

July 21, 2014

CNCE-NASDAQ--Outperform (1) / V
JAZZ-NASDAQ--Outperform (1) / V

Biotechnology

CNCE: Positive Progress Into Clinic With Partnered Pipeline Assets

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Sector Rating: Biotechnology, Market Weight

****Several announcements were made today demonstrating progress with two of CNCE's key partnered programs, deuterated dextromethorphan (AVNR) and deuterated sodium oxybate (JAZZ).**

****This morning Avanir Pharmaceuticals announced the FDA has accepted its IND for AVP-786, a deuterated form of dextromethorphan with lower-dose quinidine intended as an adjuvant treatment for treating depression. The announcement sets a definitive timeframe for entry of the drug into a ph.II study (3Q14)--recall CNCE anticipates receiving a \$2MM milestone payment upon initiation of dosing--and notably, demonstrates additional FDA support (within a second FDA division) for expedited development, a regulatory strategy CNCE hopes will be applicable to a number of its deuterated drug candidates.**

****This afternoon, JAZZ and CNCE announced that they will initiate a ph.I study of JZP-386, a deuterated version of Xyrem designed to prolong the half-life and eliminate Xyrem's requirement for middle-of-the-night dosing. The study will assess PK/PD, as well as other parameters such as sleepiness and cognition, with single ascending doses in healthy subjects. Though the timeline for data release is unclear, we believe the ph.I could be telling as to the potential of the program, given that PK is key to the commercial opportunity and deuteration is not expected to alter the drug's pharmacology. We continue to believe JAZZ will be highly incentivized to move '386 forward as a life cycle extension strategy if initial PK data are promising, given Xyrem's patent expiries.**

****CNCE stands to receive mid-single to low double-digit royalties on both products, in addition to potential milestones.**

****BOTTOM LINE: We believe this partnered program progress bodes well for long-term potential revenues to CNCE and highlights the versatility and promise of the company's deuteration platform. We believe the company's current valuation significantly discounts its pipeline potential.**

Concert Pharmaceuticals, Inc. (CNCE-NASDAQ)

Price as of 7/21/2014: \$7.97

FY 14 EPS: \$-1.88

FY 15 EPS: \$-0.74

Shares Out.: 17.9 MM

Market Cap.: \$142.66 MM

Jazz Pharmaceuticals, PLC (JAZZ-NASDAQ)

Price as of 7/21/2014: \$146.21

FY 14 EPS: \$7.92

FY 15 EPS: \$10.14

Shares Out.: 62.5 MM

Market Cap.: \$9,138.13 MM

Please see Disclosure Appendix for rating definitions, important disclosures, and required analyst certifications.

All estimates/forecasts are as of 07/21/14 unless otherwise stated.

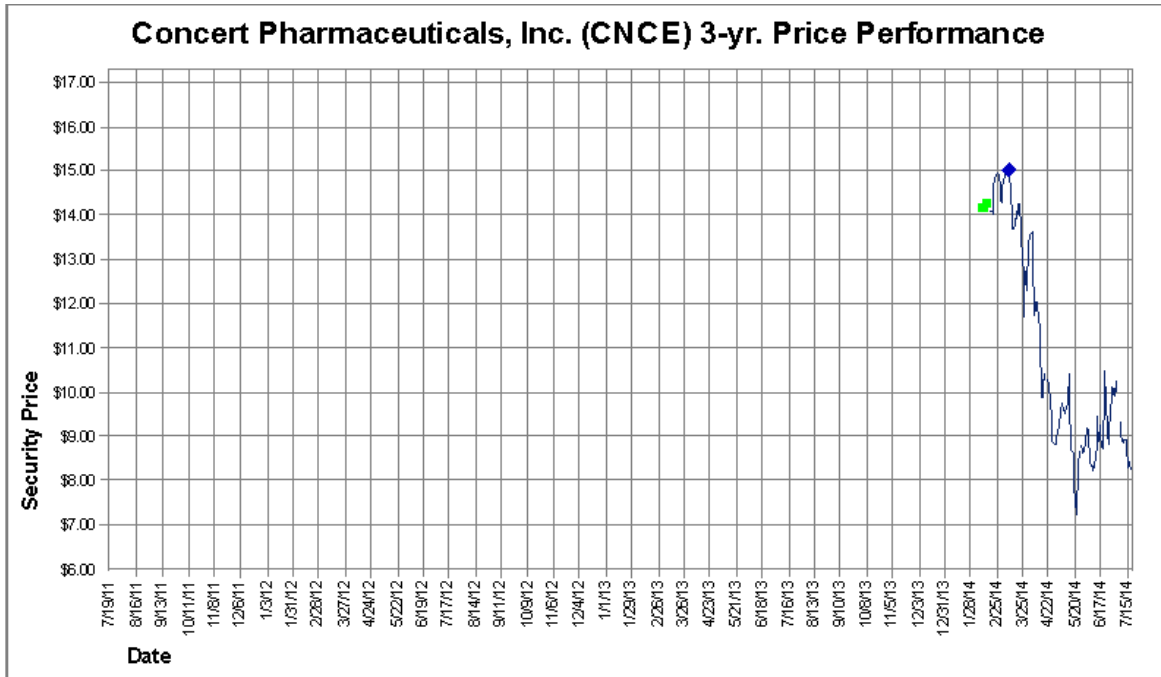
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Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
□	2/13/2014		IPO at \$14.00			
	3/10/2014		Abrahams, M.D.			
◆	3/10/2014	14.88	1	21.00	23.00	15.03

