Zacks Small-Cap Research

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John D. Vandermosten, CFA
312-265-9588 / jvandermosten@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Suite 1600, Chicago, IL 60606

Egalet Corp. (EGLT - NASDAQ)

Egalet: The Guardian of Misuse and Abuse

Based on our DCF model and a 15% discount rate and our 20x multiple of 2020 earnings discounted to present, we generate a valuation of approximately $6.00 per share. Our model assumes continued sales of Arymo, Oxaydo and Sprix and related royalties where applicable.

Current Price (10/12/2017)	$1.14
Valuation	**$6.00**

INITIATION

Egalet is an integrated specialty pharmaceutical company focused on pain therapies. The company has developed its abuse deterrent Guardian Technology that can be applied to many classes of controlled substances. The company currently has three marketed products: Arymo ER, an abuse deterrent morphine tablet, Oxaydo, an oral oxycodone for acute and chronic pain and Sprix, a nasal spray for pain.

EGLT differentiates its products by improving their method of delivery or their resistance to manipulation obtaining approval through the 505(b)(2) pathway.

At the current price, we view Egalet shares as undervalued, with substantial upside given the growth expected in commercialized products. We initiate with a target price of $6.00 per share and believe that expansion of abuse deterrent technology as recommended by the FDA and supported by other government entities can provide additional upside to our valuation.

SUMMARY DATA

52-Week High	**10.00**
52-Week Low	**1.01**
One-Year Return (%)	**-85.8**
Beta	**0.31**
Average Daily Volume (sh)	**425,464**
Shares Outstanding (mil)	**43.0**
Market Capitalization ($mil)	**49.1**
Short Interest Ratio (days)	**4.61**
Institutional Ownership (%)	**54.6**
Insider Ownership (%)	**1.0**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2017 Estimate	**N/A**
P/E using 2018 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue

(In millions of US$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	$2.7 A	$3.5 A	$4.7 A	$6.1 A	$17.0 A
2017	$5.4 A	$6.3 A	$7.8 E	$8.8 E	$28.3 E
2018					$53.9 E
2019					$80.3 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	-$0.76 A	-$0.97 A	-$1.10 A	-$0.87 A	-$3.70 A
2017	-$1.02 A	-$1.04 A	-$0.52 E	-$0.42 E	-$3.01 E
2018					-$0.70 E
2019					-$0.23 E

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INITIATING COVERAGE

We are initiating coverage of Egalet Corp. (NASDAQ: EGLT) with a $6.00 price target based on our estimates for growth of three products being commercialized in the United States. Egalet has developed a therapeutic focus on pain and differentiated itself in the space by embracing abuse deterrent technology, which we believe will make up an increasing portion of the $24[1] to $40[2] billion opioid pain relief market. Initial penetration is promising with second quarter revenues up 81% over the prior year. Several new relationships have been developed in 2017, including the addition of a payor with 24 million lives and Ascend Therapeutics, a leader in women's care. These partners are expected to help sustain high growth rates in coming quarters. With a favorable regulatory and legislative environment, we anticipate continued penetration of abuse deterrent formulations (ADFs) that is expected to contribute to continued double digit growth in future quarters.

The company has three products generating revenues, Arymo ER, Oxaydo, and Sprix nasal spray, all indicated for varying types of pain. Arymo ER (morphine sulfate) is an extended release morphine product with abuse deterrent features intended for the management of severe pain requiring constant opioid treatment. Oxaydo (oxycodone HCI, USP) is an immediate release (IR) oxycodone drug used to manage acute and chronic, moderate to severe pain also designed to discourage abuse via snorting. Egalet's largest current revenue generator, Sprix (ketorolac tromethamine) is a nonsteroidal anti-inflammatory drug (NSAID) indicated for short term pain of no longer than five days in adults.

Exhibit I – Product List and Launch Dates

Drug	Indication	Strength	Abuse Feature?	Launch Date	Approval Date
ARYMO ER	Mgmt of severe pain	15/30/60 mg	Deterrent	March 30, 2017	January 2017
OXAYDO	Acute/chronic pain	5/7.5 mg	Discouraging	January 2015	June 2011
OXAYDO	Acute/chronic pain	10/15 mg	Discouraging	TBD	CRL: June 20, 2017
SPRIX	NSAID Pain	15.75 mg	No	January 2015	May 2010

As of June 30, 2017, Egalet held approximately $87 million in cash on its balance sheet. Following the end of the second quarter, the company conducted an equity offering to raise an additional $30 million. During the release of second quarter results, Egalet announced a restructuring that will reduce expenses by 35% and increase the focus on revenue generating activities. EGLT expects current cash levels to support the business until 2020, at which time we see the company as cash flow positive due to continued revenue growth from approved products.

Based on the current products and anticipated sales trajectories, we see double digit growth over the next few years, driving revenues of over $100 million by 2020 at which time we also see first positive earnings. Continued script growth for Arymo ER, Oxaydo and Sprix through additional relationship building will drive the eventual turn to profitability. These products are in their early stages of commercialization and are entering markets of approximately $6 billion in sales, where we expect EGLT will gain a high single digit market share as abuse deterrence gains relevance.

Given the large potential market for current and ADF products, we have a favorable view on the shares of Egalet and initiate with a target price of $6.00.

[1] Mizuho Securities
[2] The Global Market for Pain Management Drugs and Devices, September 2015. Melissa Elder.

INVESTMENT THESIS

Egalet Corporation has developed a focus on the treatment of pain with a further emphasis on abuse deterrence. There are an estimated 100 million[3] persons suffering from chronic pain, 13 million ER and 196 million IR[4] opioid prescriptions written each year, but only an estimated low single digit penetration[5] of abuse deterrent formulations (ADFs). This provides a substantial market opportunity for Egalet and its innovative and relevant products. The incidence of abuse of controlled substances, especially opioids, has become an increasingly large epidemic in the United States and one avenue for addressing abuse is greater use of ADFs. ADF products can deter abuse via the oral, nasal and intravenous route through the use of specific features that make improper use unpleasant or very difficult. The company's proprietary Guardian abuse deterrent technology offers an effective method of deterrence that makes it difficult to crush the pills or convert them into liquid for injection. Egalet has two products that are currently approved with anti-abuse properties. The company's pipeline also includes other ADF products in various stages of development; however, the company's focus is centered on products that are already generating sales. The portfolio also includes a non-opioid, NSAID fast-acting spray for pain, which has opportunities in other specialties. Growth is in the early stages for the company's three approved products and we anticipate sharp topline increases over the next several years.

Key reasons to own EGLT shares:

- **Differentiated participant in large opioid pain market**
- **States and FDA encouraging use of ADF products**
- **Limited competition from other ADF manufacturers**
- **Guardian technology addresses oral, nasal and intravenous routes of abuse**
- **ADF technology counteracts alcohol-related dose dumping**
- **Market expansion opportunities both overseas and with other in-development products**
- **Opportunity for continued growth through partnerships with a focus on specialists**

Our growth forecasts incorporate many of the positives listed above, however, there are additional opportunities that are not included in our forecasts. Oxaydo was not approved under current ADF guidelines, which were promulgated following FDA approval. However, Egalet will seek a meeting with the FDA to determine a path forward and seek approval of Oxaydo as an ADF. If approved, this would leave the drug as the only marketed ADF in the immense IR oxycodone market. Oxaydo is also seeking approval of two of the more popular dose strengths, which could have more demand than the 5 and 7.5 mg doses currently being commercialized. Sprix may have opportunity overseas that could begin with the stalled licensing agreement with Teva. If this partner is able to launch in its licensed areas, the deal could expand to other international areas as well.

In the following sections we provide additional detail regarding Egalet's products and pipeline and further elaborate on the size and scope of drug abuse addressed by the company's portfolio. The report also discusses Egalet's strategy and manufacturing process.

[3] Institute of Medicine Report from the Committee on Advancing Pain Research, Care, and Education: The National Academies Press, 2011. http://books.nap.edu/openbook.php?record_id=13172&page=1.
[4] IMS (National Prescription Audit) Database
[5] Estimated based on 1.8% ADF penetration for morphine, which comprises over half of all opioid based prescriptions.

COMPANY and INDUSTRY BACKGROUND

Summary of Products

ARYMO ER

Arymo ER is an extended release morphine-based analgesic used in the management of severe pain. The product employs Egalet's Guardian technology which is an abuse deterrent application using injection molding. The pills are also resistant to chemical manipulation and will transform into a gel when exposed to water or other liquids. While the product does have features that deter oral, insufflation, inhalation and intravenous abuse, the FDA only granted ADF status for intravenous abuse. Arymo sought approval for ADF status for intranasal and does have features that are effective in deterring abuse via the intranasal route; however, a competing product (Inspirion Delivery Sciences and Daiichi Sankyo's MorphaBond) was approved for this route first and maintains exclusivity. In a first quarter 2017 communication with Egalet, the FDA has indicated that it does not object to the company distributing materials that provide information regarding the product's intranasal abuse-deterrent properties and the supporting studies.



Arymo was approved in January 2017, following a delay from its original PDUFA date of October 2016. On March 30, 2017, the product was launched in 15 mg, 30 mg, and 60 mg dosage strengths. The ADF-approved drug was developed internally at Egalet and clinical trials were begun following company's IND submission in August 2013. In 2016, over 6,000,000 prescriptions were written for extended release morphine, of which only about 2% were ADFs. Prior to the launch of Arymo, these sales were represented exclusively by Pfizer's Embeda which uses an agonist/antagonist approach to deterrence. Each percentage point of ADF sales represents approximately $25 million in product revenues and our forecasts call for Arymo to achieve 2 to 3 percentage points of share over the next four years.

OXAYDO

Oxaydo is a Schedule II immediate release (IR) oxycodone indicated for the management of acute and chronic moderate to severe pain where an opioid is appropriate. The product is designed to discourage insufflation abuse through the use of an irritant infused in the tablet. It also designed to resist syringeability, detering intravenous abuse; however, this tamper resistant feature is not included on the drug label. The drug employs Acura Pharmaceutical's "Aversion" technology which uses sodium lauryl sulfate to cause nasal passage discomfort if crushed and snorted. The second deterrent uses polyethylene oxide which converts the tablet into a viscous gel if exposed to a solvent thereby discouraging intravenous use.



Oxaydo was approved by the FDA in 2011 while sponsored by Acura Pharmaceuticals, prior to the official FDA guidance for abuse deterrent features. In January 2015, Acura partnered with Egalet to commercialize Oxaydo's 5 mg and 7.5 mg tablets and is currently working with the FDA to obtain approval for 10 and 15 mg strengths.

On June 20, 2017, Egalet announced that the FDA had issued a complete response letter regarding its prior approval supplement (PAS) for Oxaydo 10 mg and 15 mg dosage strengths. The key items identified by the FDA related to the impact of food on Oxaydo 15 mg and the intranasal abuse-deterrent properties of the higher dosage strengths. Egalet is also in discussions with the FDA to determine a pathway forward to obtain ADF status for Oxaydo, as it was originally approved prior to the publication of the FDA's guidelines for abuse deterrence.

