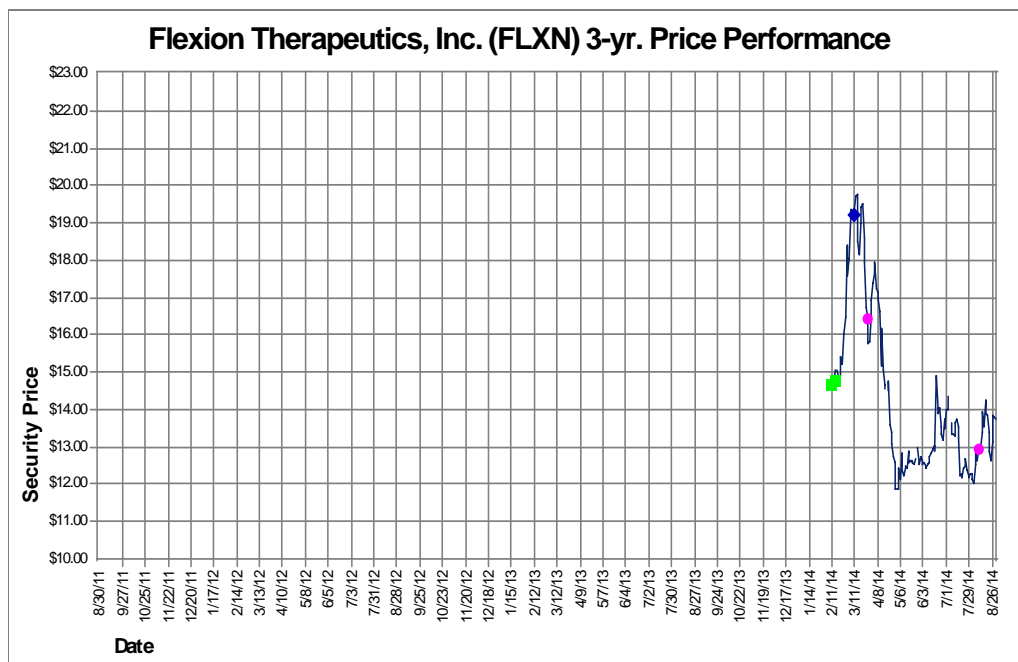
FLXN - BALANCE SHEET (In MM except per share data)										
	2014				2014					
	FY 2011A	FY 2012A	FY 2013A	Mar-14 1QA	Jun-14 2QA	Sep-14 3QE	Dec-14 4QE	FY 2014E	FY 2015E	FY 2016E
<b>Current Assets</b>										
Cash and Equivalents	\$3.4	\$12.8	\$16.3	\$35.8	\$12.0	\$1.3	\$31.0	\$31.0	\$36.1	\$29.7
Restricted Cash and Restricted Cash Equivalents	\$0.0	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Marketable securities	\$7.2	\$16.5	\$0.3	\$42.7	\$60.0	\$60.0	\$17.3	\$17.3	\$17.3	\$17.3
Accounts Receivable			\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Inventories, net			\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Prepaid expenses and other assets	\$0.3	\$0.5	\$1.5	\$0.8	\$1.6	\$1.7	\$1.8	\$1.8	\$2.2	\$2.3
<b>Total Current Assets</b>	<b>\$10.8</b>	<b>\$29.9</b>	<b>\$18.2</b>	<b>\$79.5</b>	<b>\$73.8</b>	<b>\$63.1</b>	<b>\$50.2</b>	<b>\$50.2</b>	<b>\$55.7</b>	<b>\$49.4</b>
<b>Long-term Assets</b>										
Property and equipment, net	\$0.1	\$0.1	\$0.4	\$0.4	\$0.4	\$0.4	\$0.3	\$0.3	\$0.2	\$0.1
Other assets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total Assets</b>	<b>\$10.9</b>	<b>\$30.0</b>	<b>\$18.6</b>	<b>\$79.9</b>	<b>\$74.2</b>	<b>\$63.5</b>	<b>\$50.6</b>	<b>\$50.6</b>	<b>\$55.9</b>	<b>\$49.6</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>										
<b>Current Liabilities</b>										
Accounts payable	\$0.7	\$0.5	\$1.5	\$1.8	\$1.7	\$1.8	\$1.8	\$1.8	\$2.2	\$2.3
Accrued expenses and other current liabilities	\$1.1	\$2.2	\$2.2	\$1.6	\$2.4	\$2.5	\$2.7	\$2.7	\$3.2	\$3.4