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- Valuation Range Change

- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

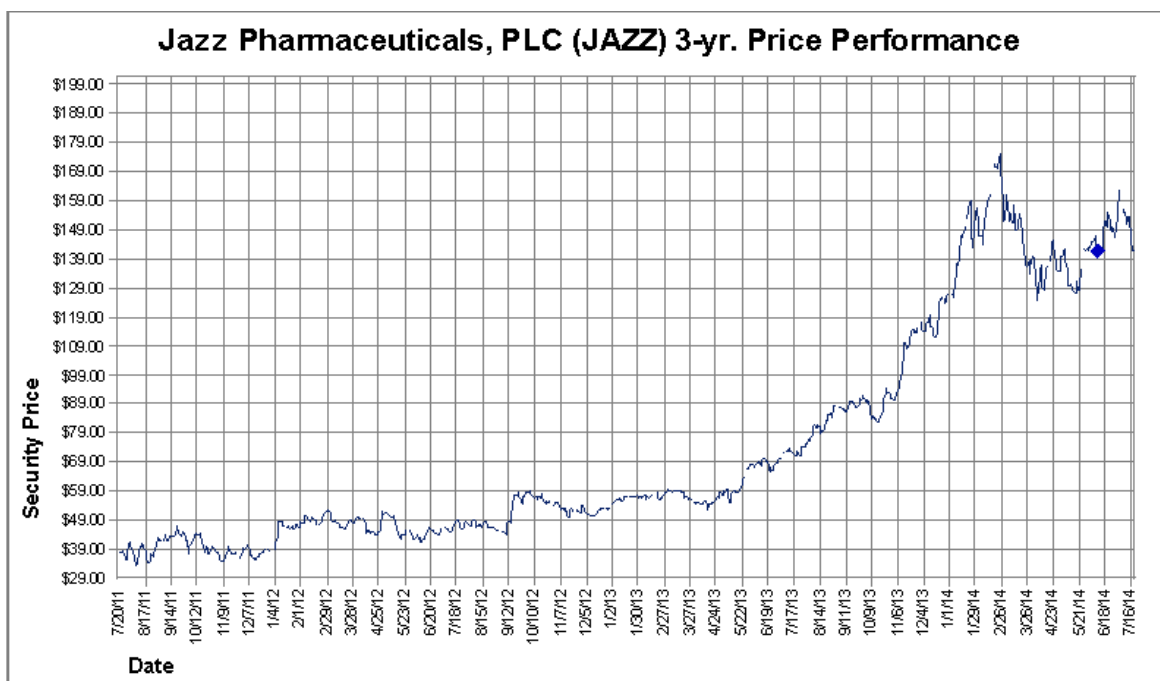
Rating Code Key

- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

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	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
◆	6/10/2014	141.38	Faerm	175.00	185.00	141.38

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

Rating Code Key

- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

Additional Information Available Upon Request

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CNCE: Key risks, in our view, are failure of '354 and/or '499 to show efficacy in subsequent studies and regulatory hurdles in spasticity or CKD.

JAZZ: Risks include potential Xyrem generics, weak Xyrem growth, and unsuccessful acquisitions.

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2 = Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3 = Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O = Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M = Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U = Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: July 21, 2014

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