

Specialty Pharmaceuticals

Price:	\$8.89
Fair Value Estimate:	\$17.00
52-Week Range:	\$5.05 - \$12.55
Market Cap (MM):	\$197
Shr.O/S-Diluted (mm):	22.2
Average Daily Volume:	42,540
Yield:	0.0%
Cash/Share:	\$(1.03)
FCF Yield:	NA
Debt/Cap:	117%

FYE: Dec	2013E	2014E	2015E
EPS:	(1.59)A	(1.41)A	(1.43)E
Prior EPS:		(1.25)	(1.53)
Consensus	NM	NM	-1.47
P/E Ratio:	NA	NA	NA

Quarterly EPS:

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

Quarterly Revenue (M):

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



March 27, 2015

Agile Therapeutics, Inc.

(AGRX) - BUY

AGRX: Sit Back, Relax and Enroll the Phase 3 in 2015

PORTFOLIO MANAGER BRIEF

AGRX reported full 2014 results last night after the close with a loss of (\$1.41) on the year and (\$0.37) for 4Q14, beating consensus of (\$0.43). The beat is most likely attributed to lower than expected R&D, as the severe weather in the Northeast hampered the Phase 3 enrollment ramp. Though AGRX finished out 2014 with \$40.2M in cash this number is deceiving as in early 2015 AGRX added \$19.3M via private placement and refi'd their \$15M debt. With cash that should last through 2016, AGRX just has to sit back and enroll the Phase 3 in 2015.

ANALYST NOTES

- **2014 Financial Results:** No real surprises here on the year. R&D spend was \$13.4 for year and \$5M for the quarter. We expect that to accelerate through 2015 as the Twirla Phase 3 continues to ramp enrollment. SG&A was \$5.2M for the year and \$1.5M for the quarter. SG&A should be relatively stable through 2015 with perhaps a slight uptick. Interest expense will also tick up as AGRX will be paying nominal interest on \$1.5M more for the refinanced debt. Cash plus 1Q15 financing activities should get AGRX through to end of 2016.
- **Twirla Phase 3 On Track:** After the run-in with Mother Nature during the end of 2014 and early 2015, the Twirla Phase 3 continues to enroll on track. The timeline remains consistent and stable with enrollment completion expected in 3Q15 with top-line data expected in 3Q16.
- **Still One of Our Top Picks:** AGRX remains one of our top picks for 2015 as it's one of the more straightforward stories out there with blockbuster potential on small market share. Twirla is a low-dose combined hormonal contraceptive patch. The company's Skinfusion technology allows for seven-day dosing, making for improved efficacy and increased patient compliance. With average branded pricing assumption, a 1% market share would equate to over \$100M in sales; thus, Twirla represents a blockbuster opportunity with just 10% of the market.
- **Maintain Buy Rating, \$17 FV:** Our \$17 FV is based on 2020 sales of \$460M at a 3x multiple discounted back 30% at \$16/share with \$1.50/share in cash (end of 2015) and tech value.

EXHIBIT 1:

AGRX Quartely Income Statement												
(\$000 except per share)	2012A	2013A	2014				2014	2015E				2015E
	Year	Year	1QA	2QA	3QA	4QE	Year	1Q	2Q	3Q	4Q	Year
Revenue	0	0					0					0
Twirla												0
Other Products												
Total Revenue	0	0	0	0	0	0	0	0	0	0	0	0
Expenses												
COGS												0
Gross Prfifit									0	0	0	0
R&D	17,387	9,154	1,394	2,391	4,603	4,977	13,365	6,100	6,100	6,000	6,000	24,200
G&A	5,930	3,575	1,053	1,104	1,446	1,547	5,151	1,550	1,615	1,600	1,600	6,365
Total Expenses	23,317	12,729	2,448	3,495	6,049	6,524	18,515	7,650	7,715	7,600	7,600	30,565
Operating Income/Loss	(23,317)	(12,729)	(2,448)	(3,495)	(6,049)	(6,524)	(18,515)	(7,650)	(7,715)	(7,600)	(7,600)	(30,565)
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	50	50	50	50	200
Other	0	0					0					0
Income/Loss Before Taxes	(23,260)	(14,321)	(2,813)	(3,718)	(6,353)	(6,845)	(19,730)	(8,025)	(8,090)	(7,975)	(7,975)	(32,065)
Income Tax Expense	78	0	(3,652)	0			(3,652)					0
Net Gain / Loss	(23,338)	(14,321)	839	(3,718)	(6,353)	(6,845)	(16,077)	(8,025)	(8,090)	(7,975)	(7,975)	(32,065)
GAAP EPS	(\$0.59)	(\$1.59)	\$0.09	(\$0.46)	(\$0.34)	(\$0.37)	(\$1.41)	(\$0.36)	(\$0.36)	(\$0.36)	(\$0.35)	(\$1.43)
Non-GAAP Adjusted EPS												
Weighted Average S/O (000)	39,518	8,992	9,029	8,000	18,593	18,599	11,395	22,154	22,304	22,454	22,604	22,379
Fully diluted S/O (000)	39,518	8,992	9,745	8,000	18,593	18,599	13,734	22,154	22,304	22,454	22,604	22,379

