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EQUITY RESEARCH
Company Report

May 26, 2015

Flamel Technologies (FLML - $17.72)

Initiation of Coverage

Healthcare / Biotechnology

Ticker:	**FLML**
Rating:	**Buy**
Price Target:	**$30.00**

Trading Data:

Last Price (05/22/2015)	$17.72
52–Week High (12/22/2014)	$19.50
52–Week Low (01/14/2015)	$9.30
Market Cap. (MM)	$713.28
Shares Out. (MM)	40.25

We are initiating coverage of Flamel Technologies (FLML) with a BUY rating and a $30 price target. FLML is a specialty pharmaceutical company that is transitioning from a drug discovery to an earnings and cash flow positive story after many years of losses. Bloxiverz for reversing the effects of muscle blocks rolled out in 4Q13/1Q14 and sold ~$60MM (including deferred sales) in 1Q15. Vazculep for hypotension in anesthesia was launched 3Q14 and sold ~$5MM (including deferred sales) in 1Q15. These two products drove FLML's first ever EPS positive quarter. We anticipate additional near-term accretive approvals through 2016 from the rest of FLML's Eclat portfolio, with its internally developed pipeline expected to mature in 2018+ with products targeting some of the largest markets in pharmaceuticals. FLML has multiple shots on goal following the near-term EPS drivers, and we believe FLML is well positioned to continue to drive shareholder value in 2015 and beyond.

- **FLML has reached an earnings inflection point.** FLML has turned EPS & cash flow positive in 1Q15 and the company is transitioning from a cash-burning drug development story to an actual cash flow and earnings positive entity on the "bridge" of near-term Eclat revenues.
- **Bloxiverz for reversing neuromuscular blocks hit 100% share in 1Q15**. Bloxiverz captured the entire market for IV neostigmine agents in 1Q15. While they will share the market in 2Q15+ with Fresenius, the company has increased the price from ~$15/vial to ~$98/vial, increasing the overall market five-fold. This substantially increases the economics of the neostigmine market, and makes the "tail" post generics significantly larger.
- **Vazculep the sole phenylephrine HCI on the market in 2Q15**. The second Eclat product has hit 100% market share much quicker than the ~1 year it took Bloxiverz. FLML now believes that the market opportunity for Vazculep could be in the $80MM-$90MM range (from $40MM-$50MM previously).
- **Long-term internal pipeline targets significant markets**. The largest pipeline opportunity at FLML in our opinion is their Micropump sodium oxybate product that could eliminate the middle of the night dosing requirement for JAZZ's $780MM Xyrem for narcolepsy.
- **Initiate with a BUY rating, $30 price target.** We value the Eclat platform at $16/share and the emerging drug development pipeline and cash (end '16) at $14/share.33

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY16E	0.19	0.19	0.21	0.26	0.85	20.9
FY15E	0.10A	0.38	0.31	0.21	1.00	17.7
FY14A	(0.15)	(0.13)	(0.16)	(0.17)	(0.60)	NM
FY13A	(0.35)	(0.18)	(0.22)	(0.00)	(1.69)	NM

Source: Laidlaw & Company estimates

Analyst
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Summary and Investment Thesis

We are initiating coverage of Flamel Technologies (FLML) with a BUY rating and a $30 price target. FLML is a specialty pharmaceutical company that is transitioning from a drug discovery to an earnings and cash flow positive story after many years of losses. Bloxiverz, for reversing the effects of muscle blocks rolled out in 4Q13/1Q14 and sold ~$60MM (including deferred sales) in 1Q15. Vazculep, for hypotension in anesthesia was launched 3Q14 and sold ~$5MM (including deferred sales) in 1Q15. These two products drove FLML's first ever EPS positive quarter. We anticipate additional near-term accretive approvals through 2016 from the rest of FLML's Eclat portfolio, with its internally developed pipeline expected to mature in 2018+ with products targeting some of the largest markets in pharmaceuticals. FLML has multiple shots on goal following the near-term EPS drivers, and we believe FLML is well positioned to continue to drive shareholder value in 2015 and beyond.

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- Long-term internal pipeline targets target significant markets. The largest pipeline opportunity at FLML in our opinion, is their Micropump sodium oxybate product that could eliminate the middle of the night dosing requirement for JAZZ's $780MM Xyrem for narcolepsy.
- Initiate with a BUY rating, $30 price target. We value the Eclat platform at $16/share and the emerging drug development pipeline and cash (end '16) at $14/share.

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VALUATION

We value FLML at a $30/share price target based on a sum-of-the-parts analysis. We value the Eclat platform at $16/share and the emerging drug development pipeline and cash at $14/share. Our Eclat valuation is derived from a 2.5x multiple of future sales of Bloxiverz, Vazculep, and Eclat #3 & #4, discounted back at 12% (Bloxiverz & Vazculep) and 20% (Eclat #3 & #4). The emerging drug development pipeline is a multiple of expected future royalties discounted back. See our sum-of-the-parts valuation table below.