<b>Current portion of long-term debt</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$1.0</b>	<b>\$2.0</b>	<b>\$2.0</b>	<b>\$2.0</b>	<b>\$2.0</b>	<b>\$2.0</b>	<b>\$1.5</b>	<b>\$0.0</b>
<b>Total Current Liabilities</b>	<b>\$1.8</b>	<b>\$2.7</b>	<b>\$4.7</b>	<b>\$5.4</b>	<b>\$6.1</b>	<b>\$6.3</b>	<b>\$6.5</b>	<b>\$6.5</b>	<b>\$7.0</b>	<b>\$5.7</b>
<b>Long-term Liabilities</b>										
<b>Long-term debt</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$4.0</b>	<b>\$3.1</b>	<b>\$2.6</b>	<b>\$2.1</b>	<b>\$1.6</b>	<b>\$1.6</b>	<b>\$0.0</b>	<b>\$0.0</b>
Other Long-term Liabilities	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
<b>Total Long-term Liabilities</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$4.0</b>	<b>\$3.1</b>	<b>\$2.6</b>	<b>\$2.1</b>	<b>\$1.6</b>	<b>\$1.6</b>	<b>\$0.1</b>	<b>\$0.1</b>
<b>Shareholders' Equity</b>										
Preferred Stock	\$41.8	\$74.8	\$74.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Common stock	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Additional paid-in capital	\$0.3	\$0.4	\$1.2	\$144.1	\$144.1	\$144.1	\$144.1	\$144.1	\$212.3	\$285.1
Accumulated other comprehensive income	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Deficit accumulated during the development stage	(\$33.0)	(\$48.0)	(\$66.2)	(\$72.7)	(\$78.6)	(\$89.0)	(\$101.6)	(\$101.6)	(\$163.5)	(\$241.4)
<b>Total Stockholders' Equity</b>	<b>\$9.2</b>	<b>\$27.3</b>	<b>\$9.9</b>	<b>\$71.4</b>	<b>\$65.4</b>	<b>\$55.1</b>	<b>\$42.4</b>	<b>\$42.4</b>	<b>\$48.9</b>	<b>\$43.7</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$10.9</b>	<b>\$30.0</b>	<b>\$18.6</b>	<b>\$79.9</b>	<b>\$74.2</b>	<b>\$63.5</b>	<b>\$50.6</b>	<b>\$50.6</b>	<b>\$55.9</b>	<b>\$49.6</b>