SPRIX

Sprix, generically known as ketorolac tromethamine, is a nasal spray used for the management of moderate to moderately severe pain for a period of up to five days. The product is sold as a five unit pack. Each unit is for one day of pain relief, containing two 15.75 mg doses that are sprayed intranasally. Sprix is distributed through cold chain, and requires refrigeration for the duration of its shelf life. It can be held at room temperature for 24 hours, which allows the patient to carry it with them during the day it is used. The active pharmaceutical ingredient (API), is classified as a non-steroidal anti-inflammatory drug (NSAID).



Sprix, which was approved by the FDA in May 2010, was initially sponsored by Roxro Pharma. In December 2010, Roxro merged with Luitpold Pharmaceuticals, a U.S. subsidiary of Daiichi Sankyo Co., Ltd. which launched Sprix in May of 2011. Luitpold commercialized the product for almost four years before selling it to Egalet in January 2015 for $7.0 million. Egalet has been able to develop several relationships that can develop new avenues of growth for Sprix. In February 2016, the company announced an agreement with Septodont, Inc., a company focused on the dental profession, to promote Sprix with its specialty salesforce. Ascend Therapeutics is another partner that began promoting Sprix to women's healthcare practitioners in September 2017. Ascend calls on more than 9,000 providers in the United States. A third partner is Teva, who Egalet has granted rights to market and commercialize Sprix in Israel, Gaza and the West Bank.

Egalet-002

Egalet-002 is an abuse deterrent extended release oral oxycodone formulation in Phase III trials. The intended indication for the compound is for the management of severe pain that requires daily, around-the-clock, long term opioid treatment for which alternative treatments are insufficient. The company will pursue approval of the drug through the 505(b)(2) pathway using OxyContin as the reference listed drug (RLD). Phase III results are expected by year-end 2017, at which time Egalet will seek a partner to commercialize the Guardian technology developed drug.

Other Products

Egalet has two other early stage products in its pipeline, internally called Egalet-003 (ADF stimulant) and Egalet-004 (ADF, ER hydrocodone), both of which use the Guardian technology. These products are currently in preclinical and Phase 1 studies, respectively. For the near term, Egalet has elected to focus its efforts on currently approved products and will fund further development of candidates in the pipeline when capital is available or develop these candidates with a partner.

Opioid Drug Abuse

Opioids

Opioids are psychoactive chemicals originally derived from the opium poppy (*Papaver somniferum*) whose dried latex (sap) has been used for pain relief and as an anesthetic since ancient times. In more recent periods, synthetic and semi-synthetic versions such as hydrocodone, oxycodone and fentanyl dominate the market. This class of drug has a variety of effects that are achieved through attaching to and activating opioid receptor proteins, which are found in the brain and other parts of the body. The main effect sought by prescription opioids is pain relief when other classes of analgesics, such as nonsteroidal anti-inflammatory drugs or acetaminophen, are not appropriate or sufficient. The analgesic effects are mediated mainly through the μ receptors' release of substance P[6] in the spinal cord, the central neurotransmitter for pain, whereas euphoric effects involve the dopaminergic system which is involved in addictive behavior. Opioids are used to treat both acute and chronic pain, such as that following a dental procedure or for fibromyalgia. Despite its benefits, this class of drug can be addictive and can lead to misuse, abuse, addiction and death.

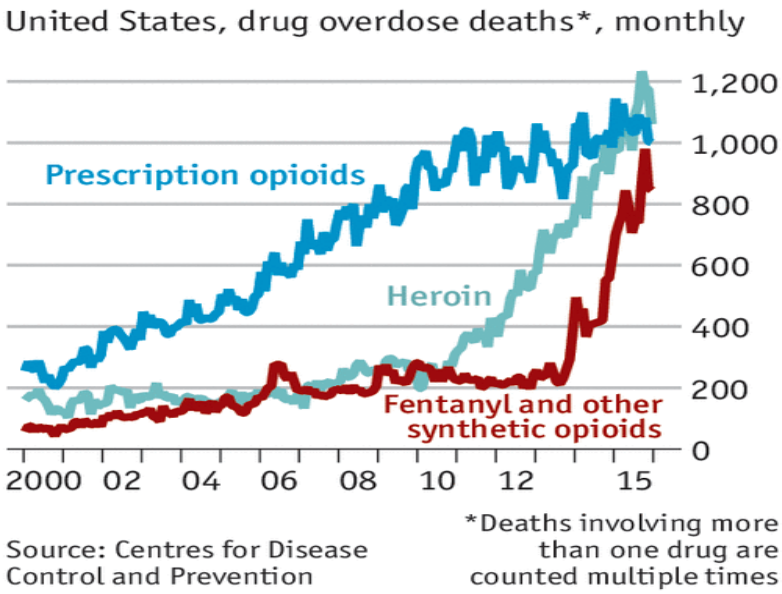
Diversion

Diversion is the transfer of a prescription drug from an authorized patient to another channel for further sale or use. According to research, half of people obtain prescription opioids from a friend or family member, with a higher proportion for casual users and a lower rate for heavy users. One of the goals of deterring abuse is to limit diversion, which can be enhanced in the case where prescription drugs can be modified from their original form. Drugs that are easy to manipulate are more attractive diversion candidates as their active ingredient can be extracted to be used via alternative means, such as snorting or injection. Abuse deterrent formulations, such as Egalet's Guardian technology, make it difficult to use the medicine other than in the way it was intended, and can limit diversion.

Opioid Abuse

The incidence of opioid abuse in the United States has increased substantially over the last two decades and drug overdoses are now the leading cause of death in Americans under 50. The American Society of Addiction Medicine estimates that there were over 33,000 opioid-related drug overdoses in 2015, up from just over 8,000 in 2000. About 60% of all overdose deaths are attributable to opioids. The 2015 National Survey on Drug Use and Health estimated that 12.5 million persons misused prescription opioids, highlighting an area where abuse deterrent formulations (ADF) can make a difference in solving the crisis.

Exhibit II – Drug Overdose Deaths, By Class[7]



[6] Substance P (SP) is an undecapeptide (a peptide composed of a chain of 11 amino acid residues) member of the tachykinin neuropeptide family. It is a neuropeptide, acting as a neurotransmitter and as a neuromodulator. Wikipedia contributors. "Substance P." *Wikipedia, The Free Encyclopedia*. Wikipedia, The Free Encyclopedia, 23 Jun. 2017. Web. 13 Aug. 2017

[7] https://www.economist.com/blogs/graphicdetail/2017/03/daily-chart-3

Prescription drugs can be misused in a number of ways. Misuse broadly means that a prescription drug is being taken in a manner or at a dose other than which it was intended. Misuse can mean taking someone else's prescription, or taking a higher dose than prescribed. The term also applies to a drug that is being taken to induce euphoria or for some other non-medical use. There are three classes of drugs that are commonly misused, as listed below.

Exhibit III – Commonly Abused Drug Classes

Drug Class	Example	Indications
Opioids	Oxycodone, morphine, codeine	Pain relief, addiction treatment
Stimulants	Ritalin, Adderall, caffeine	ADD, narcolepsy, depression
Depressants	Benzodiazepine, alcohol, barbiturates	Anxiety, antipsychotic, sleep

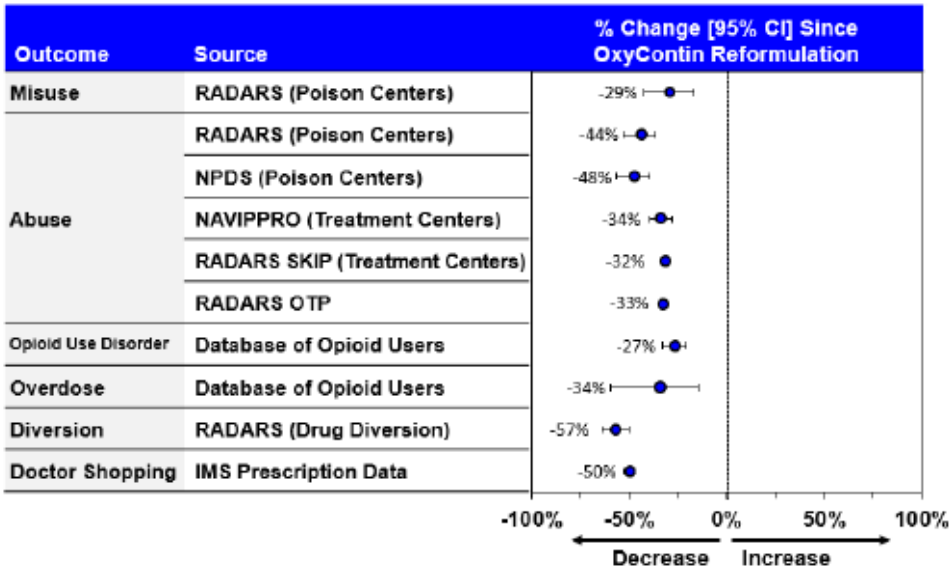
Abuse Deterrence

Drug abuse is a substantial and growing problem in the United States and efforts to combat it must come from a variety of directions. Some of these approaches include education about the hazards of drug abuse, the use of drug treatment programs, controls on abused substances, efforts to reduce the amount of opioids available and, increasingly, abuse deterrent formulations of commonly abused drugs. This multi-pronged approach requires the efforts of governments, individuals and companies to successfully implement.

The FDA is supportive of ADF technology because these products are expected to reduce abuse and diversion compared to non-ADF products. In 2015, the agency released a draft guidance document entitled "Abuse-Deterrent Opioids: Evaluation and Labeling" which provided detail on how to evaluate ADFs for FDA review. The FDA acknowledges that being classified as "abuse deterrent" does not mean the drug is abuse proof and that abuse deterrent features can be defeated. However, the agency recognizes that ADFs do help especially when used in combination with complementary efforts and is encouraging further development of this class. The FDA is willing to put resources behind its push and is funding efforts to evaluate several important aspects of ADFs including formulations and packaging.

A study that provides evidence of a reduction of misuse, abuse, overdose and diversion from the use of ADFs is the Researched Abuse, Diversion, and Addiction-Related Surveillance (RADARS) analysis. This research examined the change in several relevant metrics such as misuse, overdose and diversion among others and compared these statistics one year prior to the OxyContin reformulation to three years after its launch. The consistent improvement along all parameters is supportive of expanding the use of ADFs.