Figure 1. Sum-of-the-Parts Valuation

Sum-of-the-parts valuation: FLML		
Segment	Valuation (000's)	Per share value
Eclat products	$725,431	$16.00
Pipeline & royalties value	$470,695	$10.00
Cash (end of '16E)	$193,438	$4.00
	$1,389,564	**$30.00**
2016 fully diluted shares out		44,857

Source: Laidlaw Estimates

Figure 2. FLML Catalysts

Event	Expected Timing
Eclat product #3 NDA submission	2Q15
Trigger Lock p1 abuse-resistant opioid data	2Q15
FDA meeting for LiquiTime products	3Q15
Medusa Exanatide p1 trial start	mid-2015
Micropump PD Xyrem p3 trial	4Q15

Source: SSRP Estimates

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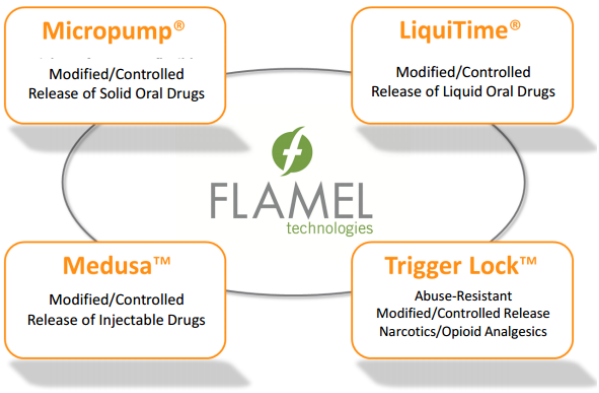
COMPANY DESCRIPTION

Flamel Technologies is a specialty pharmaceutical company that combines unique proprietary drug delivery platforms and niche specialty pharmaceutical products with the goal of delivering safer, more efficacious formulations to address unmet medical needs. FLML is currently headquartered in Lyon, France, but is expected to complete a transition to an Irish domicile near term, as FLML divested itself of its French manufacturing facility in December 2014. FLML also has operations in St. Louis, Missouri. FLML has several drug delivery platforms under patent that include Medusa and Micropump, with derivatives LiquiTime and Trigger Lock. Medusa consists of an injectable, self-assembled poly-amino-acid nanogel that allows for multi-day extended-release dosing. The Micropump system consists of enclosing the active ingredients in a microparticle that can then be put in a capsule or in a suspension or syrup. The Micropump technology is utilized in both LiquiTime and Trigger Lock. LiquiTime takes the coated microparticle and puts it in solution, allowing for an accurate release profile for up to 24 hours. This is designed for children or elderly patients who might have difficulties swallowing pills. Trigger Lock is a nanoparticle technology that may prevent drug abusers from misusing opioids by preventing tablet crushing and other common methods of abuse.

Figure 3. Drug delivery platforms



Source: Company Reports

FLML closed the sale of its development and manufacturing facility in Pessac, France, to Recipharm AB in December 2014, and subsequently moved significant intellectual property to its Ireland subsidiary. With this transaction FLML continues to transition into a more traditional specialty pharma mold. In the Pessac divestiture Recipharm paid FLML EUR 10.6MM and made an investment of EUR 10.5MM in FLML stock.

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BLOXIVERZ: A NEW STANDARD FOR REVERSING MUSCLE BLOCKS

Bloxiverz is the first and one of only two FDA approved intravenous neostigmine products used in operating rooms for the reversal of the effects of non-depolarizing neuromuscular blocking agents after surgery. The second is Fresnius' neostigmine approved in January 2015. Bloxiverz was acquired by FLML as part of the Eclat purchase with approval and launch in late 2013. In 1Q15 FLML reported sales of Bloxiverz of $29.2MM, but approximately $32MM in 1Q15 sales were recorded as deferred revenue due to the price increase taken in the 1Q15 and the uncertainty of returns. FLML anticipates that ~80% of this $32MM should be recognized in 2Q15 which should significantly improve sales in 2Q15.

What is Neostigmine?

Neostigmine is a small-molecule cholinesterase inhibitor, which is the most commonly used agent for the reversal of the effects of neuromuscular blocks. These blocking agents are used in surgical settings, as they assist in anesthesia to produce paralysis, thus making the surgery potentially more successful as well as safer for the patient. Neostigmine has been used for decades, having been on the market as unapproved, grandfathered products under the Food, Drug, and Cosmetic Act of 1938.

Changing the economics of the Neostigmine Market

The market for neostigmine is about five million vials annually with a duopoly of suppliers - FLML & Fresenius. Upon approval a number of unapproved generic manufacturers were obligated to remove their neostigmine products from the market, once the FDA was satisfied that FLML was able to fully supply the market for this medically necessary drug.

Figure 4. Bloxiverz

Source: Company Presentation

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As of 1Q15 Bloxiverz was the only supplier on the market, and with the introduction of a second approved neostigmine by Fresnius, FLML responded with a dramatic price increase taking the per-vial cost of neostigmine from ~$15/vial to $98.75/vial. Competitor Fresenius launched in April and priced their neostigmine in-line with FLML at ~$96.75/vial. This is significant because what was a roughly an ~$100MM market when Bloxiverz first launched at $15-$16/vial is now an almost $500MM market and the "tail" for Bloxiverz splitting the market 50/50 with Fresenius is larger than the entire market at prior pricing! Even following a third, generic entrant (we anticipate in 2H16) Bloxiverz' share of revenues in a 3-product market is bigger than it was before FLML's price increase.

