

Specialty Pharmaceuticals

Egalet Ltd.

(EGLT) - BUY

Price: **\$9.85**
Fair Value Estimate: \$22.00
52-Week Range: \$8.74-\$19.85
Market Cap (MM): \$170
Shr.O/S-Diluted (mm): 17.3
Average Daily Volume: 35,662
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

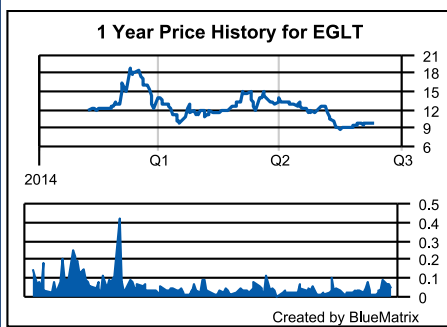
Quarterly EPS:

	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	--



Equity Research
FLASH Note

EGLT: Continuing to Solidify IP on the Back of Positive End-of-Phase 2 Meeting

KEY POINTS:

Adding to the Patent Portfolio: EGLT announced this morning the granting of two additional patents:

- US Patent No. 8,808,745 - "Morphine polymer release system"
- US Patent No. 8,821,928 - "Controlled release pharmaceutical compositions for prolonged effect."

These patents relate to the overall Guardian Technology as well as specifically to their lead product candidate, Egalet-001, abuse-deterrent extended-release morphine. The current patent portfolio extends to various dates starting in 2022 and running as far out as 2033.

- **Positive End-of-Phase 2 Meeting for Egalet-002 from August:** Back in mid-August EGLT announced a positive End-of-Phase 2 meeting with the FDA on Egalet-002, their abuse-deterrent extended-release oxycodone product. As expected, coming out of the meeting, EGLT received positive feedback on their strategy to scale up their manufacturing process in front of the planned Phase 3 trial in 1Q15, as well as guidance on the design of the Phase 3 safety and efficacy trials.

- **A Name to Watch Heading Into Late 2014/Early 2015:** EGLT will be a name to watch coming into the end of 2014 and the beginning of 2015. Results from the 15mg bioequivalent study of Egalet-001 are expected 3Q14. This will be an important event for EGLT as it helps determine the pathway forward for the 001 product candidate. If successful, a planned NDA would be expected in 4Q14. Egalet-002 is also expected to begin the Category 2 and 3 abuse-deterrent studies in Q414, which should report out either in the same quarter or 1Q15.

- **Maintain Buy rating, \$22 FV:** We value US sales of Egalet products at \$20/share based on a 4x multiple of 2019 US sales of \$350M discounted 5 years at 35%. Our remaining \$2/share value is based on cash (end of 2014) and tech value.

Research Analyst Certifications and Important Disclosures
are on pages 2 - 3 of this report

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.

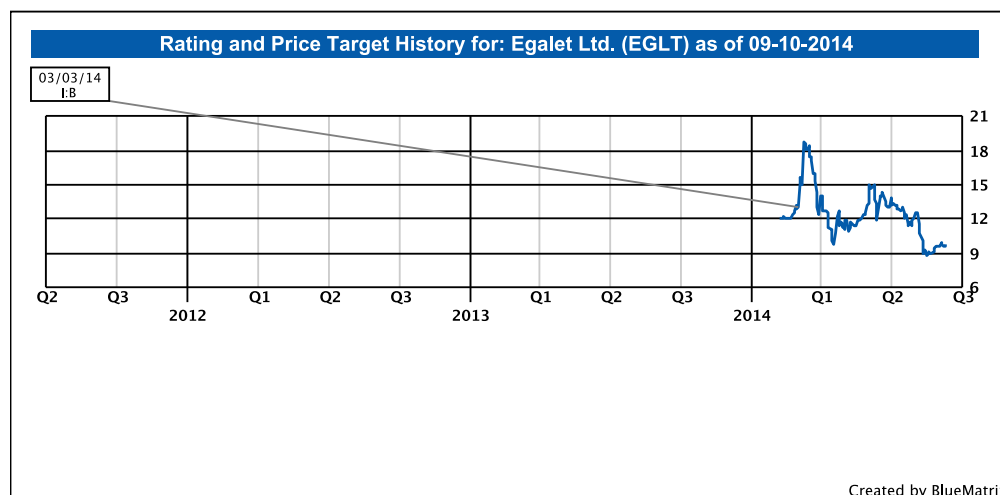
Definition of Ratings

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.**

Other Disclosures

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