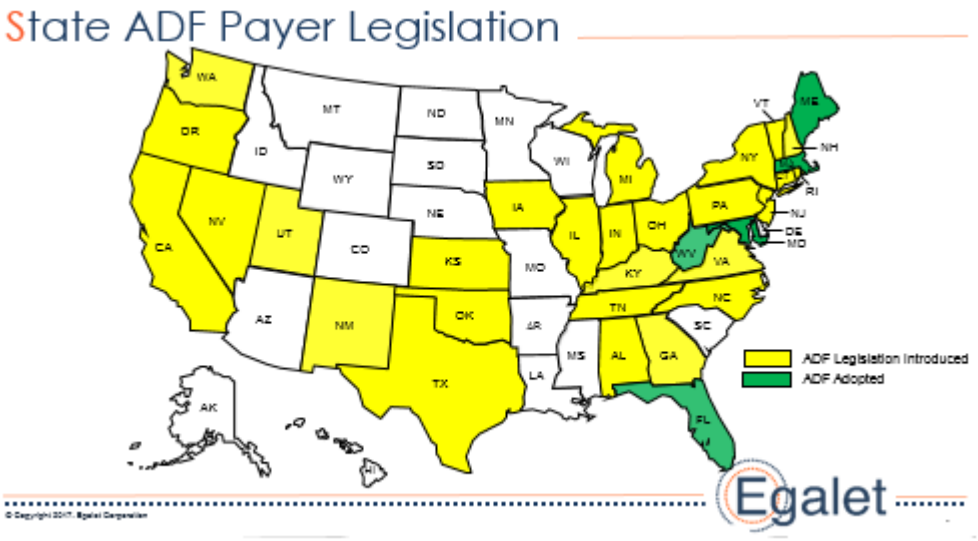
Exhibit IV – Impact of OxyContin Reformulation[8]



[8] RADARS: Researched Abuse, Diversion, and Addiction-Related Surveillance; OTP: Opioid Treatment Program; SKIP: Survey of Key Informants' Patients Program; NPDS: National Poison Data System; NAVIPPRO: National Addiction Vigilance and Intervention Prevention Program.

Many states have passed laws that require insurers to place ADF options on their formularies. So far, Maine, Maryland, Massachusetts, Florida and West Virginia have legislation mandating this change. In these states, step therapy (fail first) is prohibited for ADFs and in Massachusetts, pharmacies must substitute ADFs for standard prescriptions. Other states require the medications to be covered by insurers and limit cost sharing requirements for patients.

Exhibit V – Legislation Regarding ADFs[9]



One of the key government entities that is taking the lead in the efforts to address the opioid crisis is the President's Commission on Combating Drug Addiction and the Opioid Crisis. The commission was launched on March 29, 2017 and is chaired by Governor Chris Christie of New Jersey. The commission also includes Governors Charlie Baker and Roy Cooper, as well as Congressman Patrick Kennedy and Professor Bertha Madras. In an interim report released in late August 2017, the commission made several recommendations focused on treatment rather than prevention, and did not mention ADFs. However, the commission continues its work and expects to provide an update in the Fall. Governor Charlie Baker of Massachusetts may provide an opportunity for ADFs to become part of the commission's recommendations as his state passed favorable legislation related to ADFs during his administration.

Abuse Deterrent Formulations

Abuse deterrent formulations, or ADFs, serve to make it more difficult or less rewarding to intentionally use commonly abused drugs or substances to achieve a desired psychological or physiological effect. Common routes of abuse include oral, nasal or intravenous. There are several mechanisms of deterrence that are used to prevent abuse and misuse of potentially addictive drugs. These mechanisms fall into three broad categories: 1) physical barrier, 2) chemical additives and 3) conversion of a molecular entity into a prodrug. A physical barrier is a common ADF approach which formulates the drug into a structure that resists conversion into alternate forms, such as an excipient that does not permit crushing or dissolving for use in snorting and injection abuse.

Chemical additives may employ an opioid antagonist, such as naloxone, that is added to the medicine so that it will counteract the opioid if the pill is crushed or altered. Other approaches include adding an irritant. Capsaicin or niacin are frequently used as excipients, so that if crushed and snorted the pill residue will cause irritation to the users' nasal passages. However, chemical additives have some downsides if they impact efficacy in the case of neutralizing the active ingredient, cause withdrawal in abusers or the irritants cause gastrointestinal or other problems.

Other abuse deterrent pathways include transforming the active ingredient into a prodrug where it is inert until the body's metabolism converts it into the active drug. This approach is able to make intravenous injection or intranasal abuse less attractive. Some companies are even developing opioid-based analgesics that provide significant pain relief but avoid the euphoria that leads to abuse and addiction.

[9] Source: Egalet Corporate Presentation

Guardian Technology

Egalet's Guardian Technology employs a polymer matrix that is injection molded into a tablet which is difficult to crush, break, grind or liquefy. These features create a durable deterrent to abuse, resisting attempts to chemically manipulate the tablet and extract the API to achieve euphoria. The Guardian tablet is constructed of an inner matrix and an exposed shell. The shell is made of the polymer matrix and the internal components will convert to a viscous hydrogel if exposed to a solvent.

The Guardian technology, as described in the filing for patent 9,642,809, provides for a product that is effective in releasing its active pharmaceutical ingredient over the length of the gastrointestinal tract including stomach, small intestine and colon. The pill allows for an initial burst or controlled release of API, followed by another similar release. The patented product is designed for use with hydrocodone, morphine, oxycodone and other pain medications.

The delivery mechanism for the API is based upon a water soluble and/or crystalline polymer or mixture polymers that are manufactured by melting or softening the polymer through injection molding or extrusion. The process involves a simultaneous mixing and heating of the polymer using injection molding. The components of the pill are manufactured in one closed-loop process that ejects the final product in final form, suitable for packaging.

An additional feature of Guardian technology is its ability to counteract dose dumping. Dose dumping is a phenomenon brought about by the consumption of alcohol or food along with the prescribed medication, where the presence of alcohol or food accelerates the release of the drug substance resulting in an accelerated high for the user. As a safeguard, Guardian employs specific polymers and excipients in order to produce a lower dissolution rate when exposed to alcohol as compared to when taking alone.

In June 2017, Egalet announced a new patent protecting its Guardian technology which advances the product's ability to create immediate-, delayed- and/or extended-release tablets with precise drug delivery of one or two different active pharmaceutical ingredients.

Are Abuse Deterrent Formulations Needed?[10]

Opioid abuse is a tremendous problem in the United States and has become worse over the last decades. Opioid-based pain relief is an important element of pain control. However, new abuse-deterrent opioids that are under patent have higher prices than the generic alternative that they replace. With pressures from payors to keep costs down, does it make sense to expand the use of abuse deterrent formulations?

In an article published in the Journal of Medical Economics, additional costs associated with diagnosed opioid abuse was $9,500 per year for commercially insured patients and $11,500 for Medicare insured patients. The article continued, describing an 18% reduction in abuse for Medicaid patients and a 23% reduction in abuse for managed care patients.[11] An article in Pain Medicine performed an analysis of cost savings based on a number of resources and found estimated cost savings of reformulated ER Oxycodone was over $1 billion. The savings came from lower health care costs, improved work productivity, and lower criminal justice costs.[12] On a per person basis this is about $4,600 compared to incremental abuse deterrent drug costs of $600 to $2,800. This analysis showed a benefit of $1,800 to $4,000 on a per person basis and does not take into account the benefits from avoiding addiction in the first place.

A 2015 study[13] was performed by Theodore Cicero of Washington University on OxyContin, an abuse deterrent formulation of oxycodone hydrochloride. The study found that the ADFs did cause users to change their behaviors. Some shifted from injected or inhaled administration to oral, while others were able to overcome the abuse deterrent features and inject or inhale, while another group continued to swallow the pill. The study found that a significant number of abusers stopped abusing OxyContin following the release of the ADF. The abuse rate went from 45% of the high risk patient group 18 months prior to the ADF release to 26% three years after its release.

[10] https://www.forbes.com/sites/econostats/2015/03/13/abuse-deterrent-opioids-are-worth-the-cost-2/#242974582a05
[11] Rossiter, Louis F., Kirson, Noam Y., Shei, Amie, White, Alan G., Birnbaum, Howard G., Ben-Joseph, Rami, Michna, Edward (2014) "Medical cost savings associated with an extended-release opioid with abuse-deterrent technology in the US" Journal of Medical Economics Vol. 17, No. 4, 2014, 279–287.
[12] Kirson, Noam Y, Shei, Amie, White, Alan G., Birnbaum, Howard G., Ben-Joseph, Rami, Rossiter, Louis F., Michna, Edward (2014) "Societal Economic Benefits Associated with an Extended-Release Opioid with Abuse-Deterrent Technology in the United States" Pain Medicine; 15: 1450–1454.
[13] http://jamanetwork.com/journals/jamapsychiatry/fullarticle/2174541

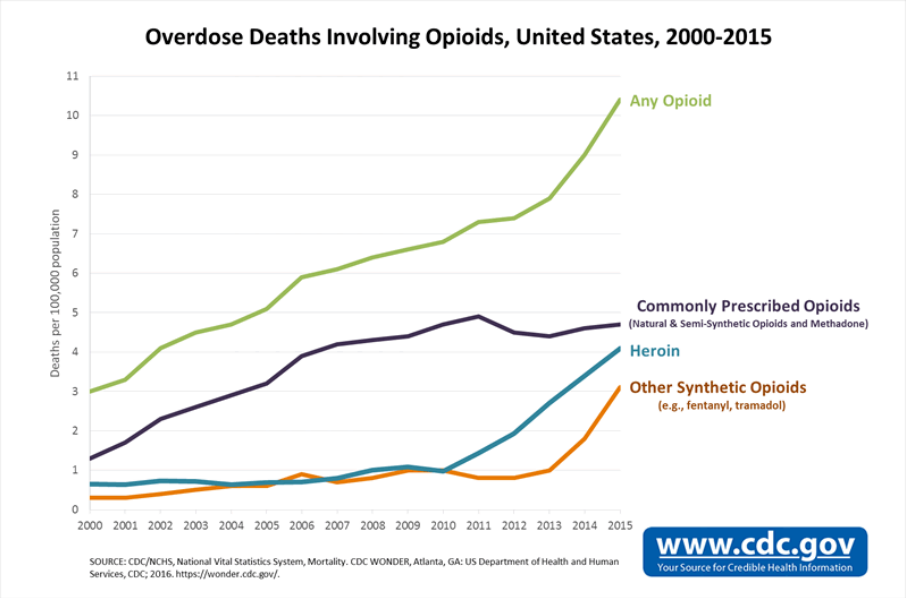
Other, but less studied benefits of ADFs include the prevention of initial abuse and reduction of theft and trafficking of opioids. Many individuals begin abusive behavior before addiction, through chewing or snorting. If the abuse deterrent is sufficient to make this a difficult, unrewarding or unpleasant experience, abuse may stop before it even begins. Abuse deterrent drugs are also less desirable than opioid-based alternatives that can be manipulated. Anecdotal evidence shows lower values and less desirability for ADFs on the black market[14] represented by low availability and low price which reduces the incentive for theft and trafficking of opioids or other controlled substances.

Some industry reports have criticized ADFs noting that after a shift to an abuse deterrent formulation, abusers move to other prescription opioids. However, this logic ignores the benefits as the penetration rate of ADFs increases from the single digit percentage market share it now occupies and fails to acknowledge that there is less supply and less opportunity for a drug to be abused. According to a 2016 Survey 53% of opioids are taken from a friend or relative.[15] ADFs can help close this avenue of diversion which is more prevalent in the initial stages of abuse. Based on the research included above, we believe ADFs do add value in the effort to address the opioid crisis.