EXHIBIT 2:

Agile Therapeutics					
Quarterly variance analysis					
(\$000's except per share)	2013A	2014A	2014E	Variance	% Y/Y change
Product Sales, net					
Twirla				0	NM
Other Products				0	NM
Total revenues	\$0	\$0	\$0	\$0	NM
COGS	0	0	0	0	NM
Gross Profit	0	0	0	0	NM
R&D Expense	9,154	13,365	14,488	(1,123)	46%
SG&A Expense	3,575	5,151	5,104	47	44%
Op Income/(loss)	12,729	(18,515)	(19,591)	1,076	-245%
Interest income, net	(1,511)	(1,563)	(1,517)	(46)	3%
Pretax Income/(loss)	(14,321)	(19,730)	(20,650)	920	38%
Income Taxes	0	(3,652)	(3,652)	0	NM
Net Income/(loss)	(14,321)	(16,077)	(16,997)	920	12%
Fully diluted shares (000)	8,992	11,395	13,591	(2,196)	27%
EPS	(\$1.59)	(\$1.41)	(\$1.25)	(\$0.16)	
EPS ex-1x gain	\$0.00	\$0.00	\$0.00	\$0.00	NM
Margin & expense analysis					
COGS (as % prod sales)	0%	0%	12%	-12%	NM
R&D	10%	11%	37%	-26%	16%
SG&A	48%	43%	45%	-2%	-11%
Gross Profit	45%	49%	94%	-45%	10%
Op Margin cont. ops	97%	94%	12%	82%	-3%
Net margin	5%	2%	0%	2%	-48%
Year-over-year change					
Net revenue					
Research and development					
Selling, general and administrative					

Source: Company reports and Janney estimates

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.

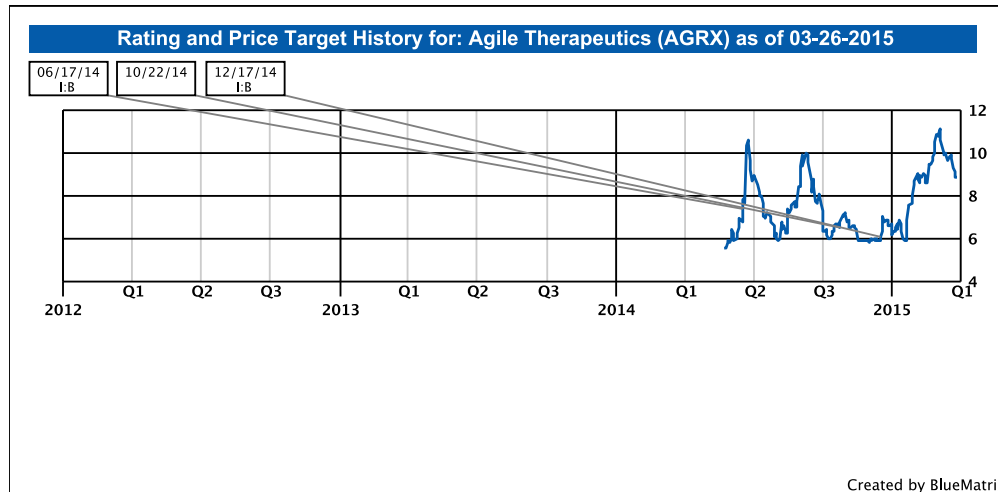
Definition of Ratings

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 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

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