

Specialty Pharmaceuticals

Egalet Ltd.

(EGLT) - BUY

Price: **\$9.31**
Fair Value Estimate: \$22.00
52-Week Range: \$8.74-\$19.85
Market Cap (MM): \$161
Shr.O/S-Diluted (mm): 17.3
Average Daily Volume: 34,055
Dividend: NA
Book Value: \$(4.69)

FYE: Dec	2013A	2014E	2015E
EPS:	\$(4.29)A	\$(3.24)E	\$(2.42)E
Prior EPS:		NC	NC
P/E:	NA	NA	NA

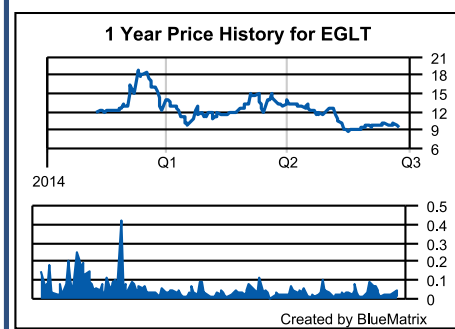
Quarterly EPS:

	2013A	2014E	2015E
Q1	\$(3.40)A	\$(1.34)A	\$(0.77)E
Q2	\$(3.40)A	\$(0.73)A	\$(0.68)E
Q3	\$(3.40)A	\$(0.71)E	\$(0.64)E
Q4	\$(0.35)A	\$(0.67)E	\$(0.37)E

FYE: Dec	2013A	2014E	2015E
Revenue (M):	\$0.0A	\$0.0E	\$6.0E

Quarterly Revenue (M):

	2013A	2014E	2015E
Q1	\$0.0A	\$0.0A	--
Q2	\$0.0A	\$0.0E	--
Q3	\$0.0A	\$0.0E	--
Q4	\$0.0A	\$0.0E	--



EGLT: More mixed PK on Egalet-001, NDA now mid-2016

KEY POINTS:

- **More mixed bioequivalent (BE) results for Egalet-001:** EGLT announced after the close the top-line results from their BE study of Egalet-001 (abuse-deterrent morphine) at the 15mg dose compared to MS Contin. In this 64-subject fasted-state study, Egalet-001 met bioequivalence to MS Contin in AUC (amount of drug that reaches the system) but was outside the lower-limit range for Cmax (peak concentration), which means that less drug was present than compared to MS Contin.
- **Clinical path forward now includes a full safety and efficacy Phase 3:** Though management will likely get in front of the FDA for a Type A meeting, the clinical path forward for Egalet-001 most likely will require a Phase 3 trial. Management has already been planning for this and is expected to begin enrollment of the 300+ patient trial in 1Q15.
- **Phase 3 will push back commercial timeline by ~15 months:** The initial timeline for Egalet-001 had the NDA filing in 1Q15 with a potential launch of late 2015/early 2016. With the Phase 3 now in play, if successful the NDA would now be pushed to mid-2016.
- **Egalet-002 program remains intact:** Egalet-002, abuse-deterrent extended-release oxycodone, should remain unaffected by the development. Egalet-002 is a different formulation with a two-component system which is also slated to begin its pivotal Phase 3 trials in 1Q15 as well.
- **Further review required for clinical time-line and risk:** We are reviewing the current clinical time-lines as well as the developmental risk of the Egalet-001 product. Egalet-001 currently stands as ~1/3 our fair value price of \$22/share, which is based off of a 4x multiple of the 2019 US sales of \$329K discounted 5 years at 35%.

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

Egalet Ltd. 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 Egalet Ltd. in the past 12 months.

Janney Montgomery Scott LLC received compensation for investment banking services from Egalet Ltd. in the past 12 months.

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from Egalet Ltd. 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.

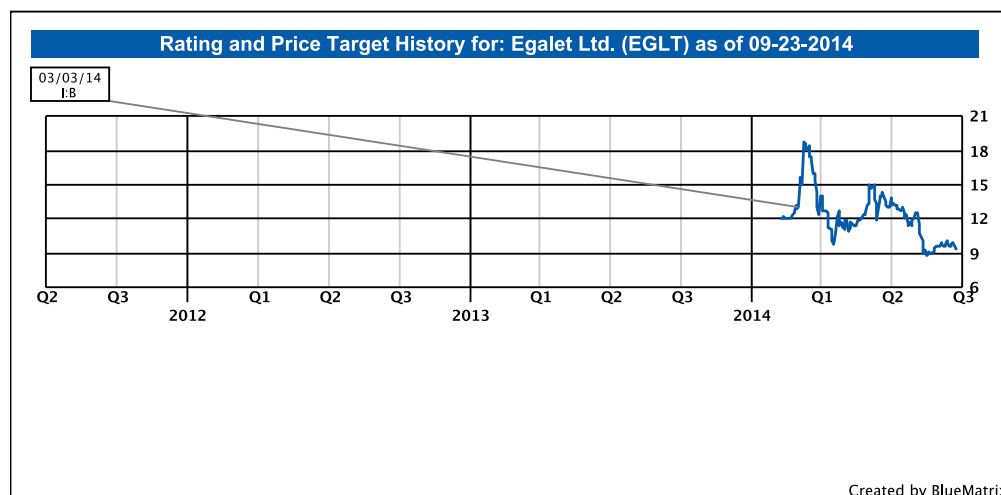
Definition of Ratings

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.**

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