Designing a deterrent to abuse that does not take into account follow-on consequences can be problematic.[16] On June 8, 2017, the FDA requested that Endo Pharmaceuticals remove its opioid pain medication Opana ER from the market due to an unintended shift in the route of abuse. In 2012, Endo changed the formulation of Opana by applying a hard shell that was intended to prevent the pills from being crushed and snorted. As a result, users addicted to the drug extracted the API by liquefying the oxymorphone inside the pill and injecting it instead. This unintended consequence resulted in injection abuse and led to an outbreak of HIV, hepatitis C and other diseases from dirty needles. This shift to a more dangerous method of abuse highlights the importance of having multiple deterrence safeguards in place to protect against different routes of abuse and brings into relief the benefits of Egalet's ADFs. Both Arymo and Oxaydo have features that protect against both insufflation and injection abuse through durable pill construction, the addition of nasal irritants and the use of an additive that turns into a hydrogel upon contact with liquid to prevent syringeability.

Deaths from drug overdoses have increased over the last decades with the vast majority of them involving some type of opioid. To address this issue the FDA has made the development of ADF products a high public health priority. Several products, including those commercialized by Egalet, have made their way to market, and their abuse-deterrent qualities have been validated by the agency. Several states have also passed legislation in support of ADF-validated alternatives. Elected officials are also taking action with the president signing an executive order launching a commission to study the issue and promising to accelerate FDA approval of abuse-deterrent painkillers.

Exhibit VI – Overdose Deaths



[14] There are certain websites such as bluelight.org and streetrx.com that provide pricing information provided by anonymous contributors.
[15] Key Substance Use and Mental Health Indicators in the United States: Results from the 2016 National Survey on Drug Use and Health. https://store.samhsa.gov/shin/content/SMA17-5044/SMA17-5044.pdf
[16] We note that Opana was not an ADF product and did not have an ADF label. However, the outcome in this circumstance illustrates our point.

Benefits of Abuse Deterrence

While ADFs may have little impact on heavy illicit drug users, the benefits of ADFs may be substantially more important to deterring first time abuse and preventing abuse within families where access to prescription opioids is easier. According to national surveys, over half of people who misused prescription opioids obtained them from a friend or relative. Interviews with abuse counselors provide evidence that initial abuse frequently begins with oral abuse including chewing the pills and later through snorting and inhalation.

One of the criticisms of branded ADFs is their high cost. However, prescriptions for opioid pain relief are frequently longer and prescribed at too high a dose compared to what is necessary.[17] The higher cost of ADFs that may emerge in the immediate release segment can be offset by shorter and lower dose prescriptions that match the patient's actual need.[18] While there are no immediate release ADFs currently in the market, this is an opportunity for this untapped segment. The reduction in prescription duration is already taking place with several payors limiting the number of days of pain relief that can be prescribed.[19] The total amount of prescribed opioids can be reduced for acute pain from 20 to 30 days to 3 to 7 days, ADFs use can be expanded and total cost can remain the same or decline. The higher ADF cost is actually an incentive for the patient and the prescriber to limit the prescription size to only what is needed. In Egalet's portfolio, Oxaydo may be able to play a role in the immediate release segment if it is able to secure the ADF label.

FDA Approval Process

The FDA considers ADFs to be a high public health priority and has outlined recommendations with respect to determining the effectiveness of abuse deterrent features. The effectiveness is usually determined relative to other products that are available in the market and is a comparison of their abuse deterrent properties. Considerations for deterrence must recognize that if route of abuse is made more difficult, then another route may be pursued.

FDA approval for ADFs is similar to but distinct from the process required for new chemical entities. There are three categories of premarket studies that must be undertaken to determine the abuse potential of a drug product and one category of post-market study. Earlier category outcomes may influence later category study design. We illustrate below the types of studies and note that earlier category outcomes may influence later category study design.

1) Lab-based *in-vitro* manipulation and extraction studies
2) Pharmacokinetic studies
3) Clinical abuse potential studies
4) Post-market Studies

Category 1 studies will assess the difficulty in manipulating the product for alternative use when accounting for the proposed abuse deterrent technology. The abuse deterrent features should anticipate any tools or methods that abusers might employ to defeat the abuse-deterrent properties of the product and extract the active ingredient. The studies will attempt to determine the quantity of API that can be extracted from the product.

Category 2 studies will compare the pharmacokinetic features of the extracted or manipulated formulation with the comparator drug using multiple routes of administration. In this segment human subjects are used, both healthy and those with substance abuse histories to determine maximum concentration (C_{max}), time to C_{max}, area under the curve (AUC), AUC at specified intervals and half-life ($T_{1/2}$).

Category 3 studies will preferably employ a randomized, double-blind, placebo controlled crossover study that uses drug-experienced enrollees for testing. They will be evaluated for their response to the use of the manipulated product and measured on a Visual Analog Scale (VAS) for "drug liking", and other drug-abuse related effects.

Category 4 post-market studies measure performance of the ADF features under actual use and examine patterns of abuse and misuse. These studies recognize that much of the misuse and abuse takes place outside of the health care system, and that many of the benefits may not be observed in a clinical setting (law enforcement for example) and must attempt to account for these differences.

[17] https://www.cdc.gov/vitalsigns/opioids/index.html
[18] In the extended release segment, prescriptions are frequently for chronic conditions and expected to be used in full, unlike the immediate release segment where sometimes up to 30 days of drug are provided for acute pain when frequently only a few days are needed.
[19] https://acpinternist.org/archives/2016/10/laws.htm

Abuse deterrence as part of the label provides somewhat different protections than exclusivity or patent protection. If abusers are able to defeat the AD features, then the FDA may require labeling revisions which may eliminate the abuse deterrent rationale for why it is in the market.

Effectiveness of AD formulations are measured using formal studies and also with ancillary support such as street value of prescription drugs to support whether or not the deterrent is effective.

Arymo ER

Egalet developed Arymo ER internally, which is an abuse deterrent, extended release version of morphine sulfate. The candidate was approved under the 505(b)(2) regulatory pathway with MS Contin as the reference listed drug. The new drug application was submitted to the FDA in December 2015.

Egalet also conducted abuse-deterrent studies based on the FDA's 2013 draft guidance. There were no competing ER morphine ADF products available during the development of Arymo ER, therefore MS Contin was also used as a comparator for the abuse deterrent studies.

Arymo has features that deter chewing, crushing, snorting, injection and smoking, as summarized below.

Exhibit VII – Arymo ADF Features[20]

Route of Abuse	Method of Abuse	Abuse-Deterrent Feature of Arymo ER	Clinical Relevance
Manipulated Oral	**Chewing or Crushing**	Hardness of the tablet	Arymo ER would be difficult to accidentally misuse or intentionally abuse by chewing; physical manipulation does not transform Arymo ER into an IR form, which could increase liking and euphoria
Nasal	**Snorting**	Resistance to particle size reduction	Physical manipulation is not effective at producing particles amenable for snorting
Intravenous	**Injection**	Hydrophilic nature of the tablet matrix	Isolating morphine from Arymo ER is difficult
		Gelling upon contact with liquid	Arymo ER is very difficult to draw into a syringe
Inhalation	**Smoking**	Poor combustion	Smoking or freebasing is not feasible

Category 1 studies examine the resistance of the formulation to physical manipulation and chemical extraction. They showed that when crushed, about 50% of particles were above 500 microns in size for Arymo compared to about 1% for MS Contin after substantial manipulation. While not approved for intravenous abuse deterrence, testing on this parameter was performed and from 0 to 9% of morphine was recovered from Arymo compared to 52 to 66% for MS Contin. Under heating and vaporization trials, very little morphine was extracted, denying this route of abuse.

In Category 2 and 3 studies, Egalet examined whether Arymo was able to maintain its extended release properties after manipulation and the degree to which users like or dislike the drug. Results from the studies showed statistically significant reductions in "drug liking" and failure to convert Arymo into an immediate release formulation.

Oxaydo

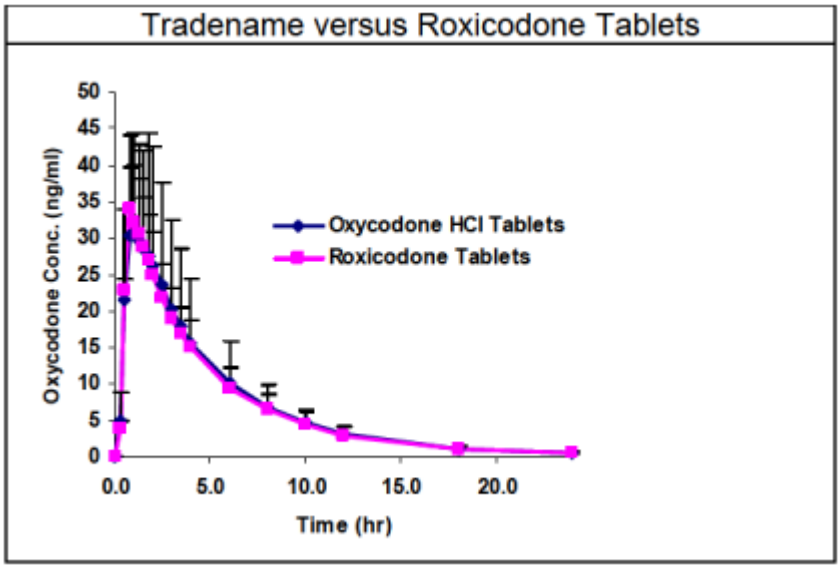
Oxaydo is a formulation of oxycodone HCl in tablet form that discourage intravenous injection and nasal snorting. It was licensed from Acura Pharmaceuticals in January 2015 after its FDA approval in June 2011 and is indicated for "the management of moderate to severe pain where the use of an opioid analgesic is appropriate." The candidate was submitted via the 505(b)(2) pathway using Roxicodone as the reference listed drug. Due to Acura's co-development with King Pharmaceuticals and their subsequent acquisition by Pfizer (NYSE: PFE), a full launch of

[20] Advisory Committee Sponsor Briefing Document, Arymo ER, August 4, 2016. https://www.fda.gov/downloads/AdvisoryCommittees/CommitteesMeetingMaterials/Drugs/AnestheticAndAnalgesicDrugProductsAdvisoryCommittee/UCM514383.pdf

the drug did not take place and eventually, Pfizer gave the rights back to Acura, making possible the later sale to Egalet.

Two pharmacokinetic studies were submitted with the New Drug Application (NDA) for Oxaydo. The first study, AP-ADD-100, enrolled 40 healthy volunteers in a three-period crossover study comparing Oxaydo with Roxicodone and Acurox tablets. Bioequivalence was shown between Oxaydo and Roxicodone with systemic exposure within required FDA limits of 80% to 125%.

Exhibit VIII – Mean Oxycodone Concentration-time Profiles Following Drug Administration (Oxaydo vs Roxicodone)



The second study, identified as K234-10-1001, examined the dose-proportionality and food-effect of Oxaydo in 35 healthy volunteers. It employed a five-period, five-way crossover design that evaluated dose proportionality between 5, 10 and 15 mg doses of Oxaydo as well as the food effect on Oxaydo and a comparison of it with the reference drug. Based on the results, Oxaydo did not require any dosing adjustments.

