

Biotechnology

Agile Therapeutics, Inc.

(AGRX) - BUY

Price: **\$6.22**
Fair Value Estimate: \$18.00
52-Week Range: \$5.05-\$12.55
Market Cap (MM): \$116
Shr.O/S-Diluted (mm): 18.6
Average Daily Volume: NA

FYE: Dec	2013E	2014E	2015E
EPS:	(1.59)E	(0.73)E	(0.99)E
Prior EPS:	NC	(1.47)	(1.02)
P/E:	NA	NA	NA

Quarterly EPS:

	Q1	Q2	Q3	Q4
2013E	--	0.09E	--	--
2014E	--	(0.46)E	--	--
2015E	--	(0.19)E	--	--

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

Quarterly Revenue (M):

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



Equity Research
Note

AGRX: 2Q Update – Execution Continues; Timelines Remain Intact

INVESTMENT CONCLUSION:

AGRX reported 2Q financials and provided a pipeline update. The company ended the quarter with approximately \$53.5 million in cash, which should support release of top-line Phase III Twirla data, expected in 1Q16. Preparations for the initiation of a Phase III study continue with the start of patient enrollment expected this quarter. Management continues to execute on the goals set forth during the company's IPO. As such, we maintain our Buy rating and \$18 fair value estimate, which is derived from a DCF analysis of cash flows through 2021. We consider AGRX a compelling investment based on its proprietary transdermal technology, its differentiated pipeline, experienced management team, and attractive valuation.

KEY POINTS:

- **Twirla development on track. More Phase III clinical sites added.** Management reiterated that the company remains on track to initiate the Phase III Twirla study in 3Q. Currently, the company has more than 50 clinical sites on board, with less than half of the sites used in the first Phase III study. AGRX expects to use between 50 and 70 sites, which 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. The company expects to begin patient enrollment this quarter, complete enrollment by 1Q15 and release top-line data in 1Q16, which remains consistent with the company's previous update to us in June.
- **Clinical supply of Twirla from Corium in the works.** Corium provides the clinical supply of Twirla and is in the process of qualifying and validating the equipment related to the expansion of its commercial manufacturing capabilities. AGRX now expects completion of validation and expansion by YE:16.
- **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 1Q16 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.

Research Analyst Certifications and Important Disclosures are on pages 3 - 4 of this report

Agile Therapeutics, Inc. (NASDAQ: AGRX)
Income Statement
(In thousands, except per share data)