We don't anticipate dramatic push-back from hospitals & payers from this dramatic price increase given the small 5,000 vial US market overall. While that small share did just get dramatically more expensive it still remains – in the big picture – small potatoes overall compared to the $100K-$400K annual cost of some of the new orphan indications.

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VAZCULEP: TREATING HYPOTENSION IN ANESTHESIA

FLML's second Eclat product is Vazculep (phenylephrine hydrochloride) injection, an alpha-1 adrenergic receptor agonist for the treatment of hypotension resulting from vasodilation while under anesthesia. FLML launched Vazculep in 1Q15 and reported sales of $3.5MM for 1Q15. FLML currently has 100% market share on all 3 doses of Vazculep (1ml, 5ml, and 10ml) following the recent voluntary withdrawal by competitor Sandoz of their the 1ml dose of unapproved phenylephrine hydrochloride. FLML anticipates that the Vazculep market could be in the $80MM-$90MM range as the sole provider, and with the pricing power lesson of Bloxiverz behind them.

Figure 5. Vazculep 1ml, 5ml, and 10ml

Source: Company Presentation

FLML has also guided to two additional FDA Eclat products it expects to file over 2015-2016, currently referred to as Eclat #3 and Eclat #4. The NDA for Eclat #3 is expected to be filed in 2Q15, with approval in 1H16. Investors will learn what that product is should the NDA filing be accepted, likely in late 2Q/early 3Q15, but it has been indicated to target a $75MM-$100MM market opportunity. Eclat #4 is targeted for 2016 NDA filing.

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DRUG DELIVERY PLATFORMS

Micropump: Modified Release of Solid Oral-Dose Drugs

FLML's Micropump is a controlled-release platform that permits either extended, or both delayed and extended delivery of small-molecule therapeutics. It is particularly suitable for drugs with a narrow window of absorption in the upper part of the small intestine.

Micropump technology consists of a multiple-dose system containing 5,000-10,000 microparticles per capsule or tablet. The 200-500 micron-diameter-sized microparticles are released in the stomach and pass into the small intestine, where each microparticle, operating as a miniature delivery platform, releases the drug by osmotic pressure at an adjustable rate and over an extended period of time.

The design of the Micropump microparticles allows an extended transit time in the small intestine, with a mean plasma residence time extended up to 24 hours, which is especially suitable for short-lived drugs known to be absorbed only in the small intestine. The microparticle design can be adapted to each drug's specific characteristics by modifying the coating thickness and composition for improved efficacy (i.e., extending therapeutic coverage); reduced toxicity and/or side effects (i.e., reduced Cmax or peak drug concentration in the plasma); and improved patient compliance (once-a-day regimen). Micropump allows the development of extremely precise pharmacokinetic profiles.

Figure 6. Micropump

Source: Company Presentation

FLML's former lead product using the Micropump technology was Coreg CR, which was developed with GlaxoSmithKline and which is approved, marketed, and sold in the US, which demonstrates the approvability of the underlying technology. The key big opportunity for Micropump going forward is for an improved version of Jazz Pharmaceuticals Xyrem (sodium oxybate) for narcolepsy.

In early 2014 FLML announced that they had completed a first in man (FIM) study demonstrating that the potential to eliminate the second nighttime dose for Xyrem. Currently Xyrem is dosed in two equal 2.25g doses: the first dose at bedtime and the second dose 2.5 to 4 hours later.

The trial had 16 subjects in a four-way crossover study evaluating three different formulations of Micropump sodium oxybate and Xyrem at a nightly dose of 4.5g (two doses of 2.25g for Xyrem) with an extension phase at 6g for successful Micropump formulations. The key data for the 14 evaluable subjects at 4.5g was:

1. Onset of action similar to Xyrem
2. Cmax lower than Xyrem
3. Mean blood concentration (ug/ml) at hours 7 and 8 similar to Xyrem

In late 2014 FLML reported data from an additional PK study for sodium oxybate showing data in FLML's 4.5mg and 6mg versions that were consistent with the data seen in the previous study. To date, Micropump sodium oxybate has been tested in 40 healthy subjects across three doses among three different formulations with no safety or tolerability issues.

Eliminating Xyrem's 2nd nighttime dose would be significant safety advantage. One of the big challenges for patients taking Xyrem currently is that they need to wake in the middle of the night to take their second dose, which must be left on a bedside table. The FDA is keenly aware that this opens the very real possibility that other occupants of the house, in particular small children, could accidently pick up & ingest the Xyrem (a schedule III narcotic that's known as the "date-rape" pill for its ability to put people into a deep state of unconsciousness) pill sitting on the bedside tale. A much safer alternative would be to be able to have Xyrem locked away for the night after the dosing, an alternative that FLML's Micropump drug delivery platform could make possible.