A randomized, double-blind, active-controlled crossover study (K234-10-1002), was also conducted to determine the potential for abuse of crushed and intranasally administered Oxaydo. The primary endpoint for the study was "drug liking" measured on a VAS both upon insufflation and at the end of the session. Secondary endpoints examined "drug liking" overall and patient desire to take the drug again. This study showed that patients had more "drug liking" for crushed Roxicodone than crushed Oxaydo when insufflated. However, due to study design and the visual difference in crushed Roxicodone and crushed Oxaydo,[21] the trial was not truly blind and the reviewer concluded that the study did not demonstrate that Oxaydo had a lower abuse potential compared to Roxicodone.

Sprix

Sprix is a formulation of ketorolac tromethamine used in a nasal spray for short term pain relief. The asset was acquired from Luitpold Pharmaceuticals in 2015 following a May 2010 approval. Two Phase III studies were conducted which evaluated the analgesic efficacy and tolerability of the medicine following surgery.

Egalet's first registrational study for Sprix was officially titled "A Phase 3, Double-blind, Randomized Study of the Safety, Tolerability, and Analgesic Efficacy of Multiple Doses of Ketorolac Tromethamine Administered Intranasally for Postoperative Pain" (NCT01347853). As the title suggests, this was a randomized, double-blind, placebo-controlled study in patients undergoing major surgery. The study enrolled 300 adult patients in a 2:1 ratio between Sprix and a placebo where patients in the active arm received 30 mg of the drug three times daily for five days. Enrollees were randomly assigned 30 mg of intranasal ketorolac or placebo when their perception of pain reached 40 or greater on a visual analog scale (VAS) measuring from 0 to 100. The patients received the drug every eight hours for 48 hours, then three times daily for no more than five days. Subjects had access to morphine sulfate as adjunctive pain relief.

[21] The weight of the crushed Oxaydo tablets was more than three times the weight of the Roxicodone tablets. Due to the difference in weight, the trial was not truly blind and led to sequence effects.

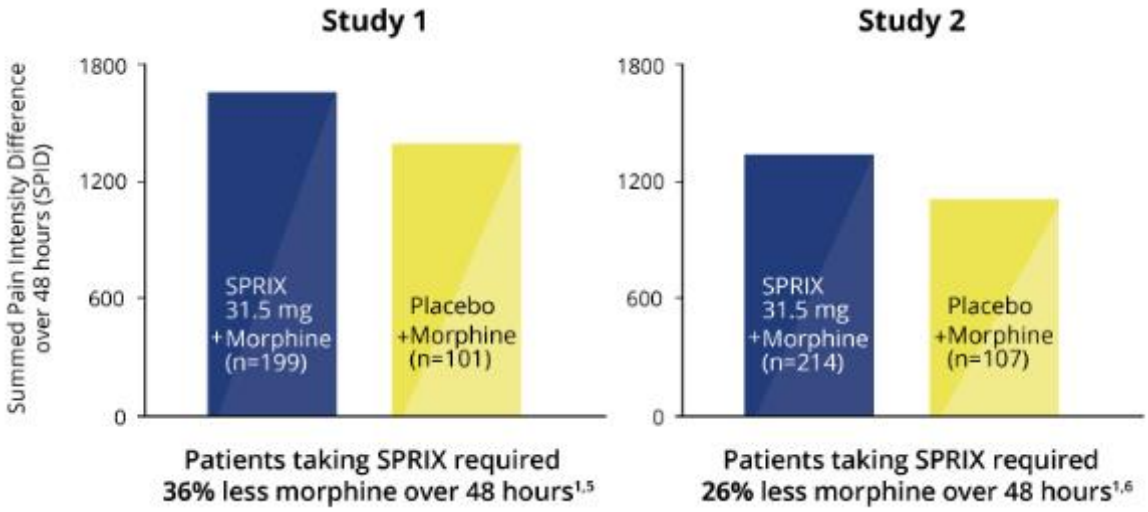
The primary endpoint was the difference in intensity of pain on day one, six hours after drug administration. This perception of pain again used the VAS. Secondary endpoints included morphine sulfate consumption, hourly pain intensity scores, quality of analgesia, global assessment of pain control and onset and duration of pain relief.

The title for study 2 is "Safety and Efficacy of Multiple Doses of Intranasal Ketorolac in Postoperative Pain Following Major Abdominal Surgery" (NCT00266786). This Phase III trial enrolled 321 subjects, also in a 2:1 ratio. Patients in the active arm received 31.5 mg of Sprix four times per day following surgery for no more than five days. The study was a double blind, and randomized trial where intranasal ketorolac or placebo was administered when pain reached a moderate level after surgery. Following the initial dose, subjects were given the study drug every six hours for two days, then as needed for up to four times per day for a total of five days. As with the other Phase III study, morphine sulfate was available as adjunctive pain relief.

The primary endpoint for the second Phase III trial was a measure of pain intensity difference using the VAS on day one, six hours after administering ketorolac. Secondary endpoints examined pain intensity at other intervals, quality of analgesia, global assessment of pain control and use of morphine sulfate.

The studies compared the need for morphine for pain control between the two active and comparator arms using a visual analog scale measuring pain intensity.

Exhibit IX – Sprix Pain Intensity Difference



In terms of safety, adverse reactions for Sprix were in a number of areas including nasal discomfort (15% vs 2%), rhinalgia (13% vs. <1%) and increased tearing (5% vs. 0%) among others. We summarize adverse reactions greater than 2% in the subsequent exhibit.

Exhibit X – Sprix Pain Intensity Difference

	SPRIX (n=455)	Placebo (n=245)
Nasal discomfort	15%	2%
Rhinalgia	13%	<1%
Lacrimation increased	5%	0%
Throat irritation	4%	<1%
Oliguria	3%	1%
Rash	3%	<1%
Bradycardia	2%	<1%
Urine output decreased	2%	<1%
ALT and/or AST increased	2%	1%
Hypertension	2%	1%
Rhinitis	2%	<1%

ALT = alanine transaminase; AST = asparate transaminase
1. SPRIX (package insert) Wayne, PA Egalet US Ink, 2015

Sprix is indicated for short term pain relief of no more than five days due to cardiovascular and gastrointestinal events. The black box warning identifies four risks including gastrointestinal, bleeding, cardiovascular and renal. While, on the whole, NSAIDs are safer than opioid-based pain relievers, evidence has shown that there can be damage to the heart and GI tract at high doses taken for extended periods.

There had been two paragraph IV filers for Sprix that could potentially provide generic competition in 2018. Both Apotex and Amneal Pharmaceuticals submitted an ANDA to provide a generic version of Sprix and came to a settlement with previous Sprix owner Luitpold that provides for a March 25, 2018 generic launch with royalty payments to Luitpold. Since then, Amneal has withdrawn from the effort to launch a generic; however, Apotex remains in the running to provide generic competition. Despite Apotex' continued pursuit of a generic version of Sprix, there has been no FDA approval of their application. If the FDA provides approval, then Apotex must notify Egalet by November (prior to the March expiration) that they intend to start production, as Egalet is the authorized manufacturer.

There are numerous hurdles to launching a generic version of Sprix for a potential competitor. First, the product is cold chain, which requires a different distribution system compared to drugs that do not require special handling. Additionally, Sprix is handled through a specialty retail channel with Cardinal Health and detailed information of demand is not available for competitors to make distribution decisions. These hurdles make the initial launch of a second competitor for Sprix costly as they must partner for specialty distribution and there will be a learning period while they assess demand and determine stocking levels. With Apotex's CAD$2+ billion in revenues in 2012, and we estimate higher today, the effort to be a second competitor in a small market seems outweigh the reward in our assessment. In the unlikely circumstance that Apotex does launch a competing product, Egalet will benefit from a cost plus contract with them as authorized manufacturer. Our model reflects a slowdown in Sprix growth in 2H:18 to account for a probability-adjusted likelihood of launch.

Chemistry, Manufacturing and Controls

During the approval process, the FDA places substantial weight on chemistry, manufacturing and controls (CMC) and high-quality partners are a critical part of a pharmaceutical company's success.

It is important for development companies to perform their own administrative and on-site pre-inspection for manufacturing, testing, and supply partners. This effort is taken to reduce the likelihood that any CMC issues might hinder continued production or approval of products in the development pipeline. In the exhibit below, we highlight the key third parties that supply inputs for Egalet. These suppliers manufacture the final drug product for the company.

Exhibit XI – Egalet's Third Party Partners

Third Party Partner	Action	Product	Note
UPM Pharmaceuticals	Manufacture Oxaydo	Oxaydo	Legacy Acura manufacturer
Halo Pharmaceuticals, Inc.	Produce Arymo ER	Arymo / Egalet-002	5-yr manufacture agreement
Jubilant Hollister Stier (JHS)	Manufacture Sprix	Sprix	Legacy Luitpold manufacturer

Both UPM Pharmaceuticals and Jubilant Hollister Stier were approved manufacturers for their respective acquired product and moved with their respective product to Egalet along with the acquisition. In its search for an appropriate manufacturer for Arymo and potential follow-on products, Egalet selected Halo Pharmaceuticals due to their experience in manufacturing controlled substances and familiarity with the regulations and process required for an opioid-based product. Additionally, Halo currently manufactures several unique and novel products and given their familiarity with non-standard manufacture, Egalet felt they could accommodate Arymo's demands with injection molding. Egalet is currently in conversations with all manufacturing partners to function as alternate or second source suppliers if production stops at another facility.

