

Specialty Pharmaceuticals

Price:	\$8.74
Fair Value Estimate:	\$25.00
52-Week Range:	\$7.53 - \$23.25
Market Cap (MM):	\$199
Shr.O/S-Diluted (mm):	22.8
Average Daily Volume:	109,958
Book Value:	\$1.33
Dividend:	NA
Cash/Share:	\$0.68
FCF Yield:	(12.2)%
Debt/Cap:	0%

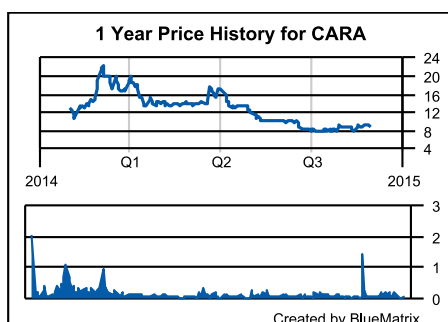
FYE: Dec	2013A	2014E	2015E
EPS:	\$(0.74)A	\$(0.84)E	\$(1.06)E
Prior EPS:		NC	NC
Consensus	NM	-0.94	-1.19
P/E Ratio:	NA	NA	NA

Quarterly EPS:

Q1	\$(0.42)A	\$(0.22)A	--
Q2	\$(0.38)A	\$(0.16)A	--
Q3	\$(0.38)A	\$(0.29)A	--
Q4	\$(0.49)A	\$(0.30)E	--

Quarterly Revenue (M):

Q1	\$0A	\$0A	--
Q2	\$10A	\$1A	--
Q3	\$1A	\$1A	--
Q4	\$1A	\$1E	--
Year:	\$12A	\$2E	\$0E



December 2, 2014

Cara Therapeutics Inc.

(CARA) - BUY

CARA: Positive Phase 1a/1b for Oral Formulation

Flash Takeaways

CARA announced this morning positive top-line data from their Phase 1a/1b trial of their tablet formulation. This is an incremental positive for the name as they have shown clinical success previously with a capsule formulation of CR845. It also indicates CR845 as a viable oral for potential step-down pain management, a must-have in the chronic pain space. The results of this trial establishes the dosing range and regimen for the Phase 2 trial design, which should read out top-line data in 1H15.

Analysts Notes

- Delivering Clinical Progress On-Time: CARA continues to check off the boxes of its clinical development for CR845, a peripherally-selective kappa opioid agonist being developed for acute and chronic pain in both an I.V. and oral tablet formulation. CARA has hit expectations on delivering the human abuse liability in late October and as promised, the positive tablet formulation in early December.
- Not done yet for 2014: Late in 2014, top-line safety and PK data from Part 1 of the Proof-of-Concept of IV CR845 in dialysis itch should read out with Part 2 efficacy data following in 1H15. Also of note, CARA management is requesting an End of Phase 2 meeting with the FDA in 4Q14 for IV CR845 in acute pain, which would allow for the Phase 3 trials to initiate in 1Q15.
- The Major Catalyst Timeline: With IV CR845 for acute pain set to initiate two Phase 3 trials in 1Q15, we believe that the bunionectomy trial will enroll quickly, which means that top-line data could read out in late 2015, with hysterectomy data in mid-2016. Another major catalyst is an expected Phase 2 POC trial for the oral formulation with data in 2H15 followed by the Phase 3 initiation by the end of the year.
- Maintain Buy rating, \$25 fair value: We value CARA at \$25/share based on a sum-of-the-parts with CR845 sales of at \$22.50/share based on a 4x multiple of 2019 US sales discounted 5 years at 20% to account for the risks remaining in this program. Our remaining \$2.50/share value is based on cash (end 2014) and technology value.

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

Cara Therapeutics Inc. 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 Cara Therapeutics Inc. in the past 12 months.

Janney Montgomery Scott LLC received compensation for investment banking services from Cara Therapeutics Inc. in the past 12 months.

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from Cara Therapeutics Inc. 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.

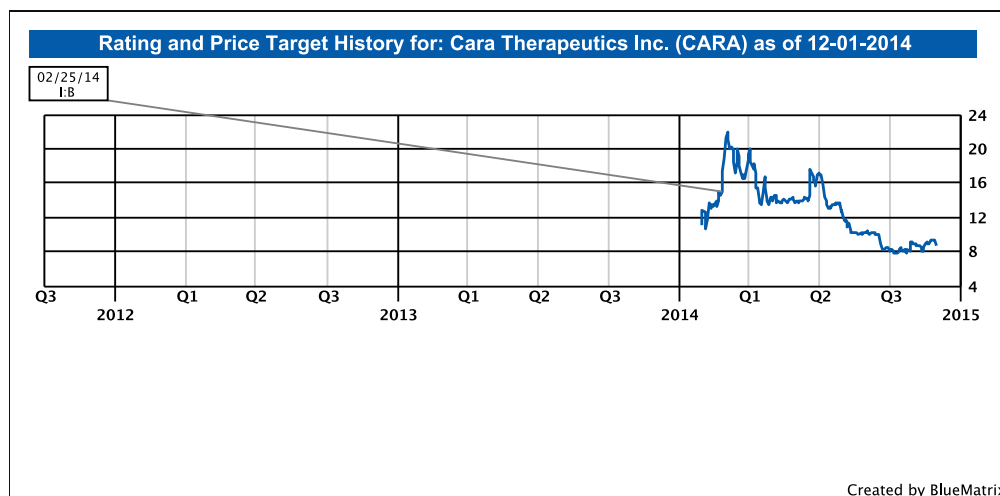
Definition of Ratings

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 9/30/14

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	169	52.81	24	14.20
NEUTRAL [N]	150	46.88	18	12.00
SELL [S]	1	0.31	0	0

*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

Other Disclosures

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