Egalet Corporation (EGLT)

End-of-Phase 2 Meeting Provides Input on Egalet-002 Development Program

MARKET DATA

Price	$8.84
52-Week Range:	$8.82 - $19.85
Shares Out. (M):	14.7
Market Cap ($M):	$129.9
Average Daily Vol. (000):	14.0
Cash (M):	$69
Cash/Share:	$4.02
Enterprise Value (M):	$129
LT Debt (M):	$0

Source: Thomson Reuters and JMP Securities LLC

FY DEC		2013A	2014E	2015E
Revenue ($M)	1Q	$0.0	$0.3A	--
	2Q	$0.0	$0.5A	--
	3Q	$0.0	$0.0	--
	4Q	$0.0	$0.0	--
	FY	**$0.0**	**$0.7**	**$0.0**
EPS	1Q	($1.39)	($1.34)A	--
	2Q	($3.40)	($0.73)A	--
	3Q	($3.40)	($0.80)	--
	4Q	($7.13)	($0.83)	--
	FY	**($15.64)**	**($3.70)**	**($3.13)**

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE

MARKET OUTPERFORM | Price: $8.84 | Target Price: $18.00

INVESTMENT HIGHLIGHTS

Egalet-002 development on track following completion of end-of-Phase 2 meeting with the FDA; reiterate Market Outperform rating and $18 price target on Egalet. This morning, Egalet announced that it has completed an end-of-Phase 2 meeting with the FDA for Egalet-002, its abuse-deterrent candidate for oxycodone. The company stated that the FDA provided guidance on clinical development as well as the manufacturing process for Egalet-002. We continue to anticipate that Category 2/3 abuse deterrent trials for Egalet-002 will begin in 4Q14, with the first pivotal Phase 3 efficacy trial expected to start in 1Q15. Phase 3 results are expected in 2H15. Our $18 price target is derived through a sum-of-the-parts NPV analysis of Egalet-001 and Egalet-002.

FDA interactions provide input into manufacturing process and clinical program. The FDA reviewed Egalet's chemistry, manufacturing and CMC as well as clinical development plans for Egalet-002. Egalet reached an agreement with the FDA on its CMC strategy and was given input into the design of the Phase 3 efficacy and safety trials. This guidance will allow Egalet to advance the product into Category 2/3 abuse deterrent trials and the pivotal Phase 3 program. We continue to believe that Egalet's technology effectively addresses the primary method of abuse for oxycodone, crushing and snorting, and is differentiated from emerging abuse-deterrent products.

Phase 3 pivotal program expected to begin in 1Q15. Egalet is pursuing FDA approval of Egalet-002 via the 505(b)(2) pathway and intends to complete two Phase 3 clinical trials as well as abuse-deterrence studies, in line with FDA guidance. The first Phase 3 is an n=300, multi-center, double-blind, placebo-controlled trial in patients with moderate-to-severe lower back pain who require around the clock opioid therapy. The co-primary endpoints are reduced pain scores and reduced relief medication. The second Phase 3 will be an n=250, open-label, long-term safety trial in which patients will be treated with Egalet-002 for either three months, six months, or twelve months.

Jason N. Butler, PhD
jbutler@jmpsecurities.com
(212) 906-3505

Company Description

Egalet Ltd. (Nasdaq: EGLT) is a specialty pharmaceutical company, headquartered in Malvern, PA., primarily focused on the development of novel, oral, abuse-deterrent, opioid pain products. These tamper-resistant opioid candidates are based on the company's proprietary, patented platform technology. Egalet has two lead clinical development programs; Egalet-001, an abuse-deterrent, extended-release, oral formulation of morphine for moderate-to-severe pain, and Egalet-002, an abuse-deterrent, extended-release, oral formulation of oxycodone, also for moderate-to-severe pain. Egalet also has a development collaboration and licensing agreement with Shionogi.

Investment Risks

Clinical risk. Egalet may not be successful in the full development and launch of its product candidates. There may be dosing, efficacy, or safety issues related to product candidates undergoing clinical trials that could preclude continued development. In addition, there may be manufacturing issues including challenges with the scale-up to commercial quantities. Any of these issues could pose a risk to success.

Regulatory risk. The company's potential regulatory filing for its NDA may not receive approval from the FDA or ex-U.S. agencies. If the FDA does not determine that a product candidate is sufficiently bioequivalent to approved drugs, or if the FDA does not allow Egalet to file under Section 505(b)(2), the approval pathway will likely take longer and cost significantly more. If approved, a mandatory REMS (Risk Evaluation and Mitigation Strategy) program may be required that may deter usage or slow the commercial launch trajectory, either of which would reduce the chances of reaching projected sales.

Competitive risk. Given the competitive landscape in the biotechnology space, another company may come out with a more efficacious, less expensive product that could take away significant market share from Egalet's products. This would challenge the company's ability to achieve the milestones contained in the collaboration agreement with Shionogi and sales sufficient to generate royalties under that agreement. There is a risk that the patent holder of the approved drugs that are included in Egalet's products may file a patent infringement suit against an Egalet product and the company would then need to spend money in defense fees. In addition, the 505 (2)(b) regulatory pathway makes Egalet susceptible to a competitor filing an ANDA for a generic candidate with the FDA.

Financial risk. Egalet currently gets revenue from feasibility and collaboration agreements. It does not yet have product revenues and may not reach profitability if there are any issues commercializing its product candidates. The company has a history of operational losses due to research and development expenses as well as operational expenses. These expenses are expected to continue to incur in the near future. We anticipate that Egalet will likely need to raise funds in the future to continue operations.