Sales, Marketing and Strategy

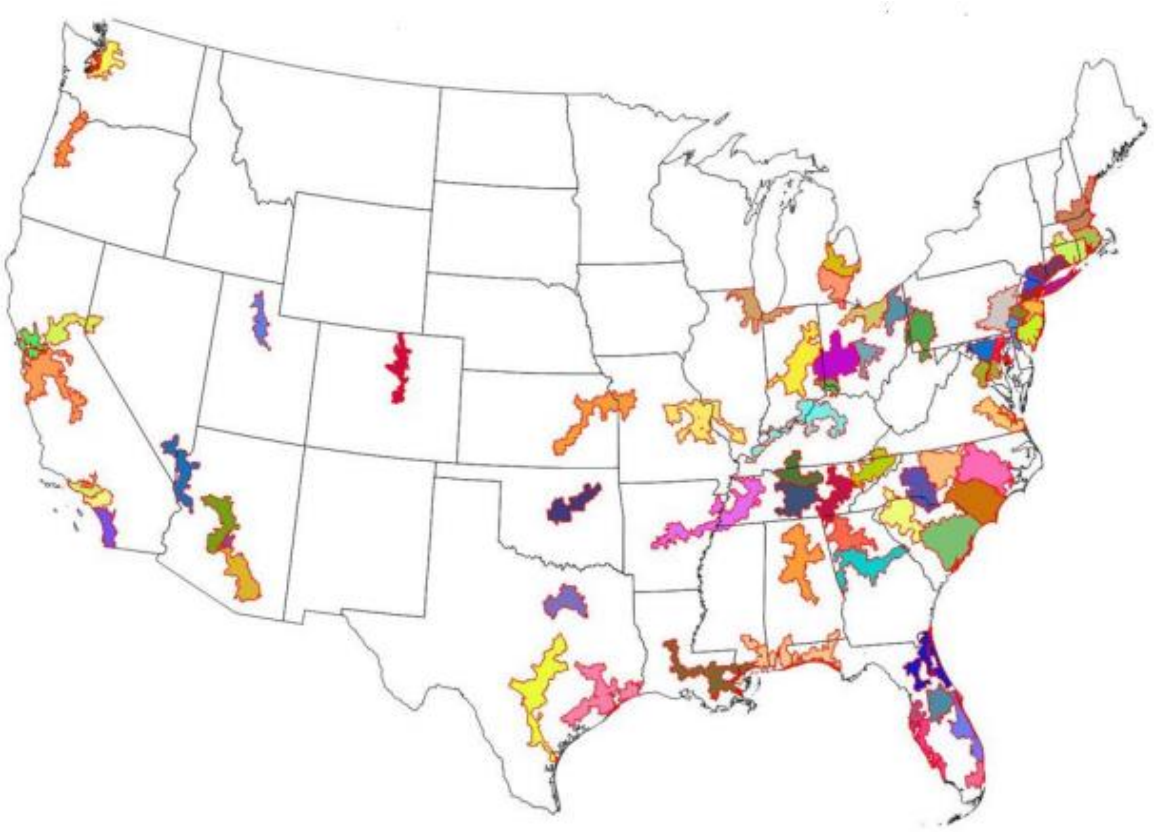
Egalet currently has an 82-person sales force. Thirty-two of these individuals focus on the Sprix market and the other fifty co-market to providers appropriate to Oxaydo and Arymo. During the recent restructuring announcement, Egalet announced that there would be no changes to the sales force team and that the company would increase management focus on sales and marketing, while reducing costs on development.

Currently there are no plans to expand the sales force from the current size, however, if new markets open up in areas where they do not have a presence, or a new payor emerges in an area where they have no coverage, additions may be made. The compensation scheme for sales representatives is standard for the industry with a 70% base and 30% incentive based on quarterly performance and achieving prescription targets.

The opioid sales force is focused on both Oxaydo and Arymo, targeting physician offices that are at least 45% commercial. The company estimates that there are about 6,000 prospects in this group and will visit with specialists in pain, physical medicine and rehabilitation, primary care, nurse practitioners, physician assistants and orthopedic surgeons.

The Sprix salesforce emphasizes providers leveraged toward the commercial market, which includes current Sprix prescribers and prescribers of intramuscular ketorolac. Egalet estimates that there are about 2,250 current prescribers of Sprix and 2,250 prospects that may benefit from switching to Sprix. The specialties the sales force will target are primary care, nurse practitioners, physician assistants, pain, physical medicine and rehabilitation, neurology, urology and obstetrics. The company has also partnered with several other groups to market Sprix to specialty groups including women's health and dentists with Ascend Therapeutics and Septodont respectively. Egalet has also licensed Sprix to Teva Pharmaceutical to market and commercialize the pain reliever in Israel, Gaza and the West Bank.

Exhibit XII – Arymo/Oxaydo Team Territories[22]



[22] Source: Egalet Corporate Presentation

RISKS

All investments contain an element of risk which reflects the uncertainty of the business and what it will ultimately achieve. Some investments exhibit higher predictability, with current cash flows and established sales. These enterprises will have a lower level of perceived risk while other companies that are investing in a new technology that has not yet been fully defined have a much higher level of perceived risk.

The biotechnology space includes companies at both ends of the spectrum, from mega-cap pharmaceutical powerhouses that have multiple products currently generating revenues, to small operations with a handful of employees conducting pre-clinical studies. Many of the risks faced by the large pharmaceutical companies and smaller biotechnology-focused firms are similar; however, there are some hazards that are particular to smaller companies that have not yet established themselves or their products.

For smaller early-stage companies, investing in drug development is an extended process. The timeframe for conducting pre-clinical research to eventually marketing a novel drug can take from 12 to 15 years or even longer given market conditions. And with, on average, only one in one thousand new chemical entities eventually making it to the market, the risks are substantial. Generic drug launches are also risky endeavors as companies holding patents and exclusivity have many tools at their disposal to delay the launch of generic competitors. Some of these methods include a stay of proceedings when a potential generic competitor submits a Paragraph IV filing, filing a citizen's petition, development of new chemical entities, or new forms of delivery.

Even if a company has a strong, experienced team that is developing a device or therapy with a high likelihood of success and a large addressable market, securing funding may be difficult. Access to financing comes and goes in cycles. During periods of improving confidence, capital may be easy to access; however, during a liquidity crisis or a period of heightened risk perception, even companies with bright prospects may be in trouble if they are dependent on the financial markets to fund their work. If capital is needed to sustain a company and it is not readily available, the company in need may be forced to suspend operations, sell equity at a substantial discount to previous valuations and dilute earlier shareholders. A lack of funding may leave potentially promising therapies without a viable route for progressing or force a company to accept onerous terms.

FDA or other governmental regulatory approvals are a material uncertainty to which all drugs must submit before they are legally marketed. Substantial expense is undertaken to bring a molecule or compound through clinical trials and address all of the regulatory agencies' concerns. Finding companies that have a long history of research success in drug development, with opinion leaders and experts in the field can help mitigate this risk. Companies that have had previous success with the FDA or other regulatory agencies also are more attractive than those who may be new to the process. Some accelerated pathways to approval are available; however, changes in sentiment or perceived safety for pharmaceuticals drugs could change the regulatory environment to demand a more thorough process and these pathways may be extended or additional requirements may be put in place.

The pain relief space has its own particular risks that stem from the potential for abuse and addiction. This exposure is both a risk and an opportunity for Egalet due to their sale of opioid-based products but also their emphasis on abuse-deterrent technology. In May, the state of Ohio sued several drugmakers, including Purdue Pharma, Teva Pharmaceuticals, Johnson & Johnson, Endo Pharmaceuticals and others for deliberately understating the risks involved with using opioid painkillers. District attorneys in Tennessee, the state of Oklahoma, New Hampshire, Missouri and others have also filed suit against companies commercializing these highly addictive drugs. While Egalet has not been named a party to any litigation related to fraudulent misrepresentation of opioids, they do participate in the industry. Offsetting some of this risk is Egalet's emphasis on ADFs, which can in part address some of the addiction issues related to abuse and diversion. Another risk faced by branded ADF technology is the price premium this class commands. One of the primary arguments for using opioid-based pain medication is its low cost. Dramatically shifting the mix of such a large segment of the pharmaceutical market may create cost pressures that are unsustainable or require higher premiums from insured individuals and entities.

ADF products are exposed to a variety of risks that are quite different than those faced by other drug classes. ADFs receive approval by the FDA largely based on their ability to prevent use through unintended routes, such as via nasal or intravenous pathways. If these features can be attenuated then the FDA may withdraw approval and any exclusivity protection that exists becomes worthless. One example of a product that was withdrawn is Endo Pharmaceutical's opioid pain reliever Opana ER.[23] This product was designed to resist crushing, and as a result

[23] We note that Opana did not have the FDA's ADF designation, but its ability to resist crushing was emphasized by Endo Pharmaceuticals

deter inhalation. Despite these efforts, illicit drug users were able to convert the active ingredient oxymorphone into a liquid, and then inject it instead. This shift resulted in the transmission of disease among needle users and resulted in the FDA asking that Opana be pulled from the market.

While there is supportive data for the use of ADFs, there is also literature identifying shortcomings of ADF technology. Some criticize ADFs based on data that shows abuse shifts away from the ADF product to other opioids, including those sold on the street. Other sources, such as ICER in a recent report discussing ADFs, see the net cost as greater than the net benefit, however, this analysis may not take into account externalities such as diversion and cost to those close to the individual receiving the prescription.

Drug price inflation has gained increased attention over the last several years and has contributed materially to the increase in health care costs over the last decades. As new therapies have been approved, drug prices have set new records and increased at a substantial rate. We highlight three risks that come from these pricing increases. First, health care may become unaffordable for a broad segment of the population, reducing the market size to a level below what we could otherwise reasonably forecast. Second, sharp price increases will attract the attention of elected officials and regulators who may create legislation and implement regulations that limit drug profitability. Third, the government may impose additional non-price related regulation and disclosure that can increase costs for the industry.

While we have discussed a broad variety of risks above, we believe that our forecast parameters, discount rates, success probabilities and valuation metrics address these eventualities and our target price reflects an assumption of these risks faced by all biotechnology companies.

PEERS AND INDUSTRY COMPETITORS

While there are only eight approved ADF products, there are a number of competitors that develop and market pain medication and ADFs. Below, we list several of the companies that participate in the space.

Exhibit XIII – Egalet Pharma Peers[24]

Ticker	Company	Price	MktCap (MM)	EV (MM)	Therapeutic Area
PFE	Pfizer	$36.35	$217,120	$246,492	Embeda, Troxyca
TEVA	Teva Pharma	$15.15	$15,360	$49,796	Vantrela
NKTR	Nektar Therapeutics	$23.02	$3,600	$3,583	Non-euphoric opioid molecule (NKTR-181)
PTX	Pernix Therapeutics	$2.90	$33	$313	BeadTek, Zohydro ER commercialization
ZGNX	Zogenix, Inc	$39.85	$990	$947	BeadTek, Zohydro ER
DRRX	DURECT Corp	$1.91	$281	$267	ORADUR tamper resistance
COLL	Collegium Pharma	$11.84	$350	$242	Xtampza ER, COL-172, COL-195, COL-171
ELTP	Elite Pharmaceuticals	$0.10	$76	$69	Opioid agonist ADF
ACUR	Acura Pharma	$0.42	$9	$9	Various abuse deterrent technologies
PTIE	Pain Therapeutics	$4.46	$29	$15	REMOXY, FENROCK
pvt	Purdue Pharma				Hysingla (AD OxyContin), Targiniq
ENDP	Endo Pharmaceuticals	$8.24	$1,840	$9,110	Opana ER
pvt	Inspiron Delivery Sciences				SentyBond platform, MorphaBond, RoxyBond
pvt	Atlantic Pharma				SMART/Script ADF
EGLT	**Egalet Corp**	**$1.14**	**$49.1**	**$112.45**	**Pain Management**

Pfizer (NYSE: PFE) holds a broad portfolio of pharmaceuticals, and has acquired developed ADF products from King Pharmaceutical (Embeda) and taken its own product (Troxyca) through Phase III trials and approval. Embeda was taken off the market under King, but Pfizer was able to obtain approval for an updated label in late 2014.

Dominant generic manufacturer Teva (NYSE: TEVA) developed the ER hydrocodone bitartrate ADF, Vantrela, which was approved by the FDA in January 2017.

Nektar (NASDAQ: NKTR) is developing a Phase 3 candidate which is a new chemical entity that is a mu-opioid agonist for pain relief but does not cause euphoria which can lead to addiction. The designation for this product is NKTR-181 and an NDA is expected to be filed in early 2018.

