

Biotechnology

Agile Therapeutics, Inc.

(AGRX) - BUY

Price: **\$8.79**
Fair Value Estimate: \$18.00
52-Week Range: \$5.05-\$12.55
Market Cap (MM): \$163
Shr.O/S-Diluted (mm): 18.6
Average Daily Volume: NA

FYE: Dec	2013E	2014E	2015E
EPS:	(1.59)E	(1.47)E	(1.02)E
Prior EPS:	NC	NC	NC
P/E:	NA	NA	NA

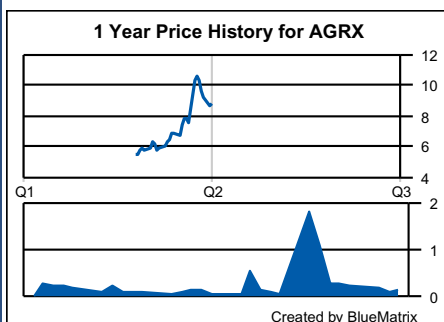
Quarterly EPS:

	2013E	2014E	2015E
Q1	--	0.09E	--
Q2	--	(0.45)E	--
Q3	--	(0.44)E	--
Q4	--	(0.44)E	--

FYE: Dec	2013E	2014E	2015E
Revenue (M):	0.0E	0.0E	0.0E

Quarterly Revenue (M):

	2013E	2014E	2015E
Q1	--	0.0E	--
Q2	--	0.0E	--
Q3	--	0.0E	--
Q4	--	0.0E	--



Equity Research
FLASH Note

AGRX: Update Following Meeting With Management

KEY POINTS:

- **Twirla development on track. Clinical sites being chosen now.** We recently met with management at our 1x1 investor conference. Management reiterated that the company remains on track to initiate the Phase III Twirla study in 3Q. The Chief Medical Officer is currently evaluating clinical sites and expects to use 50-70 sites, compared to 96 sites previously. These sites will be chosen based on their prior experience with hormonal birth control trials, staffing experience, longevity of the study coordinators and the demographics of potential study subjects. Fewer sites should allow for more focused oversight and facilitate more individualized attention to study subjects. There will be the potential to discontinue sites with high loss to follow-up or non-compliant patients and to discontinue these patients.
- **Discussion around market opportunity supports our view that Twirla could become a blockbuster drug.** Management indicated that it expects the Twirla launch to be a steady one given its market research. In addition, the company's internal estimate for peak Twirla sales of \$900+ million assumes conservative pricing below that of Mylan's Xulane, a generic CHC patch. We conservatively estimate Twirla's market share at 9% with drug pricing at a slight discount to a generic patch and currently branded oral contraceptives, which translates into \$1.0 billion in peak sales. By comparison, Ortho Evra, the first contraceptive patch, garnered 10% market share 1.5 years after its launch and peaked at 11% share when it received a black box warning. Based on its distinguished profile, we believe Twirla can command greater market share and premium pricing to Xulane, which we view as upside to our estimates.
- **Staying the course over the long term remains our approach to investing in AGRX shares.** Although there are few major catalysts this year, we believe investors who have a longer term investment horizon should not be disappointed. We anticipate several important catalysts in 2015-2016 that should drive shares, namely Phase III Twirla data by YE:15 followed by submission of a complete response in 1H16. We continue to expect a potentially favorable Phase III outcome as the regulatory pathway has been de-risked with a straightforward and simple study design, robust powering, an experienced clinical research organization and improved study conduct.
- **Reiterate Buy rating and \$18 fair value estimate.** We consider AGRX a compelling investment based on its proprietary transdermal technology, its differentiated and burgeoning pipeline, an experienced management team and attractive valuation. Our \$18 fair value estimate is based on a DCF analysis that examines free cash flow through 2021.

Research Analyst Certifications and Important Disclosures
are on pages 2 - 3 of this report

IMPORTANT DISCLOSURES

Research Analyst Certification

I, Kimberly Lee, 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

Agile 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 currently acts as a market-maker in the securities of Agile Therapeutics, Inc..

Janney Montgomery Scott LLC managed or co-managed a public offering of securities for Agile Therapeutics, Inc. in the past 12 months.

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

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

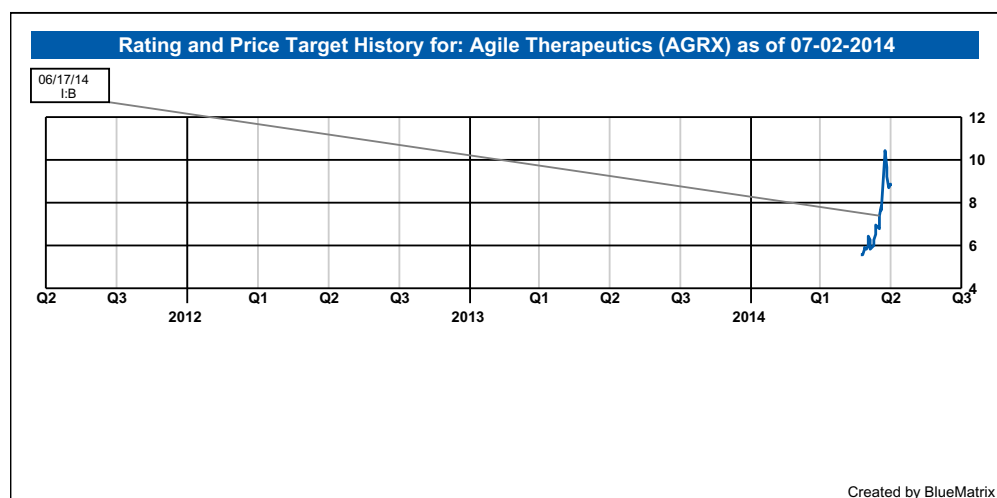
Definition of Ratings

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 3/31/14

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	221	54.57	53	23.98
NEUTRAL [N]	182	44.94	28	15.38
SELL [S]	2	0.49	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.

This report is for your information only and is not an offer to sell or a solicitation of an offer to buy the securities or instruments named or described in this report. Interested parties are advised to contact the entity with which they deal or the entity that provided this report to them, should they desire further information. The information in this report has been obtained or derived from sources believed by Janney Montgomery Scott LLC, to be reliable. Janney Montgomery Scott LLC, however, does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of Janney Montgomery Scott LLC at this time and are subject to change without notice.

Investment opinions are based on each stock's 6-12 month return potential. Our ratings are not based on formal price targets, however, our analysts will discuss fair value and/or target price ranges in research reports. Decisions to buy or sell a stock should be based on the investor's investment objectives and risk tolerance and should not rely solely on the rating. Investors should read carefully the entire research report, which provides a more complete discussion of the analyst's views. Supporting information related to the recommendation, if any, made in the research report is available upon request.