In May 2015 competitor JAZZ announced that it would not advance JZP-386 into later stage clinical testing. JZP-386 was expected to be JAZZ's internally developed candidate to eliminate the middle of the night dosing requirement. No clear explanation was given for why JAZZ dropped the program. The company even said that the Phase 1 study showed that JZP-386 provided favorable deuterium-related effects, including higher serum concentrations and correspondingly increased PD effects at clinically relevant time points compared to Xyrem oral solution. In any event the failure of JZP-386 increases the licensing opportunities for FLML's sodium oxybate candidate; and even the potential for an outright acquisition by JAZZ to supplement their $778.6MM annual seller Xyrem.

Trigger Lock: Micropump for Oral Dosage Tamper-Resistant Opioids

The development of anti-abuse formulations for opioids has been an important topic that the FDA is beginning to consider when approving new drugs. Opioids remain the most prescribed pain medication, with ~40% of the $20.6B

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US pain market in 2013. The rapidly growing problem of abuse is also of concern, with an 81% increase in abuse of prescription pain drugs (primarily from OxyContin and Vicodin) from 1992-2003. Trigger Lock looks to address the issue of narcotic/opioid analgesics abuse, since Micropump particles cannot be crushed to extract the opioids, which can serve to prevent misuse of opioid analgesics.

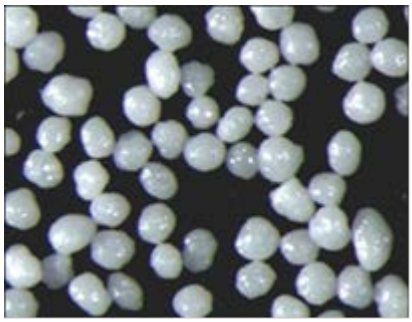
In April 2011 FLML announced it had entered into a development and license agreement with an undisclosed specialty pharmaceutical company for the development and commercialization of two molecules for pain indications. The formulations will incorporate Trigger Lock attributes, which are designed to substantially defeat a broad range of commonly used tampering techniques. If they are approved, the formulations may be deemed therapeutically equivalent to already-marketed products, meaning that, in most states, they could be substituted by a pharmacist for the already marketed product, as a generic drug.

LiquiTime: Micropump for Oral Controlled-Release Liquid Drugs

LiquiTime takes the coated microparticles of Micropump and puts them in solution, allowing for an accurate release profile up to 24 hours for children and elderly patients who have difficulties swallowing pills. Formulations with LiquiTime allow for stability of sustained-release liquid formulations for a wide range of drugs and the patient benefits of good mouth feel and taste masking.

FLML's first candidates are expected to be over the counter (OTC) formulations of a liquid suspension of ibuprofen for pain (like a liquid Advil) and a liquid suspension of guaifenesin for cough cold (like a liquid Robitussin). FLML anticipates meeting with the FDA in 2H15 to determine the path forward to pivotal trials for approval. We believe it is most likely that FLML out-licenses both of these compounds given the large, diverse nature of the OTC market.

Figure 7. LiquiTime



Source: Company Report

Medusa: A Multi-Headed Monster of a Drug Delivery Platform

The Medusa drug delivery platform is made of proprietary hydrogels that can be used for the formulation and extended release of a broad range of biologics,

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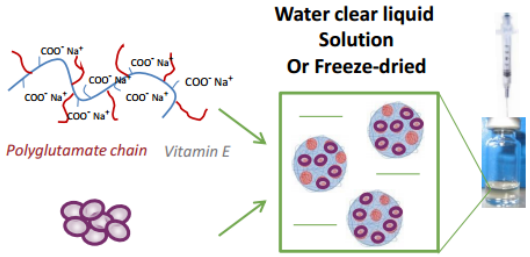
such as proteins, antibodies, peptides, and vaccines, as well as injectable small-molecule drugs.

The platform is a polyaminoacid polymer made of glutamic acid and vitamin E that contains unfilled hydrophobic bonding sites. When the polymer is exposed to water, it forms stable hydrogel nanoparticles. As most biologic therapies have hydrophobic sites, they self-associate, or arrange in a structure, when they are introduced in solution with Medusa.

Medusa enables the controlled delivery from one day up to 14 days of non-denatured or non-modified drugs that remain fully active throughout the therapeutic timeline. This is done through naturally occurring processes once injected into the body, as the hydrogels are biodegradable. The controlled rate is achieved first by nanoparticles separating from the larger group into a gel and then separating again from the gel.

FLML is currently planning to enter a phase 1 trial for a version of Exenatide, a GLP-1 agonist for Type 1 diabetes. In an animal trial in mini-pigs the Medusa Exenatide formulation showed 100% bioavailability without burst/spike upon drug injection. FLML plans to start the phase 1 human trials in 2Q15.

Figure 8. Medusa



Source: Company Presentation

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Major Risks

Exogenous events could impact our outlook. We believe pharmaceutical companies have the least control over competitive, political, and regulatory risks. Although we have incorporated competitive assumptions into our forecasts, there may be other risks beyond the scope of our analysis. Changes in the drug reimbursement system, as well as any political or regulatory amendments, may significantly influence the earnings power of these companies.

Actual clinical results and the FDA's conclusions may deviate from expectations. Many of our assumptions are based on a review of incomplete clinical trial data available in the public domain. Often our conclusions are drawn from early stage data, which may not be reflected by pivotal studies. Furthermore, the FDA's conclusions may not coincide with our own, materially changing our revenue and earnings assumptions.

