

Egalet Corporation (EGLT)

Strengthening Management Team with Seasoned Pharma Commercial Leader

MARKET DATA

Price	\$5.00
52-Week Range:	\$3.81 - \$19.85
Shares Out. (M):	17.3
Market Cap (\$M):	\$86.5
Average Daily Vol. (000):	3.0
Cash (M):	\$60
Cash/Share:	\$3.45
Enterprise Value (M):	\$129
LT Debt (M):	\$0

Source: Thomson Reuters and JMP Securities LLC

MARKET OUTPERFORM | Price: \$5.00 | Target Price: \$13.00

INVESTMENT HIGHLIGHTS

CCO addition reinforces Egalet's transformation into revenue driven specialty pharma company; reiterate our Market Outperform rating and \$13 price target on Egalet (EGLT). This morning, Egalet announced that it had appointed Deanne F. Melloy as its Chief Commercial Officer to lead the company's commercial build out following the product acquisitions announced yesterday. In our view, Ms. Melloy brings a demonstrated track record of success to Egalet having previously served as Executive Vice President and Chief Operating Officer at Shionogi, as well as in prior commercial management roles at Sanofi and Endo. We view this hire as a strong addition to the Egalet management team following the product acquisitions announced yesterday, and it reinforces our confidence in the ongoing transformation of Egalet to a revenue driven, growth oriented specialty pharma company. We continue to look to a full commercial update later in 1Q15 before including revenue projections for the new products in our model, but still see meaningful upside potential to our current valuation assumptions. Our \$13 price target is derived through a sum-of-the-parts NPV analysis of Egalet-001 and Egalet-002.

FY DEC		2013A	2014E	2015E
Revenue (\$M)	1Q	\$0.0	\$0.3A	--
	2Q	\$0.0	\$0.5A	--
	3Q	\$0.0	\$0.3A	--
	4Q	\$0.0	\$0.0	--
	FY	\$0.0	\$1.1	\$0.0
EPS	1Q	(\$1.39)	(\$1.34)A	--
	2Q	(\$3.40)	(\$0.73)A	--
	3Q	(\$3.40)	(\$0.63)A	--
	4Q	(\$7.13)	(\$0.68)	--
	FY	(\$15.64)	(\$3.38)	(\$3.75)

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE



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 on 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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The research analyst(s) who prepared this report does/do hereby certify that the views presented in this report are in accordance with my/our personal views on the securities and issuers discussed in this report. As mandated by SEC Regulation AC no part of my/our compensation was, is or will be directly or indirectly related to the specific views or recommendations expressed herein. This certification is made under the obligations set forth in SEC Regulation AC. Any other person or entity may not use it for any other purpose. This certification is made based on my/our analysis on the date of this report's publication. I/We assume no obligation to update this certification to reflect any facts, circumstances or events that may subsequently come to my/our attention. Signed Jason N. Butler

JMP Securities Disclosures:

JMP Securities currently makes a market in the security of Egalet Corporation

JMP Securities has received compensation for banking or other services rendered to Egalet Corporation in the past 12 months.

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.

JMP Securities expects to receive OR intends to seek compensation for investment banking services from Egalet Corporation in the next 3 months.

JMP Securities Investment Opinion Definitions:

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

Market Perform (MP): JMP Securities expects the stock price to perform in line with relevant market indices over the next 12 months.

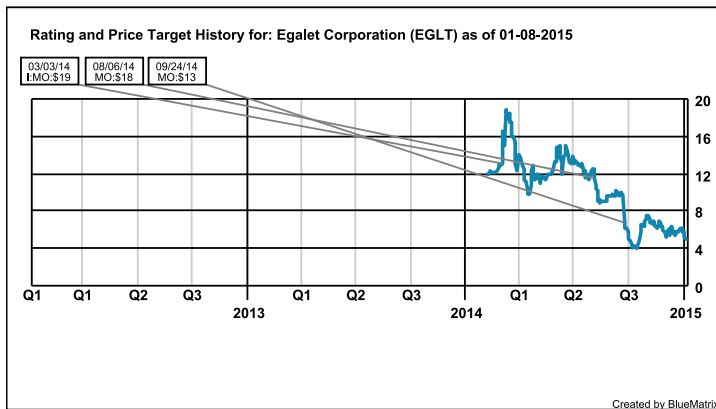
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

JMP Securities Research Ratings and Investment Banking Services: (as of January 9, 2015)

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	294	65.19%	Buy	294	65.19%	103	35.03%
MARKET PERFORM	Hold	151	33.48%	Hold	151	33.48%	17	11.26%
MARKET UNDERPERFORM	Sell	3	0.67%	Sell	3	0.67%	0	0%
COVERAGE IN TRANSITION		1	0.22%		1	0.22%	0	0%
TOTAL:		451	100%		451	100%	122	27.05%

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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