Zogenix (NASDAQ: ZGNX) developed Zohydro ER (hydrocodone) which is a bead formulation that turns the product into a gel when exposed to a solvent.

Pernix (NASDAQ: PTX) bought rights to Zohydro in March 2015 for $100 million. Annualized 2017 sales are approximately $23 million.

DURECT Corp (NASDAQ: DRRX) uses its ORADUR abuse deterrent technology that resists crushing and dissolving in liquids. Remoxy, which is an ADF version of oxycodone, is currently in development and has been licensed for commercialization with Pain Therapeutics.

Collegium (NASDAQ: COLL) develops and commercializes abuse deterrent products for chronic pain using the DETERx platform. Xtampza (oxycodone) is FDA approved and currently marketed. Several other ADF products are in development.

Elite Pharma (OTCMKTS: ELTP) markets SequestOx, an immediate release oxycodone hydrochloride containing sequestered naltrexone. Currently Elite is addressing issues raised in a CRL regarding SequestOx.

Acura (OTCMKTS: ACUR) is engaged in R&D and commercialization of products that address misuse and abuse. Acura uses Aversion technology and developed Oxaydo, which is being commercialized in a partnership with Egalet. The company is also developing other abuse deterrent approaches.

Pain Therapeutics' (NASDAQ: PTIE) lead candidate is the abuse deterrent Remoxy (oxycodone), which is licensed from DURECT Corp. A second ADF, Fenrock, is an abuse-deterrent transdermal pain patch containing fentanyl.

[24] Price and market capitalization data is as of October 12, 2017

Purdue Pharma (private) has two approved abuse deterrent products currently being marketed, Hysingla (hydrocodone) and Targiniq (oxycodone).

Endo Pharmaceuticals (NASDAQ: ENDP) develops and commercializes a broad portfolio of products. While not an ADF, Opana's (oxymorphone) resistance to crushing was highlighted in marketing. While approved in 2006, the FDA has requested the removal of Opana due to a shift from intranasal abuse to injection abuse.

Inspiron Delivery Sciences (private) focused on developing solutions to prescription drug abuse. The company uses the SentryBond ADF technology which employs physical and chemical methods to deter abuse. MorphaBond (morphine) was approved as an ADF in 2015 and RoxyBond (oxycodone) was approved in 2017, neither of which is currently being marketed. RoxyBond is the only approved immediate release ADF.

Atlantic Pharma (private) is developing ADFs using its SMART/Script technology. The company currently does not have any approved products.

Opioid PMR Consortium (OPC)[25]

All extended release opioid manufacturers are required to join the OPC, a group of 11 companies that have pooled resources to conduct FDA-required post-marketing studies (PMR) on ER, long acting opioid analgesics. These are not product specific studies, but are focused on the impact of the class. There are 11 studies underway to examine topics including doctor/pharmacy shopping, predictors of opioid overdose and the risks of abuse for ER/long acting opioid medication. Total cost of the studies is estimated to be about $150 million which is shared among the member companies of the OPC. Egalet paid about $4.5 million in costs in 2Q:17 as they were inducted into the group and expects to pay approximately $2 million per year on an ongoing basis.

[25] The Industry PMR consortium is comprised of Pfizer, Purdue Pharma, Roxane Laboratories, Janssen Pharmaceuticals, Mallinckrodt, Actavis, Endo Pharmaceuticals, Rhodes Pharmaceuticals, Depomed, Egalet and Pernix.

MANAGEMENT PROFILES

Robert Radie, President and Chief Executive Officer

Mr. Radie is president, chief executive officer and a member of Egalet's board of directors and has been since March 2012. Mr. Radie has worked in the pharmaceutical industry for more than three decades and has been responsible for the sale of five companies. In 2005 Mr. Radie led the sale of Vicuron Pharmaceuticals to Pfizer for $1.9 billion and most recently he was responsible for the sale of Topaz Pharmaceuticals Inc. to Sanofi Pasteur for an undisclosed amount. Mr. Radie served in senior management positions with a number of pharmaceutical and biotechnology companies, including Prestwick Pharmaceuticals, Inc., Morphotek, Inc., Vicuron Pharmaceuticals, Inc. and served as a director of Affinium Pharmaceuticals, Ltd. from July 2012 to March 2014, when a majority of Affinium's assets were acquired by a third party. Mr. Radie began his career in the life sciences at Eli Lilly and Company where he worked for 18 years in sales and marketing positions with increasing levels of responsibility. Mr. Radie serves on the board of Paratek Pharmaceuticals, a biopharmaceutical company, Pennsylvania Bio, an industry group supporting Pennsylvania life sciences companies, Veloxis, a public commercial-stage company, and Horse Power for Life, a non-profit organization dedicated to improving the quality of life for individuals diagnosed with cancer. Mr. Radie received his B.S. in chemistry from Boston College.

Stan Musial, Chief Financial Officer

Mr. Musial has served as Egalet's chief financial officer since April 2013. From June 2011 to March 2013, Mr. Musial was self-employed, acting as an independent consultant in the fields of financial management and accounting services. From January 2005 to May 2011, Mr. Musial served as chief financial officer of Prism Pharmaceuticals, Inc., a specialty pharmaceutical and drug development company. Prior to joining Prism Pharmaceuticals, Mr. Musial was vice president, finance, and chief financial officer for Strategic Diagnostics, Inc., a publicly held biotechnology company, from 2002 to 2004. Mr. Musial began his career with KPMG LLP, a professional services company and received a B.S. in accounting from the Pennsylvania State University and an M.B.A. from Temple University. He is a certified public accountant in the Commonwealth of Pennsylvania.

Jeffrey M. Dayno, M.D., Chief Medical Officer

Dr. Dayno joined Egalet as chief medical officer in July 2014. He spent ten years in clinical and academic medicine before moving into the pharmaceutical industry. He served as vice president, global medical affairs at ViroPharma, Inc., from August 2011 to May 2014. Prior to joining ViroPharma, Dr. Dayno was the chief medical officer at Labopharm, Inc., a drug delivery technology company based in Montreal, Canada, where he first started working in the field of abuse-deterrent opioid product development. Before Labopharm, he was vice president of medical affairs at Cephalon, Inc., from 2005 to 2010. Dr. Dayno started his career in the pharmaceutical industry in 1998 at Merck & Co., Inc., where he spent 7 years in positions of increasing responsibility in the medical and scientific affairs division. Before moving into leadership roles in the pharmaceutical and biotechnology industry, he held a number of clinical appointments, including assistant professor of neurology, Jefferson Medical College, and medical director of the Jefferson Health System Stroke Center Network. Dr. Dayno earned his medical degree from Temple University School of Medicine, completed a fellowship in stroke and cerebrovascular disorders in the Department of Neurology at Henry Ford Hospital, a National Institutes of Health (NIH) Clinical Research Center for stroke and headache, and was board certified in neurology. Dr. Dayno is currently a member of the Board of Visitors of Temple University School of Medicine and was a former chairman of the Philadelphia Stroke Council.

Mark Strobeck, Ph.D., Executive Vice President, Chief Operating Officer

Dr. Strobeck is executive vice president and chief operating officer. He joined Egalet in February 2014 as chief business officer (CBO). Previously Dr. Strobeck was president and chief executive officer of Corridor Pharmaceuticals which was sold to AstraZeneca and chief business officer of Topaz Pharmaceuticals which was sold to Sanofi Pasteur. Dr. Strobeck was chief business officer at Trevena Inc., and vice president of business development at GlaxoSmithKline. Before working at these healthcare companies, Dr. Strobeck was a venture capitalist at SR One Ltd., the wholly owned venture capital arm of GSK and Euclid SR Partners. Dr. Strobeck earned a Ph.D. in pharmacology and cell biophysics from the University of Cincinnati, completed a post-doctoral fellowship in cardiovascular medicine at the University of Pennsylvania and received his bachelor's degree from St. Lawrence University.

Barbara A. Carlin, Chief Accounting Officer

Ms. Carlin joined Egalet in January 2014 as vice president, finance and administration and now holds the role of Chief Accounting Officer. For more than 15 years Ms. Carlin has provided financial and operational leadership to public and privately held companies with a focus on the emerging growth life sciences community. During that time, she worked at several biotechnology and specialty pharmaceutical companies including: Topaz Pharmaceuticals Inc., moksha8 Pharmaceuticals, Inc., Genaera Corporation and Vicuron Pharmaceuticals, Inc. She also served in various roles in finance and accounting at publically held companies in the professional services and publishing space. Ms. Carlin started her career in accounting at Deloitte and Touche LLP. She earned her bachelor's degree in accounting from St. Joseph's University and is a certified public accountant in the Commonwealth of Pennsylvania.

E. Blair Clark-Schoeb, Senior Vice President, Communications

Ms. Clark-Schoeb, senior vice president, communications, leads our investor relations, public relations, advocacy relations and government affairs work. She has two decades of experience helping healthcare companies develop unique and effective communications programs. Prior to joining Egalet in February 2015, Ms. Clark-Schoeb led her own consulting business, working with pharmaceutical and biotechnology companies such as Sanofi, Syndax, Horizon Pharmaceuticals and Topaz Pharmaceuticals. Prior to that she was senior associate at W2O, director of investor relations at Burns McClellan, director of corporate finance at The Medicines Company and a healthcare investment banker at Donaldson, Lufkin and Jenrette. Ms. Clark-Schoeb received her bachelor's degree from Harvard University.

2Q:17 Financial Results

On August 9, 2017, Egalet reported second quarter results posting revenues of $6.3 million and a loss of ($1.04) per share. Total revenues rose by 81% due to continued growth from both Sprix and Oxyado. This was the first full quarter of sales for Arymo ER and the product generated revenues of $0.1 million. Gross margin improved by 560 basis points to 82.9% as compared to 2Q:16, and was up sequentially from 75.6%. Sprix sales increased 81% on higher volumes and Oxyado rose 80%.

General and administrative expenses expanded 41% to $12.5 million due to the payment of FDA-mandated membership fees in the Opioid Post-Marketing Requirement (PMR) consortium for conducting post-marketing studies related to branded long-acting opioids. Sales and marketing expenses were up 49% over the prior year to $9.3 million as the sales force continued to grow in support of the company's three marketed products. There were also increases in sales and marketing launch-related expenses related to Arymo of $0.5 million. Research and development expenses were almost halved as development costs for Egalet-002, Arymo and Oxaydo decreased.

Operating loss for the first quarter was ($21.7) million which was flat with 2Q:16. After adjusting for changes in derivative values, interest and other expenses, loss per share was ($1.04), lower than the ($0.97) loss in the previous second quarter. Diluted shares outstanding were 25.5 million, up about one million shares from a year earlier.

The balance sheet indicated cash of $87.5 million as of June 30, 2017, while debt was listed at $125.3 million. Cash burn was ($20.5) million, in line with the average quarterly rate for 2016 and the first quarter of 2017.

For the first six months of 2017, cash used in operations was ($41.1) million, as stock-based compensation, non-cash debt related items and accrued expenses offset the net loss of ($51.9) million. Cash used in the first half of 2016 for operating activities and capital expenditures (cash burn) was ($41.2) million. Capital expenditures of $0.1 million declined dramatically compared to the first half of 2016.