Compliance issues, product recalls, and other mandates by regulatory authorities could materially change our expectations. Regulatory compliance issues, ranging from accounting irregularities to defective manufacturing practices, could materially change our assumptions and earnings outlook. Unanticipated product recalls and labeling changes could also have adverse consequences on our earnings assumptions.

Legal risks could lead to additional liabilities and revenue loss. In addition to the expenses incurred by patent challenges, product liability and other legal suits could occur and lead to additional liabilities and revenue loss, which could substantially change our financial assumptions.

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Management

Mr. Michael S. Anderson, CEO. Mr. Anderson has been CEO of FLML since his appointment effective March 13, 2012. He has also served as CEO of Éclat Pharmaceuticals since its creation in November 2010. Previously, Mr. Anderson worked for KV Pharmaceuticals as president and CEO of its generic business, ETHEX Corporation, and president and CEO of Ther-Rx Corporation, a leader in women's healthcare. Mr. Anderson also has worked for Schein Pharmaceuticals and started his career at A.H Robins.

Mr. David Montieth, Ph.D. SVP R&D. Mr. Montieth was appointed Senior VP in October 2014. He has over 25 years' experience working in the pharmaceutical and has concentrated most of his career in the areas of drug delivery and pharmaceutical drug product development, mostly in senior leadership roles. He has spent the last 14 years in the USA with Schering-Plough and Merck and most recently served as Associate VP of Pharmaceutical Development for Emerging Markets at Merck & Co. He has also worked for Syntex and Merck-Lipha.

Mr. Scott Macke, VP Supply Chain & Operations. Mr. Macke has been VP since March 2012. He has over 20 years of experience in the pharmaceutical industry with direct involvement specific to both API and drug product development and commercialization. Prior to assuming his current position, he held positions of increasing leadership with Éclat Pharmaceuticals, L.L.C., most recently as the Chief Operating Officer. Prior to Éclat, he served as Sr. Director of Project Management at KV Pharmaceutical (2007 – 2010) and held various technical and operational positions at Mallinckrodt Pharmaceuticals (1993-2007).

Mrs. Sian Crouzet, Controller. Mrs. Crouzet has been principal financial officer of FLML since March 2008. She previously worked as financial controller France for McCormick & Company Inc. Mrs. Crouzet also worked five years as an external auditor with Ernst and Young (France and UK). She is a UK chartered accountant and a graduate of Bradford University (UK).

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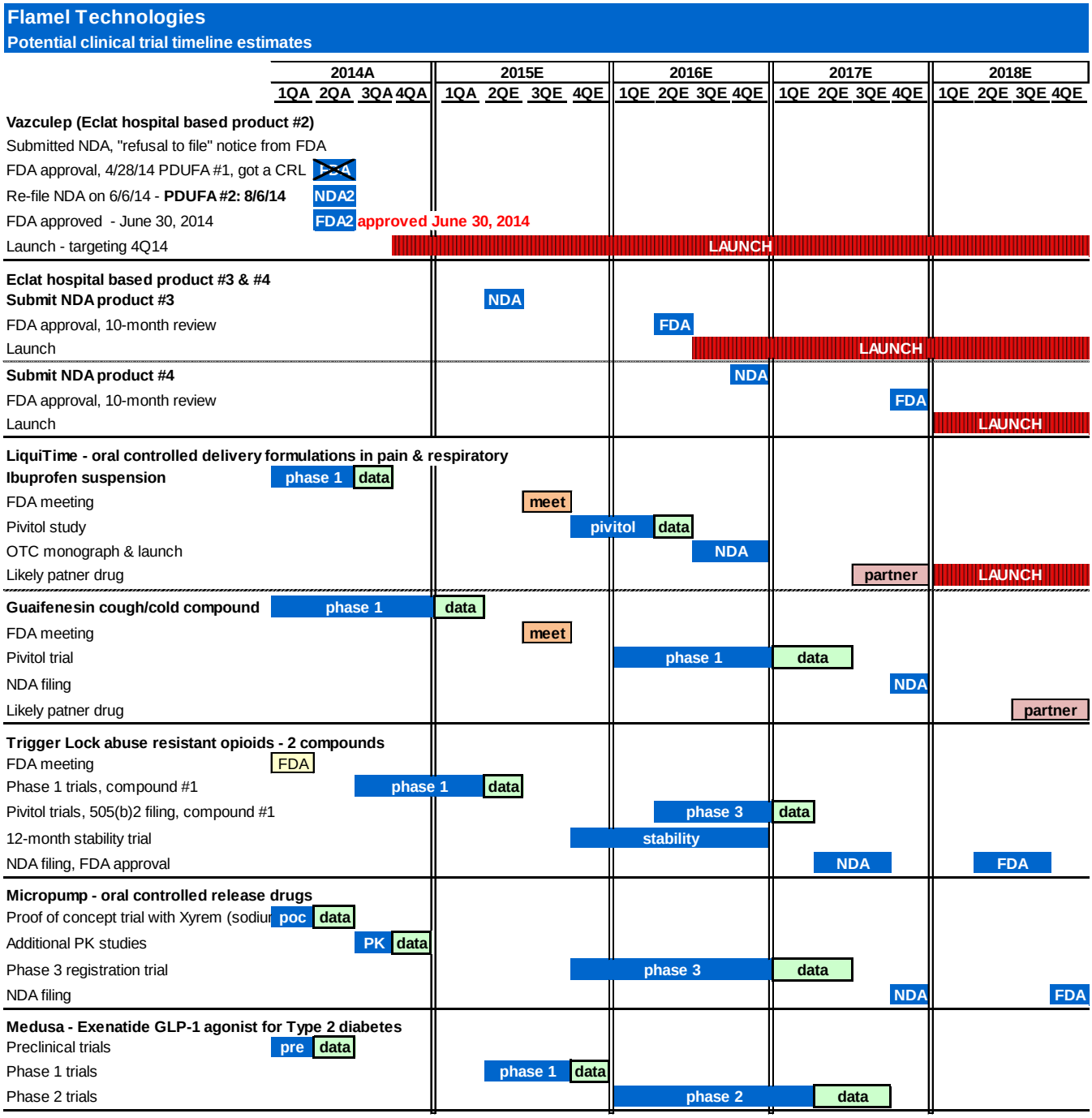
Figure 9. Clinical Trial Timelines



Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

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Quarterly Income Statement

Flamel Technologies
Quarterly income statement

($000's except per share)	2014A 1QA	2014A 2QA	2014A 3QA	2014A 4QA	2014A Year	2015E 1QA	2015E 2QE	2015E 3QE	2015E 4QE	2015E Year
Revenues										
Bloxiverz (neostigmine)	$3,840	$2,200	$2,200	$2,907	$11,147	$29,200	$61,680	$49,667	$38,191	$178,738
Vazculep (phenylephrine hci)						3,511	2,250	2,250	2,250	10,261
License & research	1,433	2,270	681	30	4,414	(38)				
Product sales & service	2,100	1,928	2,547		6,575					
1x, other, milestones (license	1,802	1,683	1,600	29	5,114	53	50	50	50	203
Total Revenues	**$9,175**	**$8,081**	**$7,028**	**$2,966**	**$27,250**	**$32,726**	**$63,980**	**$51,967**	**$40,491**	**$189,164**
Expenses										
Cost of Goods Sold	1,249	1,636	1,494	1,396	5,775	3,630	7,102	5,770	4,497	20,998
Gross Margin	**7,926**	**6,445**	**5,534**	**1,570**	**21,475**	**29,096**	**56,878**	**46,197**	**35,994**	**168,165**
R&D	7,094	6,742	7,028	5,636	26,500	6,022	6,250	6,250	6,250	24,772
SG&A	3,555	4,732	4,105	4,093	16,485	4,463	4,500	4,500	4,500	17,963
Acq. liab. remeasurement					0					0
Impairment of assets										0
Total Operating Expenses	**10,649**	**11,474**	**11,133**	**9,729**	**42,985**	**10,485**	**10,750**	**10,750**	**10,750**	**42,735**
Income (loss) from Ops	**(2,723)**	**(5,029)**	**(5,599)**	**(8,159)**	**(21,510)**	**18,611**	**46,128**	**35,447**	**25,244**	**125,430**
Royalty payments - Eclat					0	(5,796)	(13,159)	(10,687)	(8,324)	(37,966)
Interest income	(2,173)	94	86	543	(1,450)	657	25	25	25	732
Royalty remeasurement					0					0
FOREX gain/(loss)	179	292	(620)		(149)	2,264				2,264
Other income/(loss)	52	30	71	(188)	(35)	(852)	50	50	50	(702)
Pretax Income (Loss)	**(4,665)**	**(4,613)**	**(6,062)**	**(7,804)**	**(23,144)**	**14,884**	**33,044**	**24,836**	**16,994**	**89,758**
Income tax exp/(benefit)	(459)	273	(29)	(1,272)	(1,487)	10,473	16,522	11,424	7,648	46,067
NI from discontinued ops				4,735						
Net income/(loss)	**(4,206)**	**(4,886)**	**(6,033)**	**(6,532)**	**(21,657)**	**4,411**	**16,522**	**13,411**	**9,347**	**43,691**
EPS - adjusted	**($0.15)**	**($0.13)**	**($0.16)**	**($0.17)**	**($0.60)**	**$0.10**	**$0.38**	**$0.31**	**$0.21**	**$1.00**
EPS as reported	**($0.94)**	**($0.55)**	**($0.26)**	**($0.69)**	**($2.34)**	**$0.27**				**$1.17**
Shares out (000)	28,200	38,438	38,767	39,208	36,211	40,207	40,507	40,807	41,107	40,657
Fully diluted shares (000)	34,800	42,038	42,367	42,808	40,503	42,834	43,507	43,807	44,107	43,564

