

Specialty Pharmaceuticals

Price:	\$10.64
Fair Value Estimate:	\$25.00
52-Week Range:	\$7.53 - \$23.25
Market Cap (MM):	\$243
Shr.O/S-Diluted (mm):	22.8
Average Daily Volume:	157,699
Book Value:	\$1.33
Dividend:	NA
Cash/Share:	\$0.68
FCF Yield:	(10.0)%
Debt/Cap:	0%

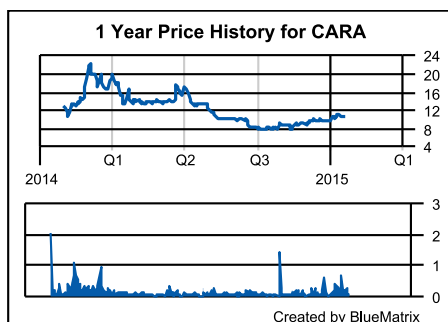
FYE: Dec	2013A	2014E	2015E
EPS:	\$(0.74)A	\$(0.84)E	\$(1.06)E
Prior EPS:		NC	NC
Consensus	NM	NM	-0.96
P/E Ratio:	NA	NA	NA

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



January 20, 2015

Cara Therapeutics Inc.

(CARA) - BUY

CARA: Itch clarity in 1H15, Phase 3s in pain begin in 2H15.

PORTFOLIO MANAGER BRIEF

One of the most intriguing data points that will come out of CARA this year is the Phase 2 Proof-of-Concept (POC) trial in Uremic Pruritus (UP). UP currently is an underserved orphan patient population with approximately 180k-190k patients suffering from this severe itch. The POC trial is expected to initiate in 1Q15 with top line results by the end of 2Q15. If positive, we believe that the opportunity to offer these patients not only itch relief, but also pain relief is a compelling one, with potential partnering opportunities.

ANALYST NOTES

- **The Itch Opportunity:** Approximately 180k-190k patients that receive in-center hemodialysis suffer from some sort of pruritus or itching side effect. UP is considered an orphan indication and currently there are no FDA approved treatments. Treatments use to manage itch include phosphate binders, gabapentin, and naltrexone which come with a high pill burden for the patient. We believe that this could be a \$200M+ commercial opportunity with the potential to partner with one of the major in-center dialysis providers.
- **Progress in Pain:** CARA continues to focus on the IV formulation for the acute post-operative pain with two Phase 3 trials slated to start in 2H15. We anticipate the hard tissue bunionectomy to enroll quickly with results in early 1H15 with the second soft tissue hysterectomy trial to have top-line results in mid-2016. This adjusted timeline moves our potential market launch back to early 2018. The oral tablet formulation is also expected to initiate a POC trial in 3Q15 with data by the end of the year.
- **Maintain Buy rating, \$25 FV:** We adjusting our FV on CARA to reflect the recent clinical pipeline updates, pushing back the potential commercial launch on the pain indication to 2018. However, we are adding in value for the UP opportunity. Our \$25/share FV is based on a sum-of-the-parts with CR845 for pain at \$19.5/share based on a 3.5x multiple of 2020 US sales discounted 5 years at 20% discount, CR845 for itch at \$4/share based on a 3.5x multiple of 2020 US sales discounted back 5 years at a 25% discount with the remaining \$1.5/share of cash (end of 2015) and tech.

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.

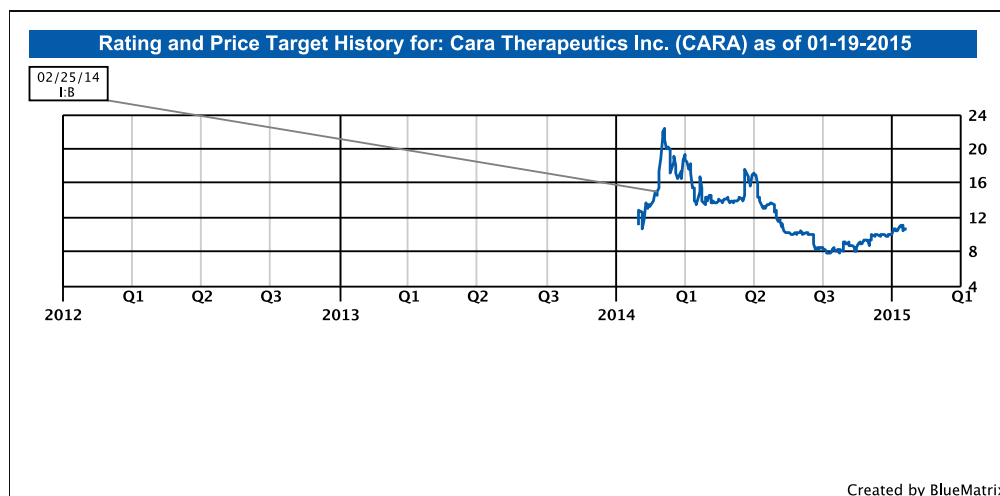
Definition of Ratings

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 12/31/14

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	138	51.30	15	10.87
NEUTRAL [N]	131	48.70	5	3.82
SELL [S]	0	0.00	0	0.00

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

Other Disclosures

Janney Montgomery Scott LLC, is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.

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