

Specialty Pharmaceuticals

Price:	\$23.19
Fair Value Estimate:	\$30.00
52-Week Range:	\$11.06 - \$24.03
Market Cap (MM):	\$479
Shr.O/S-Diluted (mm):	20.7
Average Daily Volume:	75,934
Yield:	0.0%
Cash/Share:	\$(20.49)
FCF Yield:	(9.0)%
Debt/Cap:	33%

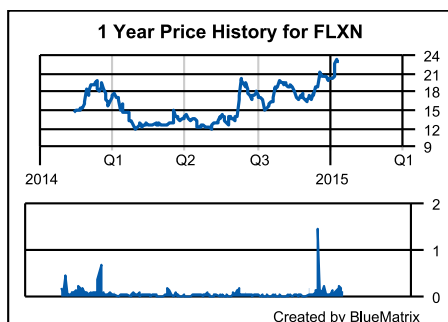
FYE: Dec	2013A	2014E	2015E
EPS:	\$(2.69)A	\$(1.82)E	\$(1.75)E
Prior EPS:		NC	NC
Consensus	NM	NM	-2.01
P/E Ratio:	NA	NA	NA

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



January 13, 2015

Flexion Therapeutics, Inc.

(FLXN) - BUY

FLXN: A Top Idea for 2015

PORTFOLIO MANAGER BRIEF

We come away from our Monday meeting with FLXN management incrementally more positive on the name, if that's even possible. With the December raise lifting any financial overhang, several catalysts in 2015, if positive should continue to add value to the name; start of the Phase 3 in 1Q15 and top-line data from the Phase 2 in 2H15. There is also a potential end-of-year tailwind in the form of an academic study that could disrupt the anecdotal-based thesis of corticosteroid joint damage. Maintain Buy rating, \$30 FV.

ANALYST NOTES

- Clinical timelines remain on track for FX006: After a 2.5 month delay, FLXN resumed enrollment in their pivotal Phase 2b trial in December. Top-line results are expected in 2H15, though we suspect that timeline may become clearer as the year progresses. The cash flush FLXN will also initiate their Phase 3 trial in 1Q15 with top-line data expected in 1H16. We are inclined to believe that both of these trials will read out positive due to the previous Phase 2 trial results and the fact that both of these trials are placebo controlled trials. In our opinion, this one of the most de-risked clinical programs in our universe.
- Hyaluronic Acid (HA) falling out of favor: During our meeting, we also discussed current real-world use of HA and the current sentiment towards the compound. Physicians currently can combine immediate release corticosteroids with an HA of their choice, tailoring treatment to their patients needs and preferences. However, the use and efficacy of HA seems to be developing some overhang. Some health insurance plans, including BCBS of Massachusetts will no longer cover HA injections with other plans opting to provide only the most cost efficient HA with prior authorization. This is most likely a direct correlation to efficacy questions raised by The American Academy of Orthopedic Surgeons and Cleveland Clinic maintaining that clinical benefit hasn't what it purports to be. In the race for OA of the knee, HA doesn't seem to be the horse to put your money on, in our view.
- Academic study could provide some positive insight: We also learned in our meeting that the widely known and accepted axiom that corticosteroid injections lead to structural joint damage is actually a misnomer; one based more on anecdotal evidence than science. An academic researcher is looking to correct this by showing that corticosteroids administered to an inflamed joint actually benefits the joint structure. His research should conclude and publish by EOY. If positive, this could be a meaningful boost to FLXN.

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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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.

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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.

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Price Charts



Janney Montgomery Scott Ratings Distribution as of 12/31/14

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