

Specialty Pharmaceuticals

Price:	\$11.81
Fair Value Estimate:	\$17.00
52-Week Range:	\$5.05 - \$13.19
Market Cap (MM):	\$262
Shr.O/S-Diluted (mm):	22.2
Average Daily Volume:	79,853
Yield:	0.0%
Cash/Share:	\$(1.27)
FCF Yield:	NA
Debt/Cap:	29%

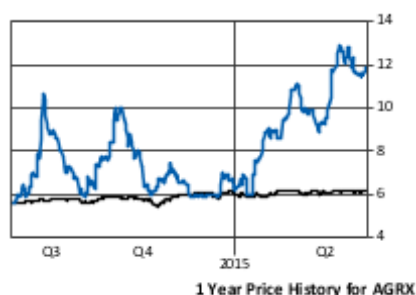
FYE: Dec	2013E	2014E	2015E
EPS:	(1.59)A	(1.41)A	(1.47)E
Prior EPS:			(1.43)
Consensus	NM	NM	-1.45
P/E Ratio:	NA	NA	NA

Quarterly EPS:

Q1	--	0.09A	(0.40)A
Q2	--	(0.46)A	(0.35)E
Q3	--	(0.34)A	(0.36)E
Q4	--	(0.37)A	(0.36)E

Quarterly Revenue (M):

Q1	--	0E	0E
Q2	--	0E	0E
Q3	--	0E	0E
Q4	--	0E	0E
Year:	0E	0E	0E



May 13, 2015

## Agile Therapeutics, Inc.

(AGRX) - BUY

### AGRX: 1Q15 In-line Ex-1x Expense, Full Enrollment in P3 Expected in 3Q15

#### PORTFOLIO MANAGER BRIEF

AGRX announced 1Q15 earnings last night, posting an EPS of (\$0.40), ~(\$0.05) off estimates, which was due to a one-time \$1M expense from the debt refinancing in March. The Phase 3 trial for Twirla, a low dose contraceptive patch, continues to enroll with full enrollment expected in 3Q15. Results are still anticipated in 3Q16. The contraceptive market is over \$4B with favorable pricing that continues to increase. We believe that Twirla has the potential to easily be a \$500M+ product within the first few years of launch. Maintain Buy, \$17 FV.

#### ANALYST NOTES

- **1Q15 In-Line Ex 1x Debt Financing Expense:** For all intents and purposes, Q1 went as expected. The only bump was a \$1M expense from the refinancing of debt in March which caused a one time (\$0.05) event. R&D and G&A were all in-line. We expect G&A to remain rather static for the remainder of the year, with slight increases in R&D. AGRX finished 1Q15 with \$53.9M in cash, enough to fund operations through 2016.
- **Twirla Phase 3 Enrollment Continues on Track:** AGRX provided an update on the 2,100 patient Phase 3 for Twirla, which is a single-arm, open label trial. Aside from the hiccup in February due to the extreme weather seen in the Northeast, enrollment has continued smoothly, with AGRX adding an additional 10 sites, for a total of 80 sites up and running. Full enrollment is expected in 3Q15 with top-line results in 3Q16.
- **Little Risk, High Reward:** One of the things we like about the AGRX story is that we believe that they are running a de-risked Phase 3 program. The level of technology they are using to monitor participants allows for daily observation of collected data from each individual. Any issues can be easily seen and corrected for. In terms of market, branded pricing continues to rise moving from \$88/cycle in 3Q14, \$95/cycle in 4Q15, and \$100/cycle in 1Q15. With relatively little gap between generics and brand pricing we are confident that pricing will continue to grow. With a market share of under 5%, Twirla would be a \$500M+ product.
- **Maintain Buy Rating, \$17 FV:** Our \$17 FV is based on 2020 sales of \$398M at a 3x multiple discounted back 30% at \$15/share with \$2/share in cash (end of 2015) and tech value.

EXHIBIT 1:

