	Annual EPS	Annual Revenue	Rating/Target
Today's Changes	2014E $(1.58) from $(1.12) 2015E $(2.00) from $(1.39)	2014E $3.2M from $3.0M 2015E $3.2M from $3.0M	BUY (unchanged) $29 from $25

Cara Therapeutics

CARA : NASDAQ : US$13.65

BUY

Target: US$29.00 ↑

Ritu Baral - Canaccord Genuity Inc. (US)
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COMPANY STATISTICS:

Forecast Return:	112%
Shares Out (M):	22.6
Market Cap (M):	US$308.5
52-week Range:	US$10.40 - 23.25

EARNINGS SUMMARY:

FYE Dec		2013A	2014E	2015E
Revenue:		14.7	3.2	3.2
EPS:		0.09	(1.58)	(2.00)
Revenue:	Q1	3.7	0.2A	--
	Q2	3.7	1.0	--
	Q3	3.7	1.0	--
	Q4	3.7	1.0	--
Total		14.7	3.2	3.2
EPS:	Q1	0.04	(0.22)A	--
	Q2	0.04	(0.32)	--
	Q3	0.04	(0.46)	--
	Q4	(0.01)	(0.58)	--
Total		0.09	(1.58)	(2.00)

SHARE PRICE PERFORMANCE:

Source: Interactive Data Corporation

COMPANY DESCRIPTION:
CARA is a clinical-stage biotech company focused on developing novel kappa opioid receptor agonists for postoperative pain management. This novel class of pain drugs could also be formulated for oral delivery and could potentially treat chronic pain and various inflammatory conditions.

All amounts in US$ unless otherwise noted.

Life Sciences -- Biotechnology

Q1/14: PH3 TRIALS ON TRACK TO START SOON, ORAL '845 PROGRAM KICKING OFF WITH PH1 TRIALS

Investment recommendation

Reiterate BUY, $29 target on CR845's potential in adjunct post-operative pain relief. Cara's lead Rx is a peripherally restricted kappa subtype specific opiate receptor agonist. We think '845 may provide additional pain relief, potentially superior, but also complementary to current post-op adjunct analgesics, without typical opiate side effects. We expect positive data from 3 post-op Ph3 studies in H2/15. We think '845 could reach potential US peak sales of $750M. Our $29 target is based on a pNPV analysis.

Investment highlights

- **Q1/14 EPS of $(0.22) vs consensus and our estimate of $(0.18).**
- **Solid progress on ongoing '845 trials –abuse liability data and pivotal trial start in H2/14.** CARA completed a Ph1 PK study of IV CR845 in renal impaired patients showing mainly renal excretion and good safety. PK and safety studies of oral CR845 were completed with a new tablet formulation with good results; a Ph1 MAD trial will start H1/14. Given the peripheral restriction of '845 PK, we think potential for abuse is very low, although the drug may still end up being DEA scheduled.
- **2014 staggered with multiple catalysts and data.** Data from human abuse liability trial for IV CR845, Ph1 single and MAD tablet oral CR845 expected are all expected over H2/14. CARA is also on track to initiate Ph3 registrational studies for IV CR845 in acute post-op pain soon and file IND for POC IV CR845 in uremic pruritus.

Figure 1: CARA P&L

	2011A	2012A	2013A	Q1/14A	Q2/14E	Q3/14E	Q4/14E	2014E	2015E	2016E
CR845	-	-	-	-	-	-	-	-	-	-
Product revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Grant/partnership revenue	-	1.2	14.7	0.18	1.00	1.00	1.00	3.2	3.2	3.2
Total revenues	**-**	**1.2**	**14.7**	**0.2**	**1.0**	**1.0**	**1.0**	**3.2**	**3.2**	**3.2**
Cost of goods sold		-	-	-	-	-	-			
Gross Profit	**-**	**1.2**	**14.7**	**0.18**	**1.00**	**1.00**	**1.00**	**3.2**	**3.2**	**3.2**
R&D expense	7.2	4.6	9.7	2.2	5.0	7.0	9.0	23.2	25.0	35.0
SG&A expense	2.4	2.8	3.5	1.4	1.1	1.2	1.2	4.9	10.0	40.0
Other operating expense	-	0.0	-	-	-	-	-	-	-	-
Total operating expense	**9.6**	**7.5**	**13.2**	**3.6**	**6.1**	**8.2**	**10.2**	**28.1**	**35.0**	**75.0**
Operating income	**(9.6)**	**(6.3)**	**1.5**	**(3.4)**	**(5.1)**	**(7.2)**	**(9.2)**	**(24.9)**	**(31.8)**	**(71.8)**
Net Interest/Investment income	-	-	0.0					0.0	0.0	0.0
(interest expense)	(0.1)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Other non-operating income (expense)	(0.2)	-	-	0.0				-	-	-
Interest and other, Net	(0.3)	(0.1)	-	-	-	-	-	-	-	-
Pre-tax income	**(9.8)**	**(6.3)**	**1.6**	**(3.4)**	**(5.1)**	**(7.2)**	**(9.2)**	**(24.9)**	**(31.8)**	**(71.8)**
Income tax expense (benefit)	-	-	-					-	-	-
Net income (loss)	**(9.8)**	**(6.3)**	**1.6**	**(3.4)**	**(5.1)**	**(7.2)**	**(9.2)**	**(24.9)**	**(31.8)**	**(71.8)**
Basic EPS	**(0.59)**	**(0.38)**	**0.09**	**(0.22)**	**(0.32)**	**(0.46)**	**(0.58)**	**(1.58)**	**(2.00)**	**(4.51)**
Diluted EPS	**(0.59)**	**(0.38)**	**0.09**	**(0.22)**	**(0.32)**	**(0.46)**	**(0.58)**	**(1.58)**	**(2.00)**	**(4.51)**
Basic shares outstanding	16.8	16.8	18.3	15.7	15.7	15.8	15.9	15.8	15.9	15.9
Diluted shares outstanding	16.8	16.8	18.3	15.7	15.7	15.8	15.9	15.8	15.9	15.9