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

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Annual Income Statement

Flamel Technologies
Annual income statement

($000's except per share)	2014A	2015E	2016E	2017E	2018E	Comments
Revenues						
Bloxiverz (neostigmine)	$11,147	$178,738	$141,858	$117,197	$116,756	~$200M peak; 100% share 2Q15
Vazculep (phenylephrine hci)		10,261	16,250	22,000	30,000	$30M-$40M peak sales
Eclat products #3 & #4			6,650	117,225	195,000	~$70M & $30M-$40M peak each
LiquiTime royalty				0	10,200	oral ibuprofen & guarifenesin
TriggerLock royalty					0	Less abusable opioids
License & research	4,414	0	0	0	0	Sold to Recipharm AB 12/1/14
Product sales & service	6,575	0	0	0	0	Sold to Recipharm AB 12/1/14
1x milestones (license deals)	5,114	203	200	200	0	Partnership milestones here
Total Revenues	**$27,250**	**$189,164**	**$164,958**	**$256,622**	**$351,956**	
Expenses						
Cost of Goods Sold	5,775	20,998	18,171	28,236	34,176	
Gross Margin	**21,475**	**168,165**	**146,786**	**228,385**	**317,780**	
R&D	26,500	24,772	28,000	30,500	35,000	Deep pipeline entering clinic
SG&A	16,485	17,963	19,750	24,000	32,250	
Total Operating Expenses	**42,985**	**42,735**	**47,750**	**54,500**	**67,250**	
Income (loss) from Ops	**(21,510)**	**125,430**	**99,036**	**173,885**	**250,530**	
Royalty payments - Eclat	0	(37,966)	(33,914)	(52,782)	(70,347)	Deerfield & Broadfin payments
Interest income	(1,450)	732	1,050	2,275	3,750	
FOREX gain/(loss)	(149)	2,264	0	0	0	non-cash item
Other income/(loss)	(35)	(702)	400	400	400	
Pretax Income (Loss)	**(23,144)**	**89,758**	**66,573**	**123,778**	**184,333**	
Taxes	(1,487)	46,067	28,657	49,511	64,517	NOLs limit taxes
Net income/(loss)	**(21,657)**	**43,691**	**37,915**	**74,267**	**119,817**	
1x & non-cash items	63,249	(7,235)	0	0	0	non-cash item
NI as reported	**(84,906)**	**50,926**	**37,915**	**74,267**	**119,817**	
EPS - adjusted	**($0.60)**	**$1.00**	**$0.85**	**$1.60**	**$2.50**	
EPS as reported	**($2.34)**	**$1.17**				
Shares out (000)	36,211	40,657	41,857	43,057	44,257	
Fully diluted shares (000)	40,503	43,564	44,857	46,307	48,007	
Margin & expense analysis						
COGS	21%	11%	11%	11%	10%	
R&D	97%	13%	17%	12%	10%	
SG&A	60%	9%	12%	9%	9%	
Operating margin	-79%	66%	60%	68%	71%	
Taxes	6%	51%	43%	40%	35%	
Net margin	-79%	23%	23%	29%	34%	
Year-over-year change						
Net revenue	21%	594%	-13%	56%	37%	
COGS	33%	264%	-13%	55%	21%	
Gross margin	19%	683%	-13%	56%	39%	
R&D	-1%	-7%	13%	9%	15%	
SG&A	14%	9%	10%	22%	34%	
Operating income	-7%	-683%	-21%	76%	44%	
Net income	35%	-302%	-13%	96%	61%	

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

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Balance Sheet

Flamel Technologies
Balance sheet

($000's except per share)	2013A	1Q14A	2Q14A	3Q14A	2014A	2015E	2016E	2017E	2018E
Current Assets									
Cash and cash equivs	$6,636	$55,505	$54,104	$24,006	$24,006	$211,745	$258,410	$344,427	$477,244
Total Current Assets	**33,623**	**108,725**	**105,121**	**99,248**	**79,490**	**266,745**	**346,910**	**446,927**	**595,094**
Goodwill	18,490	18,491	18,491	18,490	18,490	18,490	18,490	18,490	18,490
PP&E, net	17,435	17,170	16,605	15,182	22,000	24,000	28,000	32,500	36,000
Intangible assets, net	40,139	37,201	34,264	31,327	40,139	40,139	40,139	40,139	40,139
R&D tax credit, LT	6,410								
Other	154	155	150	139					
Total Assets	**116,252**	**181,742**	**174,631**	**164,386**	**160,294**	**350,624**	**435,789**	**541,556**	**693,473**
Current Liabilites									
Total Current Liabilites	**40,595**	**37,297**	**37,841**	**47,720**	**18,250**	**22,500**	**32,500**	**41,750**	**48,500**
LT debt, less current	66,320	56,570	69,401	68,028	65,070	65,000	65,000	65,000	65,000
Capital lease oblg, less current	103	120	70	36					
Deferred rev, less current									
Deferred tax liabilities	2,806								
Total LT Liabilities	**85,169**	**66,316**	**78,927**	**76,618**	**74,370**	**75,750**	**77,000**	**79,000**	**80,500**
Shareholders' Equity									
Common stock	3,746	5,888	5,933	5,998	3,746	3,746	3,746	3,746	3,746
Additional paid in capital	211,473	324,378	326,397	329,677	310,316	451,325	487,325	507,575	531,425
Accumulated deficit	(235,546)	(262,184)	(283,257)	(293,303)	(257,203)	(213,512)	(175,597)	(101,330)	18,487
Accumulated other income	10,815	10,047	8,790	(2,324)	10,815	10,815	10,815	10,815	10,815
Total SE (deficit)	**(9,512)**	**78,129**	**57,863**	**40,048**	**67,674**	**252,374**	**326,289**	**420,806**	**564,473**
Total liabilities & SE	**116,252**	**181,742**	**174,631**	**164,386**	**160,294**	**350,624**	**435,789**	**541,556**	**693,473**