AGRX Quarterly Income Statement												
(\$000 except per share)	2012A Year	2013A Year	2014				2014 Year	2015E				2015E Year
			1Q4	2Q4	3Q4	4Q4		1Q4	2Q	3Q	4Q	
Revenue	0	0					0					0
Twirla												0
Other Products												
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Expenses												
COGS												0
<b>Gross Profit</b>									0	0	0	0
R&D	17,387	9,154	1,394	2,391	4,603	4,977	13,365	5,378	5,500	5,750	5,750	22,378
G&A	5,930	3,575	1,053	1,104	1,446	1,547	5,151	1,599	1,615	1,650	1,675	6,539
<b>Total Expenses</b>	<b>23,317</b>	<b>12,729</b>	<b>2,448</b>	<b>3,495</b>	<b>6,049</b>	<b>6,524</b>	<b>18,515</b>	<b>6,977</b>	<b>7,115</b>	<b>7,400</b>	<b>7,425</b>	<b>28,917</b>
<b>Operating Income/Loss</b>	<b>(23,317)</b>	<b>(12,729)</b>	<b>(2,448)</b>	<b>(3,495)</b>	<b>(6,049)</b>	<b>(6,524)</b>	<b>(18,515)</b>	<b>(6,977)</b>	<b>(7,115)</b>	<b>(7,400)</b>	<b>(7,425)</b>	<b>(28,917)</b>
Interest Expense/Income	(114)	(1,511)	(378)	(403)	(391)	(391)	(1,563)	(425)	(425)	(425)	(425)	(1,700)
Change in Fair Value of Warrants	171	(81)	13	180	86	70	349	(101)	50	50	50	49
Other	0	0					0	(1,036)				(1,036)
<b>Income/Loss Before Taxes</b>	<b>(23,260)</b>	<b>(14,321)</b>	<b>(2,813)</b>	<b>(3,718)</b>	<b>(6,353)</b>	<b>(6,845)</b>	<b>(19,730)</b>	<b>(8,538)</b>	<b>(7,490)</b>	<b>(7,775)</b>	<b>(7,800)</b>	<b>(31,603)</b>
Income Tax Expense	78	0	(3,652)	0			(3,652)					0
<b>Net Gain / Loss</b>	<b>(23,338)</b>	<b>(14,321)</b>	<b>839</b>	<b>(3,718)</b>	<b>(6,353)</b>	<b>(6,845)</b>	<b>(16,077)</b>	<b>(8,538)</b>	<b>(7,490)</b>	<b>(7,775)</b>	<b>(7,800)</b>	<b>(31,603)</b>
1x Items								(1,036)				
<b>GAAP EPS</b>	<b>(\$0.59)</b>	<b>(\$1.59)</b>	<b>\$0.09</b>	<b>(\$0.46)</b>	<b>(\$0.34)</b>	<b>(\$0.37)</b>	<b>(\$1.41)</b>	<b>(\$0.40)</b>	<b>(\$0.35)</b>	<b>(\$0.36)</b>	<b>(\$0.36)</b>	<b>(\$1.47)</b>
<b>Non-GAAP Adjusted EPS</b>								<b>(\$0.35)</b>				
Weighted Average S/O (000)	39,518	8,992	9,029	8,000	18,593	18,599	11,395	21,283	21,433	21,583	21,733	21,508
Fully diluted S/O (000)	39,518	8,992	9,745	8,000	18,593	18,599	13,734	21,283	21,433	21,583	21,733	21,508

EXHIBIT 2:

Agile Therapeutics					
Quarterly variance analysis					
(\$000's except per share)	1Q14A	1Q15A	1Q15E	Variance	% Y/Y change
Product Sales, net					
Twirla				0	NM
Other Products				0	NM
<b>Total revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>NM</b>
COGS	0	0	0	0	NM
<b>Gross Profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>NM</b>
R&D Expense	1,394	5,378	6,100	(722)	286%
SG&A Expense	1,053	1,599	1,550	49	52%
<b>Op Income/(loss)</b>	<b>2,448</b>	<b>(6,977)</b>	<b>(7,650)</b>	<b>673</b>	<b>-385%</b>
Interest income, net	(378)	(425)	(425)	0	12%
				0	
<b>Pretax Income/(loss)</b>	<b>(2,813)</b>	<b>(8,538)</b>	<b>(8,025)</b>	<b>(514)</b>	<b>204%</b>
Income Taxes	(3,652)	0	0	0	-100%
<b>Net Income/(loss)</b>	<b>839</b>	<b>(8,538)</b>	<b>(8,025)</b>	<b>(514)</b>	<b>-1117%</b>
				0	
Fully diluted shares (000)	9,029	21,283	22,154	(871)	136%
<b>EPS</b>	<b>\$0.09</b>	<b>(\$0.40)</b>	<b>(\$0.36)</b>	<b>(\$0.04)</b>	
<b>EPS ex-1x gain</b>	<b>\$0.00</b>	<b>(\$0.35)</b>	<b>\$0.00</b>	<b>(\$0.35)</b>	<b>NM</b>

## 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

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.

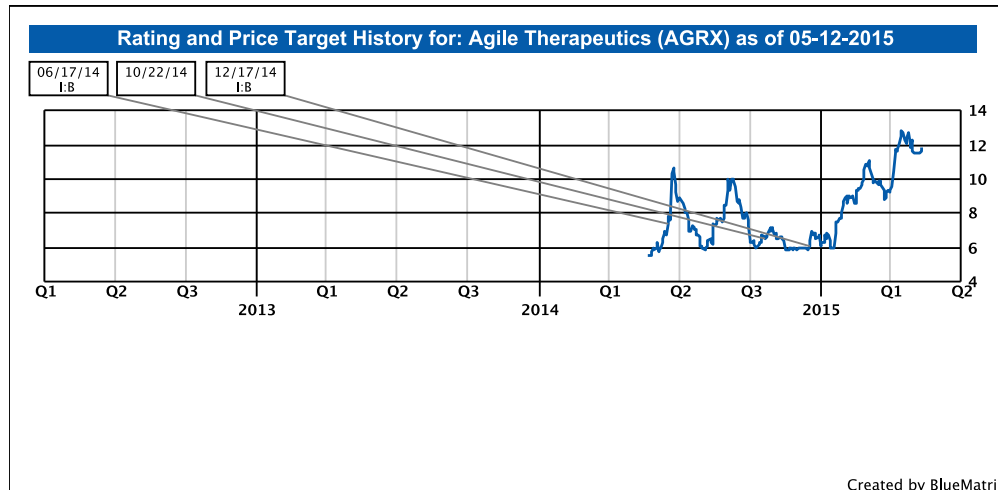
### Definition of Ratings

**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 3/31/15

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
<b>BUY [B]</b>	140	50.36	21	15.00
<b>NEUTRAL [N]</b>	137	49.28	14	10.22
<b>SELL [S]</b>	1	0.36	0	0.00

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

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