



November 7, 2016

Key Metrics

TRVN - NASDAQ	\$4.07
Pricing Date	Nov 7 2016
Price Target	\$14.00
52-Week Range	\$13.02 - \$3.76
Shares Outstanding (mm)	52.2
Market Capitalization (mm)	\$212.5
3-Mo Average Daily Volume	277,530
Book Value/Share	\$2.32
Price/Book	1.8x

EPS FY: December

	2015A	Prior 2016E	Curr. 2016E	Prior 2017E	Curr. 2017E
1Q-Mar	(0.33)	--	(0.35)A	--	--
2Q-Jun	(0.28)	--	(0.37)A	--	--
3Q-Sep	(0.24)	(0.43)E	(0.57)A	--	--
4Q-Dec	(0.30)	(0.47)E	(0.62)E	--	--
FY	(1.15)	(1.62)E	(1.90)E	(1.72)E	(2.00)E
P/E	NM		NM		NM

REVENUE

	2015A	Prior 2016E	Curr. 2016E	Prior 2017E	Curr. 2017E
1Q-Mar	0.6	--	1.9A	--	0.0E
2Q-Jun	1.9	--	1.9A	--	0.0E
3Q-Sep	1.9	--	0.0A	--	0.0E
4Q-Dec	1.9	--	0.0E	--	0.0E
FY	6.3	--	3.8E	--	0.0E

Company Description:

Trevena is a clinical-stage biopharmaceutical company in the process of developing therapeutics that target G protein coupled receptors (GPCRs) for use in acute pain management. The company's primary drug candidate, TRV-130 or Oliceridine, is a μ -receptor G protein pathway selective modulator (c) indicated for use as a first line treatment for patients coping with acute pain in a post operation environment, and potentially in any situation where intravenous (IV) treatment is the preferred method of delivery.

Trevena, Inc.**Rating: Buy****Trevena Awaits for Phase III Readouts 1Q 2017, Reiterate BUY and \$14 PT****Investment Highlights:**

- **Third quarter results.** Trevena recently reported a revenue of \$0.0 mil vs street estimates of \$1.5 mil, and an earnings on a loss per share of (\$0.57) vs. street estimates of (\$0.41). The revenue miss comes as Allergan decided to not exercise its exclusive option to license TRV027. While this is partially responsible for the EPS miss, increased costs from clinical trials also contributed to the higher than expected loss for the quarter. Trevena is a clinical-stage bio-pharmaceutical company, for which quarterly results are non-pivotal, as such, we believe investors should focus on the potential value of Trevena's pipeline, in particular, TRV-130.
- **Apollo 1 & 2 are in focus.** Supported by data from the phase IIb trial, Trevena is sponsoring two pivotal efficacy Phase III studies, APOLLO-1 for patients suffering acute pain for 48 hours post-bunionectomy and APOLLO-2 for patients suffering acute pain for 24 hours post-abdominoplasty. The studies are built with 5 arms of 75 patients each for placebo, morphine, and 3 Oliceridine dosing regimens, and rely on a primary endpoint in efficacy vs. placebo responder analysis, as well as a secondary endpoint in efficacy, tolerability, safety, and differentiation across Oliceridine vs. morphine.
- **Apollo 1 & 2 are seeing sound enrollment rates.** Management reassured investors in the press release of Q3 results that Phase III readouts are on target in 1Q17 as previously guided. If positive, a NDA submission is the anticipated next step and is slated for 2H17.
- **Episodic migraine treatment TRV250 on track for IND.** TRV250 is a novel non-narcotic in preclinical development for treatment of episodic migraines. It's designed to selectively target the delta receptor, a mechanism of action for which there are currently no approved drugs on the market. Management expects to submit an IND to the FDA for TRV250 by year end 2016. We treat this program as exploratory currently and hence not in our PT.
- **Cash runway through 2018.** As of the end of Q3, Trevena held cash, cash equivalent, and marketable securities of \$119.6 mil, which should fund operations into 2018.
- **Valuation.** We derive our target price of \$14 through a DCF analysis, assuming a 10% discount rate that is applied to all cash flows and the terminal value, which is based on a 7 multiple of the projected 2022 EBITDA of \$168 million. We further assumed probability of clinical success at 70% which is typical for a phase III development program.
- **Risks.** Investing in development stage companies in pharmaceuticals industry is speculative in nature and is only appropriate for those that have high tolerance for price volatility. By investing in Trevena, investors accept risks including, but not limited to financing, clinical, and regulatory risks, as well as risks stemming from binary, stock moving events.