	2012 A	For the Quarter Ending				2013 A	For the Quarter Ending				2014 E
		Q1:13 A	Q2:13 A	Q3:13 A	Q4:13 A		Q1:14 A	Q2:14 A	Q3:14 E	Q4:14 E	
Revenue:											
Twirla	-	-	-	-	-	-	-	-	-	-	-
Other Products	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	-	-	-	-	-
Cost of Product Sales	-	-	-	-	-	-	-	-	-	-	-
Gross Profit	-	-	-	-	-	-	-	-	-	-	-
Cost and Expenses:											
Research and Development	17,387	3,072	-	-	-	9,154	1,394	2,391	2,391	2,391	8,567
General and Administrative	5,930	1,156	-	-	-	3,574	1,053	1,104	1,104	1,104	4,365
Total Costs and Expenses	23,317	4,228	-	-	-	12,728	2,448	3,495	3,495	3,495	12,932
Operating Income (Loss)	(23,317)	(4,228)	-	-	-	(12,728)	(2,448)	(3,495)	(3,495)	(3,495)	(12,932)
Other Income (Expense):											
Interest Income	(114)	(377)	-	-	-	(1,511)	(378)	(403)	(253)	(220)	(1,255)
Change in Fair Value of Warrants	171	-	-	-	-	(81)	13	180	180	180	552
Other	-	-	-	-	-	-	-	-	-	-	-
Loss Before Income Taxes	(23,260)	(4,605)	-	-	-	(14,321)	(2,813)	(3,718)	(3,568)	(3,535)	(13,635)
Income Taxes	-	-	-	-	-	-	(3,652)	-	-	-	(3,652)
Net Income	\$ (23,260)	\$ (4,605)	\$ -	\$ -	\$ -	\$ (14,321)	\$ 839	\$ (3,718)	\$ (3,568)	\$ (3,535)	\$ (9,983)
Basic Earnings Per Share	\$ (0.59)	\$ (0.11)	\$ -	\$ -	\$ -	\$ (1.59)	\$ 0.09	\$ (0.46)	\$ (0.19)	\$ (0.19)	\$ (0.73)
Diluted Earnings Per Share	\$ (0.59)	\$ (0.11)	\$ -	\$ -	\$ -	\$ (1.59)	\$ 0.09	\$ (0.46)	\$ (0.19)	\$ (0.19)	\$ (0.73)
Basic Shares Outstanding	39,518	42,181	1	1	1	8,992	9,029	8,000	18,593	18,743	13,591
Diluted Shares Outstanding	39,518	42,181	1	1	1	8,992	9,745	8,000	18,593	18,743	13,591
Effective Tax Rate	0.0%	0.0%	#DIV/0!	#DIV/0!	#DIV/0!	0.0%	129.8%	0.0%	0.0%	0.0%	26.8%
EBITDA Calculation:											
Loss Before Income Taxes	\$ (23,260)	\$ (4,605)	\$ -	\$ -	\$ -	\$ (14,321)	\$ (2,813)	\$ (3,718)	\$ (3,568)	\$ (3,535)	\$ (13,635)
Less: Interest Income	114	377	-	-	-	1,511	378	403	253	220	1,255
Plus: Depreciation	-	-	-	-	-	-	3	2	2	2	9
EBITDA	\$ (23,146)	\$ (4,228)	\$ -	\$ -	\$ -	\$ (12,809)	\$ (2,432)	\$ (3,313)	\$ (3,313)	\$ (3,313)	\$ (12,371)
Margins:											
Gross	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
Operating	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
Net Income (Loss)	N/M	N/M	N/M	N/M	N/M	N/M	#DIV/0!	N/M	N/M	N/M	N/M
EBITDA	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
Growth Rates:											
Total Revenue						N/M	N/M	N/M	N/M	N/M	N/M
Operating Income						N/M	N/M	N/M	N/M	N/M	N/M
Net Income (Loss)						N/M	N/M	N/M	N/M	N/M	N/M
Research and Development Expense						-47.3%	-54.6%	N/M	N/M	N/M	-6.4%
Selling, General and Administrative Expense						-39.7%	-8.9%	N/M	N/M	N/M	22.1%

Source - Company reports and Janney Montgomery Scott LLC estimates

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.

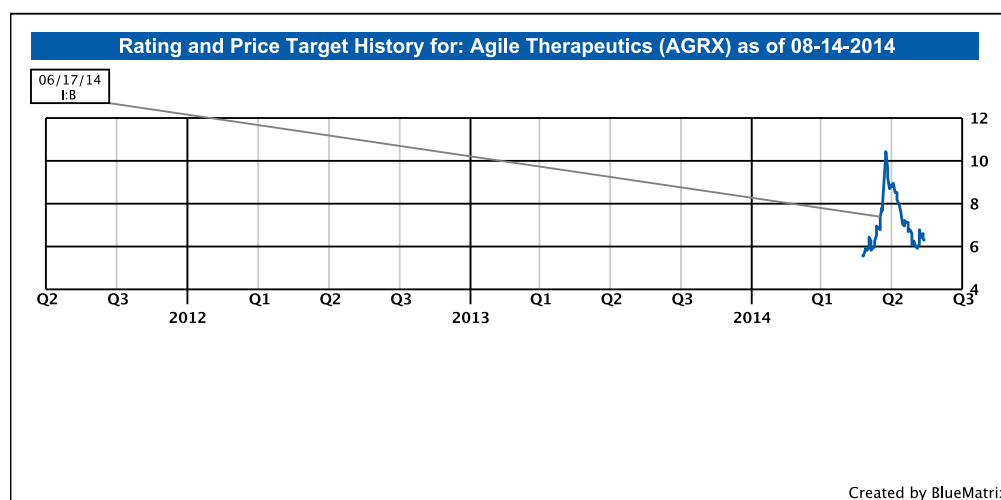
Definition of Ratings

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 6/30/14

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	207	53.80	53	25.60
NEUTRAL [N]	176	45.70	28	15.90
SELL [S]	2	0.50	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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