

Specialty Pharmaceuticals

Price:	\$9.54
Fair Value Estimate:	\$25.00
52-Week Range:	\$7.53 - \$23.25
Market Cap (MM):	\$218
Shr.O/S-Diluted (mm):	22.8
Average Daily Volume:	115,365
Book Value:	\$1.33
Dividend:	NA
Cash/Share:	\$0.68
FCF Yield:	(11.2)%
Debt/Cap:	0%

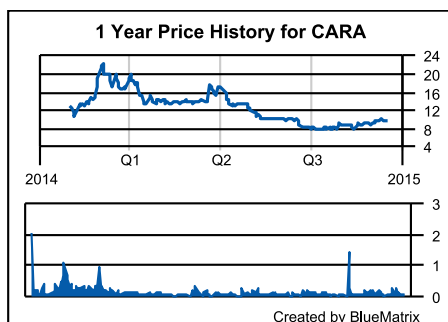
FYE: Dec	2013A	2014E	2015E
EPS:	\$(0.74)A	\$(0.84)E	\$(1.06)E
Prior EPS:		NC	NC
Consensus	NM	-0.96	-1.24
P/E Ratio:	NA	NA	NA

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 17, 2014

## Cara Therapeutics Inc.

(CARA) - BUY

### CARA: Early Itch Data Looks Promising

#### Flash Takeaways

The positive top-line data out this AM from CARA on IV CR845 for dialysis itch shows safety and tolerability as well as its potential in itch reduction with three patients moving from experiencing moderate to severe itch (>4.0 on a 10 pt scale) to ending the one week dosing period with a score of 1.0 or less. With 50% of the 400,000+ US patients on in-center hemodialysis experiencing some sort of itch, coupled with burdensome treatment regimens, the more we see this indication as being a significant future value driver.

#### Analysts Notes

- **Phase 1b Results - Good PK, A Glimpse at Efficacy:** As previously stated, the top-line data showed good safety and tolerability across a five-fold dose range with PK showing dose linear increase in C<sub>max</sub> and AUC, which means that the higher the drug dose, the greater steady state concentration seen in the blood; in other words a dose response. Of particular note, effective itch reduction was observed by three patients experiencing moderate to severe itch, moving from a >4.0 (on a 10 pt scale) to ending the study with a score of 1.0 or less. We feel this is encouraging.
- **Full Phase 2b Data in 1H15:** CARA is running this Phase 2b in two parts. The first part was to establish the dosing regimen with an initial bolus dose and additional dosing, up to three times per week. The ongoing 60 patient trial will now measure efficacy of IV CR845 compared to placebo over a two-week dosing period.
- **An Itch You Want to Scratch:** Over 400,000 US patients receive in-center hemodialysis each year with ~50% experiencing some sort of pruritus or itching side effect. Current treatments include phosphate binders, gabapentin and naltrexone with high regimen burdens on the patient. However, the market for phosphate binder runs from \$95M (PhosLo - 2012 sales) to \$595M (Renvela - 2012 sales). We can see why this is an itch that CARA wouldn't mind scratching.
- **Reiterate Buy Rating, \$25 FV:** 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.

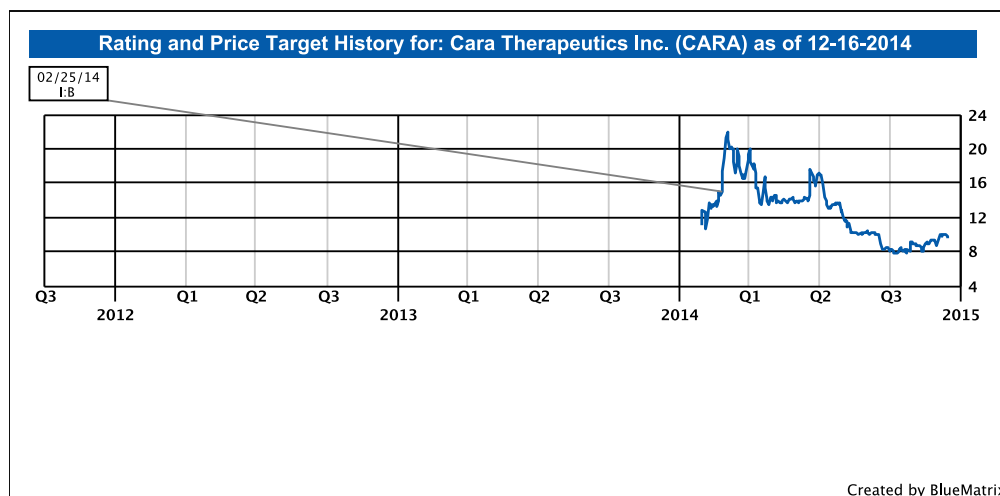
### Definition of Ratings

**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
<b>BUY [B]</b>	169	52.81	24	14.20
<b>NEUTRAL [N]</b>	150	46.88	18	12.00
<b>SELL [S]</b>	1	0.31	0	0

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

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