Source: Wells Fargo Securities, LLC estimates and company reports

FLXN - CASH FLOW STATEMENT (In MM except per share data)											
	2014				2013				2012		
	FY 2011A	FY 2012A	FY 2013A	Mar-14 1QA	Jun-14 2QA	Sep-14 3QE	Dec-14 4QE	FY 2014E	FY 2015E	FY 2016E	FY 2017E
Net income (Loss)	(\$11.4)	(\$15.0)	(\$18.2)	(\$6.5)	(\$5.9)	(\$10.4)	(\$12.6)	(\$35.5)	(\$61.8)	(\$77.9)	(\$74.0)
<b>Adjustments to Net Income</b>											
Depreciation	\$0.1	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1
Stock-based Compensation	\$0.1	\$0.1	\$0.8	\$0.4	\$0.0	\$0.0	\$0.0	\$0.4	\$0.0	\$0.0	\$0.0
Amortization of premium (discount) on marketable securities	\$0.1	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Loss on disposal of property and equipment	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Changes in operating assets and liabilities											
Prepaid Expenses and other assets	\$0.2	(\$0.2)	\$0.3	(\$0.7)	(\$0.8)	(\$0.1)	(\$0.1)	(\$1.6)	(\$0.4)	(\$0.1)	(\$0.1)
Accounts Payable, accr. Exps., and other curr. liab	\$0.4	\$0.9	(\$0.3)	\$0.2	\$0.7	\$0.2	\$0.2	\$1.4	\$1.0	\$0.3	\$0.3
<b>Net Cash From Operations</b>	(\$10.4)	(\$14.0)	(\$17.1)	(\$6.5)	(\$6.0)	(\$10.3)	(\$12.5)	(\$35.2)	(\$61.2)	(\$77.6)	(\$79.1)
<b>Cash from Investing Activities</b>											
Purchases of property and equipment	(\$0.0)	(\$0.0)	(\$0.4)	(\$0.0)	\$0.0	\$0.0	\$0.0	(\$0.0)	\$0.0	\$0.0	(\$0.2)
Change in restricted cash	\$0.0	\$0.0	(\$0.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Purchases of marketable securities	(\$16.8)	(\$28.5)	(\$15.0)	(\$42.7)	(\$17.3)	\$0.0	\$0.0	(\$60.0)	\$0.0	\$0.0	\$0.0
Redemption of marketable securities	\$12.8	\$19.0	\$31.1	\$0.3	\$0.0	\$0.0	\$42.7	\$43.0	\$0.0	\$0.0	\$0.0
Other	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Cash from Investing Activities</b>	(\$4.1)	(\$9.5)	\$15.6	(\$42.5)	(\$17.3)	\$0.0	\$42.7	(\$17.1)	\$0.0	\$0.0	(\$0.2)
<b>Cash from Financing Activities</b>											
Proceeds from borrowings under term loan	\$0.0	\$0.0	\$5.0	\$0.0	(\$0.5)	(\$0.5)	(\$0.5)	(\$1.5)	(\$2.1)	(\$1.5)	\$0.0
Proceeds from issuance of Series A Cvt Pfd Stock, net	\$13.0	\$13.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Proceeds from issuance of Series B Cvt Pfd Stock, net	\$0.0	\$19.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Proceeds from common stock issuance	\$0.0	\$0.0	\$0.0	\$89.5	\$0.0	\$0.0	\$0.0	\$69.5	\$88.3	\$72.8	\$97.0
Proceeds from exercise of stock options	\$0.0	\$0.0	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0
Other	\$0.0	(\$0.0)	(\$0.1)	(\$1.1)	\$0.0	\$0.0	\$0.0	(\$1.1)	\$0.0	\$0.0	\$0.0
<b>Cash from financing</b>	\$13.0	\$33.0	\$4.9	\$68.6	(\$0.5)	(\$0.5)	(\$0.5)	\$67.1	\$66.2	\$71.3	\$97.0
Increase/(decrease) in cash and cash equivalents	(\$1.5)	\$9.5	\$3.5	\$19.6	(\$23.8)	(\$10.8)	\$29.7	\$14.8	\$5.0	(\$6.4)	\$17.7
Beginning cash balance	\$4.8	\$3.4	\$12.8	\$16.2	\$35.8	\$12.0	\$1.3	\$16.2	\$31.0	\$36.1	\$29.7
<b>Ending cash balance</b>	\$3.4	\$12.8	\$16.3	\$35.8	\$12.0	\$1.3	\$31.0	\$31.0	\$36.1	\$29.7	\$47.4
Average cash balance	\$4.1	\$8.1	\$14.6	\$26.0	\$23.9	\$6.7	\$16.1	\$23.6	\$33.5	\$32.9	\$38.5

Source: Wells Fargo Securities, LLC estimates and company reports. Note: Quarterly cash flow statement historical figures for 1Q-3Q:2013 not available.

## Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
□	2/12/2014		IPO at \$13.00			
	3/10/2014		Faerm			
◆	3/10/2014	19.26	1	24.00	26.00	19.22
◆	3/26/2014	15.76	1	23.00	25.00	16.43
◆	8/8/2014	12.93	1	24.00	26.00	12.95

Source: Wells Fargo Securities, LLC estimates and Reuters data

### Symbol Key

▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend
▲	Rating Upgrade	■	Analyst Change
●	Valuation Range Change	□	Split Adjustment

### Rating Code Key

1	Outperform/Buy	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate

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