Trevena Inc.																			
Income Statement																			
Fiscal Year ends December																			
(in \$000, except per share items)																			
	2012A	2013A	2014A	1Q15	2Q15	3Q15	4Q15	2015A	1Q16A	2Q16A	3Q16A	4Q16E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Product revenue																			
Oliceridine (TRV130)				-	-	-	-	-	-	-	-	-	-	-	-	77,931	223,164	327,709	456,268
Grant revenue	408	85	-																
Collaboration revenue	400	50	-	625	1,875	1,875	1,875	6,250	1,875	1,875	-	-	3,750	-	-	-	-	-	-
Total Revenue	808	135	-	625	1,875	1,875	1,875	6,250	1,875	1,875	-	-	3,750	-	-	77,931	223,164	327,709	456,268
COGS																			
R&D	13,295	18,760	40,547	10,599	10,275	9,650	13,550	44,074	15,753	17,203	25,549	28,103	86,608	90,939	93,667	50,000	51,000	51,510	52,025
SG&A	3,123	4,720	9,403	3,089	3,107	2,780	3,820	12,797	3,918	3,697	4,078	4,201	15,893	17,483	22,728	90,000	103,500	108,675	111,935
Total Operating Expenses	16,418	23,480	49,950	13,688	13,383	12,430	17,370	56,871	19,671	20,900	29,627	32,304	102,502	108,422	116,395	147,403	174,585	188,040	200,462
Operating income (EBIT)	(15,610)	(23,345)	(49,950)	(13,063)	(11,508)	(10,555)	(15,495)	(50,621)	(17,796)	(19,025)	(29,627)	(32,304)	(98,752)	(108,422)	(116,395)	(69,472)	48,579	139,669	255,806
Change in fair value of warrant liability	45	242	122	(8)	-	-	-	(8)	-	-	(7)	-	(7)	(11)	(9)	(9)	(8)	(7)	(6)
Interest income (interest expense)	(194)	(149)	(53)	(31)	-	-	-	(31)	17	(191)	(256)	(14)	(28)	(25)	(23)	-	-	-	-
Miscellaneous income	123	1	151	174	(11)	(60)	30	132	-	-	(28)	-	-	-	-	-	-	-	-
Total Other	(26)	94	221	134	(11)	(60)	30	93	17	(191)	(291)	(14)	(35)	(36)	(32)	(9)	(8)	(7)	(6)
Net income (loss) before income tax expense	(15,636)	(23,251)	(49,729)	(12,929)	(11,519)	(10,615)	(15,464)	(50,528)	(17,779)	(19,216)	(29,918)	(32,318)	(98,787)	(108,457)	(116,427)	(69,481)	48,571	139,662	255,800
Income tax expense (benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,983	89,530
Income tax %																		5.00%	35.00%
Net income (loss), GAAP	(15,636)	(23,251)	(49,729)	(12,929)	(11,519)	(10,615)	(15,464)	(50,528)	(17,779)	(19,216)	(29,918)	(32,318)	(98,787)	(108,457)	(116,427)	(69,481)	48,571	132,679	166,270
EPS basic	(0.95)	(1.24)	(2.02)	(0.33)	(0.28)	(0.24)	(0.30)	(1.15)	(0.35)	(0.37)	(0.57)	(0.62)	(1.90)	(2.00)	(2.07)	(1.22)	0.85	2.29	2.84
EPS diluted, GAAP	(0.95)	(1.24)	(2.02)	(0.33)	(0.28)	(0.24)	(0.30)	(1.15)	(0.35)	(0.37)	(0.57)	(0.62)	(1.90)	(2.00)	(2.07)	(1.22)	0.78	2.12	2.63
Basic shares outstanding	16,500	18,800	24,656	39,251	40,810	44,214	50,770	43,761	51,350	52,175	52,205	52,466	52,049	54,131	56,296	56,859	57,428	58,002	58,582
Diluted shares outstanding	16,500	18,800	24,656	39,251	40,810	44,214	50,770	43,761	51,350	52,175	52,205	52,466	52,049	54,131	56,296	56,859	61,952	62,527	63,107
Source: Aegis Capital estimates and Company reports																			

Required Disclosures

Price Target

\$14

Valuation Methodology

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Risk Factors

Risks to the achievement of our target price include clinical, regulatory, financing, competitive risks, as well as stock price volatility.

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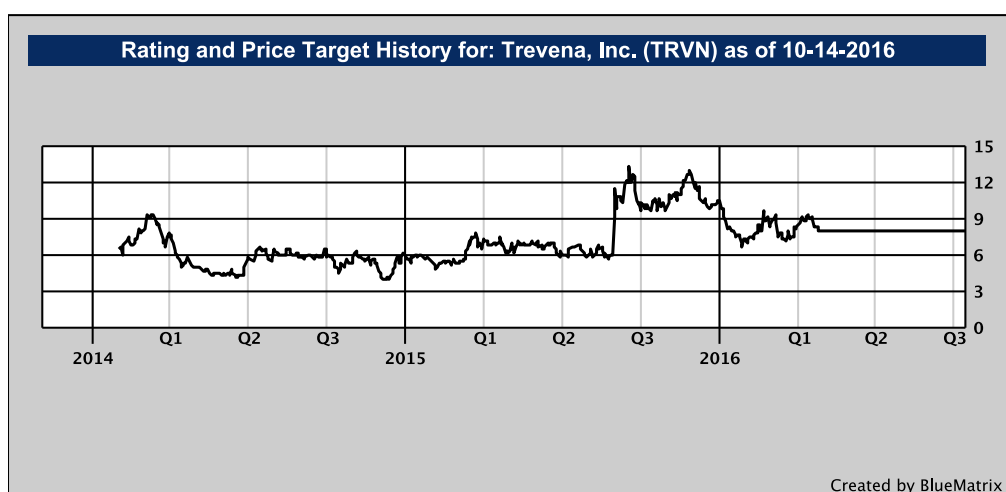
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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	86.90	45.21
HOLD [HOLD]	13.10	36.36
SELL [SELL]	0.00	0.00

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- A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.
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