Source: Canaccord Genuity and Company Reports

Figure 2: CARA pNPV Analysis

Product Development

Drug name	Indication	Status	Launch	Success	Sales (US$m)	Royalty	Profitability	NPV (US$)
CR845	Post-op pain	Phase 3	2017	50%	1354.7	90%	70%	29.14
							Total	**29.14**

Source: Canaccord Genuity and Company Reports

Investment risks

Clinical risk -- Cara's planned Phase 3 trials may not be successful. There is always risk in drug development trials, especially pain trials which can have unusually high unpredictable placebo signals which can confound trial statistics. Also, magnitude of benefit may be different in a less well controlled, real-world patient population. However, we think the planned pivotal Phase 3's so closely resemble the Phase 2's that chance of success is high.

Regulatory risk -- CR845 may not be approved by the FDA and/or EMA despite Phase 3 success, or scheduling/REMS restriction may greatly impair the drug's chance of success. Should CR845's safety profile be more problematic than that seen in the Phase 2 trial, FDA and EMA could refuse to approve the therapy. Further, there is a chance that CR845 may be scheduled as a controlled substance by the US DEA (even if the planned Human Abuse Liability trial shows no abuse potential) just by its opiate subtype association. If the drug is scheduled, it could greatly complicate distribution and use of the therapy, limiting commercial potential.

Competitive risk -- CR845 will be competing with other adjunct therapies that will have been established in the market for a number of years, some of which will be generic and therefor significantly cheaper than CR845. Ofirmev and Caldolor have been approved in the US since 2010 and 2009, respectively, and are widely included on current hospital formularies. They are already part of a number of physicians and surgeons post-operative pain management habits. The clinicians could be resistant or slow to adopt a new adjunct pain reliever in the post-op setting.

Reimbursement risk -- There is no guarantee that Cara, or its partners, will garner reimbursement for CR845. We also note CR845's initially pursued indication would dictate its use in the hospital setting, which will require prior approval from hospital P&T committees. P&T committees are notoriously cost-conscious and focused on the pharmacoeconomic savings afforded by new products and can represent formidable reimbursement hurdles. Failure to obtain such pharmacoeconomic arguments that would secure reimbursement could limit sales of the drug and have a negative impact on the company's share price.

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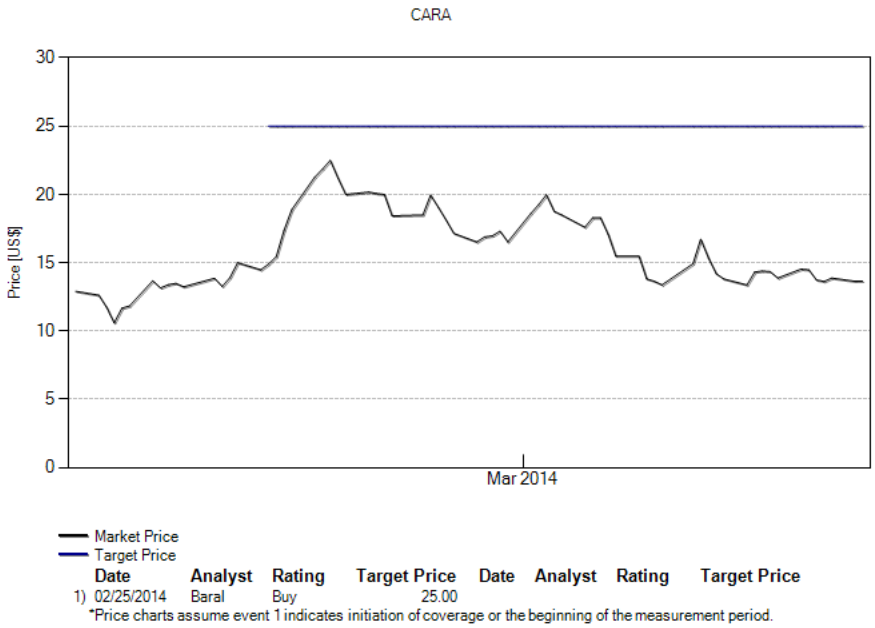
Site Visit: An analyst has not visited Cara Therapeutics' material operations.

Price Chart:*



	Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1)	02/25/2014	Baral	Buy	25.00				

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

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(as of 31 March 2014)

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Hold	317	32.1%	13.2%
Sell	45	4.6%	4.4%
	988*	100.0%	

*Total includes stocks that are Under Review

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Cara Therapeutics	1A, 2, 3, 5, 7

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