

Specialty Pharmaceuticals

Price:	\$21.22
Fair Value Estimate:	\$30.00
52-Week Range:	\$11.06 - \$24.48
Market Cap (MM):	\$439
Shr.O/S-Diluted (mm):	20.7
Average Daily Volume:	86,447
Yield:	0.0%
Cash/Share:	\$(20.49)
FCF Yield:	(9.8)%
Debt/Cap:	33%

FYE: Dec	2013A	2014E	2015E
EPS:	\$(2.69)A	\$(1.82)E	\$(1.75)E
Prior EPS:		NC	NC
Consensus	NM	NM	-2.01
P/E Ratio:	NA	NA	NA

Quarterly EPS:

Q1	\$(0.75)A	\$(0.86)A	\$(0.54)E
Q2	\$(0.75)A	\$(0.38)A	\$(0.40)E
Q3	\$(0.75)A	\$(0.45)A	\$(0.41)E
Q4	\$(0.51)A	\$(0.37)E	\$(0.41)E

Quarterly Revenue (M):

Q1	\$0A	\$0E	\$0E
Q2	\$0A	\$0E	\$0E
Q3	\$0A	\$0E	\$0E
Q4	\$0A	\$0E	\$0E
Year:	\$0A	\$0E	\$0E

February 3, 2015

## Flexion Therapeutics, Inc.

(FLXN) - BUY

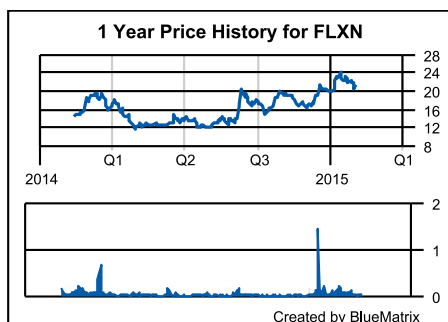
### FLXN: Phase 3 Starts on Time for FX006

#### Flash Takeaways

After the close on Monday, FLXN announced the dosing of the first patient in their Phase 3 in FX006 for OA of the knee. The timing of the initiation of the trial is right in line with expectations. In our opinion, FLXN is showing high confidence that the Phase 2b trial will have a positive read out, as they have initiated the Phase 3 without those data points. We also mirror this sentiment. Phase 2b data is expected in 2H15 with the Phase 3 in 1H16. Maintain Buy rating, \$30 FV.

#### Analysts Notes

- **Trial Design and Endpoints:** The Phase 3 is a double-blind, ~450 patient international trial with three treatment arms at a ratio of (1:1:1). Patient will be dosed at either saline, 40mg of FX006 or 40mg of TCA. The primary endpoint is magnitude and duration of pain relief over 12 weeks of FX006 compared to placebo. The secondary endpoint is between FX006 and immediate-release TCA. We view this as a de-risked clinical program as approval will be based on the placebo endpoint with the head-to-head comparison generating commercial/marketing data.
- **Catalysts Going Forward:** The read of the Phase 2b should be a value driver for the name, as we believe that it will be highly predictive of the Phase 3. Data for the Phase 2b is expected in 2H15 with data from the Phase 3 in 1H16. If both trials read out positive, the NDA should be filed in 2H16 with approval in 2H17.
- **Maintain Buy rating, \$30FV:** We value FLXN at \$30/share based on a sum-of-the-parts analysis with FX006 sales at \$25/share based on a 3.5x sales multiple of 2020 US sales discounted 5 years at 32%. The remaining \$5/share is based on cash (end 2015) and tech value.



## 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.

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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.

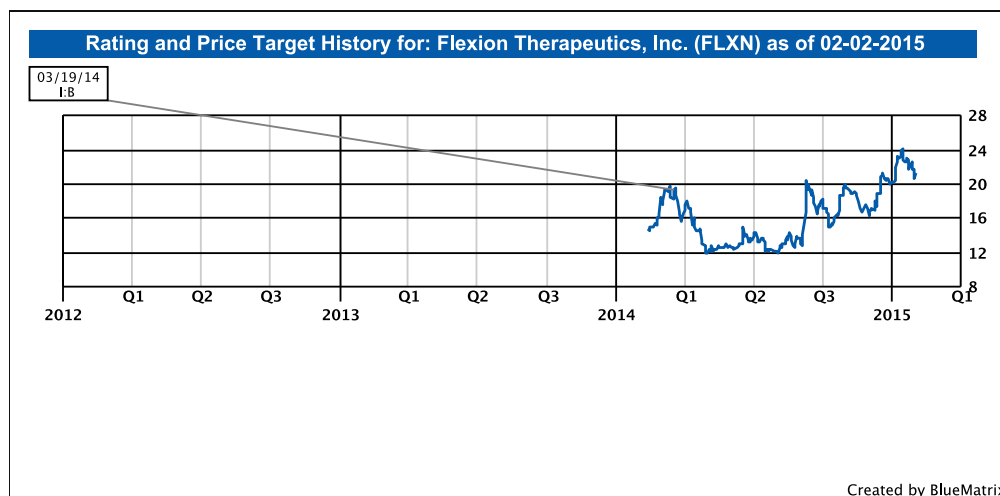
### Definition of Ratings

**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 12/31/14

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
<b>BUY [B]</b>	138	51.30	15	10.87
<b>NEUTRAL [N]</b>	131	48.70	5	3.82
<b>SELL [S]</b>	0	0.00	0	0.00

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

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