On July 5, 2017 Egalet announced that it will sell shares through Cantor Fitzgerald & Co. and offer 16,666,667 shares of common stock. The financial filing indicates an offering price of $1.80 which includes a 5-year warrant exercisable at $2.70 per share. Gross proceeds of $30 million netted the company $28.8 million after underwriting discounts and commissions. Shares were to be delivered to investors on July 11, 2017.

Proceeds are expected to be sufficient to fund company operations into 2020 and will support Egalet's commercial sales and marketing efforts for Arymo, Oxaydo and Sprix as well as general corporate activities. Following the close of the deal and on August 9, 2017, Egalet held 43.0 million shares outstanding.

Debt

Egalet carries $125.3 million in borrowings on its balance sheet comprised of two classes of debt. The first is the 5.50% convertible senior notes, which consists of $61.0 million principal value and carried at $45.9 million on the balance sheet after adjusting for the $15.1 million unamortized debt discount. The second component of debt is a 13% senior secured note totaling $80.0 million, which is carried at $72.2 million on the balance sheet after adjusting for the $7.8 million unamortized debt discount.

The convertible notes have a conversion rate of 67.2518 shares, equivalent to a conversion price of $14.87 and a maturity date of April 1, 2020.

The $80.0 million in senior secured notes was issued in two tranches. The first $40.0 million tranche was closed in August 2016 and the second in January 2017, following the FDA's approval of Arymo ER. Net proceeds from the issuances were $75.5 million and were used to pay down previously issued debt and to support the commercialization and development of approved and development products. Payment of interest and principal of the notes will be made as a portion of revenues from Oxaydo, Sprix, Arymo and Egalet-002 if approved. 15% of the aforementioned revenues will be applied to interest and if the interest amount is covered, then to principal.

Milestones

- Address CRL for Oxaydo 10 and 15 mg
- Meeting with FDA regarding pathway to obtain Oxaydo ADF approval from agency
- Continue to develop payor and other specialty group relationships
- Participation at investor conferences
    - Cantor Fitzgerald Global Healthcare Conference September 25, 2017
    - The MicroCap Conference October 5, 2017
- Additional partnerships to be developed similar to the Ascend and Septodont relationships

VALUATION AND TARGET PRICE

Our valuation forecasts growth by product for Egalet. Egalet's internally developed ADF, Arymo ER, had its first full quarter of sales in 2Q:17 and we anticipate strong initial growth. While 2017 sales are only anticipated to be $1.5 million, we see this expanding to $9 million in 2018 and $43 million by 2020. Oxaydo is an abuse-discouraging IR formulation that has little competition in the immense IR opioid space. While Oxaydo lacks ADF status, Egalet plans to pursue this classification in the near future and we believe that growth can expand from the current $5+ million annualized run rate in the second quarter to almost double this in 2018 as PBMs are added and penetration increases off of a small base. We think this product can achieve $36 million in sales by 2020 or even greater levels if it is able to obtain ADF status and obtain approval for the more commonly prescribed 10 and 15 mg dosages. Sprix is generating revenues at an annual run rate of $20 million in the second quarter and given the growth in new relationships and the low level of penetration, we anticipate almost 40% growth in 2018 and sales of $42 million by 2020. While there is a possibility that there may be generic competition in 2018, penetration levels are quite low and Egalet has aggressively pursued new channels for distribution. Additionally, the cold chain specialty distribution creates barriers to entry for a competitor, and we attach a low probability of generic competition next year, but do slow the rate of growth for Sprix to reflect a probability-adjusted outcome. Based on these estimates, total revenues for Egalet are expected to exceed $100 million by 2020. Our model will adjust accordingly as new information is available.

During the company's second quarter call, it announced a restructuring expected to reduce total costs by 35% or about $30 million and shift the company away from development and towards commercialization. Expenses will be reduced across the board except for the allocation to the sales team. Total cash expenses for 2018 are forecast to be between $55 and $60 million. We anticipate operating costs to increase from three to four percent over the next two years as the company continues to emphasize expense control but also recognize inflationary pressures.

Exhibit XIV – Growth Estimates

Egalet Corporation	2017 E	2018 E	2019 E	2020 E
Net Product Sales (in $MM)	$28.3	$48.0	$80.3	$121.4
Arymo	$1.5	$9.2	$24.0	$43.2
Oxaydo	$6.0	$9.8	$21.2	$36.0
Sprix	$20.8	$29.0	$35.1	$42.1

Our estimates yield earnings of $0.46 in 2020. Our valuation approach applies a 20x multiple to 2020 earnings and calculates the present value of this target price by using a 15% discount rate. Our 20x multiple is appropriate based on anticipated double digit earnings growth for several years after 2020. This assumes an earnings growth rate well in excess of of 20% for 2021 and a price to earnings growth (PEG) multiple of 1.0x. Gross margin is in the mid-80% range and most of Egalet's costs are fixed which provides a cost structure that can generate 2021 EPS growth of 20% with topline growth of only 4 to 5%. This approach generates a value of $6.02 per share.

We also use a discounted cash flow model to estimate the value of Egalet. Our DCF forecasts revenue growth of 35% in 2021 declining steadily over time to a terminal rate of 2% in 2025. This model credits the NOLs to positive earnings starting in 2020 and assumes a 35% tax rate after they are exhausted. Costs are estimated to increase 5% in 2021 and fall to a terminal rate of 3% in 2026. Our discount rate is 15%. This approach yields a present value and valuation of $6.15 per share which we round to $6.00.

Based on our P/E valuation of $6.02 and our DCF valuation we equally weight these inputs to generate our estimated valuation of $6.00 per share.

CONCLUSION

Egalet features a portfolio of opioid ADF and non-opioid analgesics which have broad appeal in the market and address a critical dilemma that the United States is facing today with opioid medications. Both Arymo and Oxaydo have deterrent characteristics which are becoming an increasingly important part of the fight against opioid abuse and addiction. Sprix is a fast-acting NSAID which can be an alternative to opioid based treatments. Recent growth has been extremely high, although off of a small base. To continue the fast uptake of their products, Egalet has developed relationships with dominant payors and other specialty groups such as Ascend Therapeutics and Septodont to improve reach and sales volume.

Both federal agencies and state governments have made efforts to increase the penetration of ADFs. One of the most visible efforts to stem drug abuse is the Presidential Opioid Commission, which has not yet recognized ADFs as part of its recommended strategy; however, one of the commission members is governor of Massachusetts, which is at the forefront of legislation encouraging their use. Egalet, along with other ADF manufacturers, has increased their education efforts with stakeholders in the government, insurance and provider spheres which we expect will help improve understanding of how ADFs can play a role in the coordinated approach to solving the opioid crisis.

Egalet's three commercialized products are expected to receive increased focus following the recently announced restructuring. We anticipate that these cost reductions combined with the recent cash infusion and the topline growth trajectory will support the shift to operationally positive cash flow in 2019 and positive earnings in 2020.

Key reasons to own:

- **Large opioid pain market**
- **States and FDA encouraging use of ADF products**
- **Limited competition from other ADF manufacturers**
- **Guardian technology addresses oral, nasal and intravenous routes of abuse**
- **Guardian technology counteracts alcohol-related dose dumping**
- **Market expansion opportunities both overseas and with other in-development products**
- **Opportunity for continued growth through partnerships with a focus on specialists**

In summary, we see a portfolio of pain-focused products with a favorable regulatory environment supporting continued topline growth over the near term. Initial penetration for Arymo, and potential ADF status and additional strengths for Oxaydo as well as partnership opportunities with Sprix pose topline opportunities that could generate growth ahead of our forecasts. Based on our view for each of the products, we initiate Egalet with a target price of $6.00.

PROJECTED FINANCIALS

Egalet Corporation - Income Statement[26]

Egalet Corporation	2016 A	Q1 A	Q2 A	Q3 E	Q4 E	2017 E	2018 E	2019 E	2020 E
Total Revenues	**$17.0**	**$5.4**	**$6.3**	**$7.8**	**$8.8**	**$28.3**	**$53.9**	**$80.3**	**$121.4**
YOY Growth	*-26%*	*104%*	*81%*	*66%*	*43%*	*67%*	*91%*	*49%*	*51%*
Cost of Sales	$3.7	$1.3	$1.1	$1.2	$1.3	$5.0	$8.1	$11.2	$17.0
Product Gross Margin	*78.3%*	*75.6%*	*82.9%*	*84.0%*	*85.0%*	*82.4%*	*85.1%*	*86%*	*86%*
Amortization of Product Rights	$2.0	$0.5	$0.5	$0.5	$0.5	$2.0	$2.0	$2.0	$1.1
General and administrative	$30.7	$8.5	$12.5	$8.4	$8.3	$37.7	$20.8	$22.0	$23.0
Sales and Marketing	$27.9	$9.3	$9.3	$9.7	$9.8	$38.1	$30.0	$32.0	$34.0
Research and Development	$33.8	$6.5	$4.6	$4.7	$4.6	$20.4	$8.0	$7.0	$7.0
Income from operations	($81.0)	($20.7)	($21.7)	($16.7)	($15.7)	($74.9)	($15.0)	$6.1	$39.3
Operating Margin	*-478%*	*-381%*	*-348%*	*-215%*	*-179%*	*-265%*	*-28%*	*8%*	*32%*
Change in derivative liability	($0.6)	($0.0)	$0.0	$0.0	$0.0	($0.0)	$0.0	$0.0	$0.0
Interest expense, net	$12.1	$4.5	$4.7	$5.2	$3.4	$17.8	$17.1	$17.1	$17.1
Other	($0.8)	$0.2	($0.0)	$0.0	$0.0	$0.2	$0.0	$0.0	$0.0
Pre-Tax Income	($91.7)	($25.4)	($26.5)	($21.9)	($19.1)	($92.9)	($32.1)	($11.0)	$22.2
Provision for Income Tax	($1.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*1.2%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Net Income	**($90.6)**	**($25.4)**	**($26.5)**	**($21.9)**	**($19.1)**	**($92.9)**	**($32.1)**	**($11.0)**	**$22.2**
Net Margin	*-534%*	*-468%*	*-423%*	*-281%*	*-217%*	*-328%*	*-59%*	*-14%*	*18%*
Reported EPS	**($3.70)**	**($1.02)**	**($1.04)**	**($0.52)**	**($0.42)**	**($3.01)**	**($0.70)**	**($0.23)**	**$0.46**
YOY Growth	*26.0%*	*34.8%*	*6.7%*	*-52.3%*	*-51.2%*	*-18.6%*	*-77%*	*-66%*	*N/A*
Basic Shares Outstanding	24.51	24.77	25.54	42.00	45.00	34.33	45.95	47.00	48.50

Source: Company Filing // Zacks Investment Research, Inc. Estim

[26] Egalet estimates do not include non-cash interest amortization of approximately $1.0 to $1.5 million per quarter.

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HISTORICAL STOCK PRICE

Egalet Corporation – Share Price Chart



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