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JMP Securities was manager or co-manager of a public offering of securities for Egalet Corporation (EGLT) in the past 12 months, and received compensation for doing so.

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Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.

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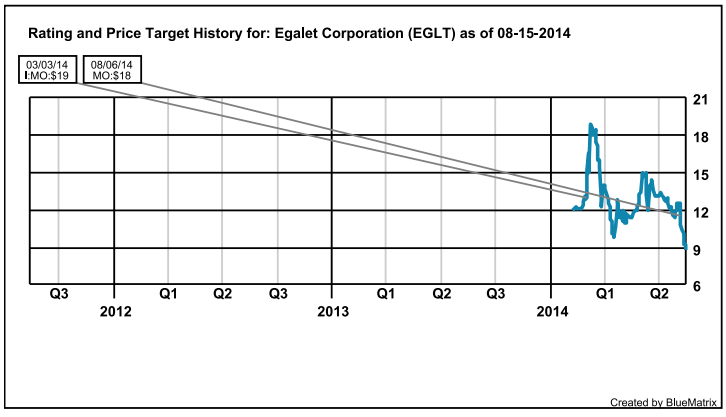
JMP Rating	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	# Co's Receiving IB Services in Past 12 Months	*% of Co's With This Rating*
MARKET OUTPERFORM	Buy	267	*60.00%*	Buy	267	*60.00%*	98	*36.70%*
MARKET PERFORM	Hold	138	*31.01%*	Hold	138	*31.01%*	18	*13.04%*
MARKET UNDERPERFORM	Sell	4	*0.90%*	Sell	4	*0.90%*	0	*0%*
COVERAGE IN TRANSITION		36	*8.09%*		36	*8.09%*	0	*0%*
TOTAL:		445	*100%*		445	*100%*	116	*26.07%*

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with NASD Rule 2711, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: JMP Securities.



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Jeffrey H. Spurr
Director of Research
(415) 835-3903

RESEARCH PROFESSIONALS

FINANCIAL SERVICES

Alternative Asset Managers
Devin Ryan (212) 906-3578
Brian McKenna (212) 906-3545

Commercial & Specialty Finance
Christopher York (415) 835-8965
Hannah Kim, CFA (415) 835-8962

Consumer Finance
David M. Scharf (415) 835-8942
Jeremy Frazer (312) 768-1796

Financial Processing & Outsourcing
David M. Scharf (415) 835-8942
Jeremy Frazer (312) 768-1796

Insurance
Matthew J. Carletti (312) 768-1784
Christine Worley (312) 768-1786

Investment Banks & Brokers
Devin Ryan (212) 906-3578
Brian McKenna (212) 906-3545

Mortgage Operating Companies
REITs: Agency, Hybrid, & Commercial Mortgage
Steven C. DeLaney (404) 848-7773
Trevor Cranston, CFA (415) 869-4431
Charter Robinson (757) 613-8955
Benjamin Zucker (212) 906-3529

HEALTHCARE

Biotechnology
Liisa A. Bayko (312) 768-1785
Andrew Prigodich, PhD (312) 768-1788
Bhumika Sharma, PhD (312) 768-1795
Jason N. Butler, PhD (212) 906-3505
Caroline Palomeque (212) 906-3509
Michael G. King, Jr. (212) 906-3520
Bryan Czyzewski, PhD (212) 906-3577
Eric Joseph, PhD (212) 906-3514

Healthcare Services & Facilities
Peter L. Martin, CFA (415) 835-8904
Aaron Hecht (415) 835-3963
Arthur Kwok (415) 835-8908

Life Science Tools & Diagnostics
J. T. Haresco, III, PhD (415) 869-4477
Marie T. Casey, PhD (415) 835-3955

Medical Devices
J. T. Haresco, III, PhD (415) 869-4477
Marie T. Casey, PhD (415) 835-3955

Medical Devices & Supplies
David Turkaly (212) 906-3563
John Gillings (212) 906-3564

Specialty Pharmaceuticals
Oren G. Livnat, CFA (212) 906-3566
Nazibur Rahman (212) 906-3519

REAL ESTATE

Housing & Land Development
Peter L. Martin, CFA (415) 835-8904
Aaron Hecht (415) 835-3963
Bharathwajan Iyengar (415) 835-3902

Lodging & Leisure
Robert A. LaFleur (212) 906-3510
Whitney Stevenson (212) 906-3538

Property Services
Mitch Germain (212) 906-3546
Peter Lunenburg (212) 906-3537

REITs: Healthcare, Residential, & Specialty
Peter L. Martin, CFA (415) 835-8904
Aaron Hecht (415) 835-3963
Arthur Kwok (415) 835-8908

REITs: Office, Industrial, & Diversified
Mitch Germain (212) 906-3546
Peter Lunenburg (212) 906-3537

Residential Services
Peter L. Martin, CFA (415) 835-8904
Aaron Hecht (415) 835-3963
Bharathwajan Iyengar (415) 835-3902

TECHNOLOGY

Communications Equipment & Internet Security
Erik Suppiger (415) 835-3918
John Lucia (415) 835-3920

Internet & Digital Media
Ronald V. Josey III (212) 906-3528
Andrew Boone, CFA (415) 835-3957
Michael Wu (415) 835-8996

Software
Patrick Walravens (415) 835-8943
Peter Lowry (415) 869-4418
Greg McDowell (415) 835-3934

Wireless & Cloud Computing Technologies
Alex Gauna (415) 835-8998

ADDITIONAL CONTACTS

Thomas R. Wright
Director of Equities
(212) 906-3599

Dan Wychulis
Director of Institutional Sales
(617) 235-8530

600 Montgomery Street, Suite 1100
San Francisco, CA 94111
www.jmpsecurities.com