Source: Company reports and Laidlaw estimates

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

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Cash flow Statement

Flamel Technologies
Statement of cash flows

($000's except per share)	2013A	1Q14A	2Q14A	3Q14A	2014A	2015E	2016E	2017E	2018E
Operating Cash Flow									
Net Income/Loss	(42,925)	(26,638)	(47,711)	(57,757)	(21,657)	43,691	37,915	74,267	119,817
Depreciation	3,062	3,570	7,213	10,639	7,500	7,500	8,000	9,000	10,000
Royalty debt interest exp			1,179	2,518					
Deferred tax	(11,320)								
Stock comp expense	2,029	772	1,107	1,789					
Income tax	2,702	(2,807)	(2,807)	(2,807)					
Changes in Assets & Liabilites	20,064	5,237	3,304	8,065	(4,409)	305	250	750	1,250
Cash from operations	**(20,676)**	**(2,398)**	**(7,803)**	**(4,306)**	**(18,566)**	**51,496**	**46,165**	**84,017**	**131,067**
Investing Activities									
PP&E	(1,029)	(399)	(715)	(1,404)	(1,250)	(3,000)	(3,000)	(4,000)	(4,000)
Cash from investing	**6,044**	**(27,791)**	**(24,130)**	**(57,062)**	**14,496**	**(3,000)**	**(3,000)**	**(4,000)**	**(4,000)**
Financing Activities									
Reimburse loans/grants	(475)	(34,288)	(34,424)	(34,677)	(34,500)				
Acquisition earn-outs	(907)		(611)						
Proceeds from loans/grants	19,333		(151)	(995)	(1,250)	(1,250)	(1,500)	(1,500)	(1,750)
Principal repayment	(77)	(26)	(47)	(62)	(75)				
Proceeds from stock issuance	400	114,388	116,152	118,802	**114,388**	**5,000**	**5,000**	**7,500**	**7,500**
Cash from financing	**18,274**	**80,074**	**80,919**	**83,068**	**113,063**	**3,750**	**3,500**	**6,000**	**5,750**
Forex impact	252	(1,015)	(1,518)	(4,330)	(5,000)				
Change in cash	**3,894**	**48,870**	**47,468**	**17,370**	**103,993**	**52,246**	**46,665**	**86,017**	**132,817**
Cash, start of period	2,742	6,636	6,636	6,636	55,506	159,499	211,745	258,410	344,427
Cash, end of period	**6,636**	**55,506**	**54,104**	**24,006**	**159,499**	**211,745**	**258,410**	**344,427**	**477,244**

Source: Company reports and Laidlaw estimates

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

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Additional information available upon request.

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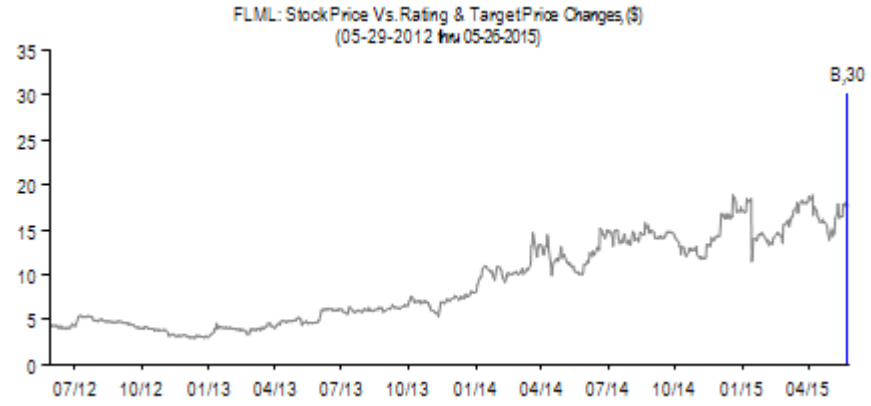
RATINGS INFORMATION

Rating and Price Target Change History



3 Year Rating Change History

Date	Rating	Closing Price ($)
05/26/2015	Buy (B)	17.72*

3 Year Price Change History

Date	Target Price ($)	Closing Price, ($)
05/26/2015	30.00	17.72*

** Previous Close5/22/2015*

Source: Laidlaw & Company **Created by: Blue-Compass.net**

Laidlaw & Company Rating System*		% of Companies Under Coverage With This Rating	% of Companies for which Laidlaw & Company has performed services for in the last 12 months	
			Investment Banking	Brokerage
Strong Buy (SB)	Expected to significantly outperform the sector over 12 months.	0.00%	0.00%	0.00%
Buy (B)	Expected to outperform the sector average over 12 months.	74.07%	29.63%	7.41%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	3.70%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

ADDITIONAL COMPANIES MENTIONED

Fresenius Medical Care (FMS – Not Rated)
Jazz Pharmaceuticals (JAZZ – Not Rated)
Sandoz (SAN – Not Rated)

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