Chimerix, Inc. (CMRX) — Overweight

Approval To Start P2 Adenovirus Trial Quells Brewing Storm

CONCLUSION

We were pleased to see CMRX gain FDA approval to initiate a P2 open label study of brincidofovir for treatment of adenovirus, after public pressure was intensifying for the company to release the drug for a young boy with adenovirus complications related to his transplant procedure. While we do not have full details of the case, the fact that he has active adenovirus infection and has already been treated with cidofovir (and experienced nephrotoxicity) suggests brincidofovir's success is not guaranteed, but it is certainly worth trying given the drug's dsDNA virus activity. A placebo-controlled study of brincidofovir for adenovirus seems to be unfeasible (either before or after the drug gains approval for CMV prevention), but that does not mean there can't be a path forward for the drug in this indication. We reiterate our $33 PT as CMRX remains one of our top picks for the year.

- **Emotions were intensifying:** Given the cost of compassionate use programs and the need to bring brincidofovir to the market expediently to treat as broad a population as quickly as possible, CMRX had made the decision to narrow compassionate use release of brincidofovir for specific indications, excluding adenovirus. The company has already rejected ~80 requests for treatment of adenovirus infection, but the case of a young boy with active adenovirus post-transplant whose requests for drug were denied recently gained unprecedented national media attention. However CMRX did not believe it would be able to justify this compassionate use given the context of these prior refusals.

- **A path forward:** This 20-patient open label Phase II study for adenovirus will allow the boy to begin dosing with brincidofovir tomorrow. We will have to wait and see if the results of this Phase II study in conjunction with the prior clinical data enable a regulatory path forward for the adenovirus indication as an expanded label opportunity. Timelines of this study relative to the Phase III SUPPRESS study remain to be seen.

- **Will have to see how this turns out:** While it would be a great outcome for the company if such a high profile case were to end in a triumphant cure of adenovirus infection and full recovery in this boy, sadly there is no guarantee this will be the case. That doesn't lessen the potential of brincidofovir on a broader scale, rather highlights the need for the drug to be evaluated appropriately and brought to the market swiftly.

Note: price is as of the close March 11, 2014

COMPANY DESCRIPTION

CMRX is an antiviral drug development company.

PRICE: US$20.80
TARGET: US$33.00
DCF thru 2022; 11% disc rate & 13x term multiple

Joshua E. Schimmer, MD
Sr Research Analyst, Piper Jaffray & Co.
212 284-9322, joshua.e.schimmer@pjc.com

Jerry Yang, Ph.D.
Research Analyst, Piper Jaffray & Co.
212 284-9331, Jerry.N.Yang@pjc.com

Related Companies:	Share Price:
CMRX	20.80

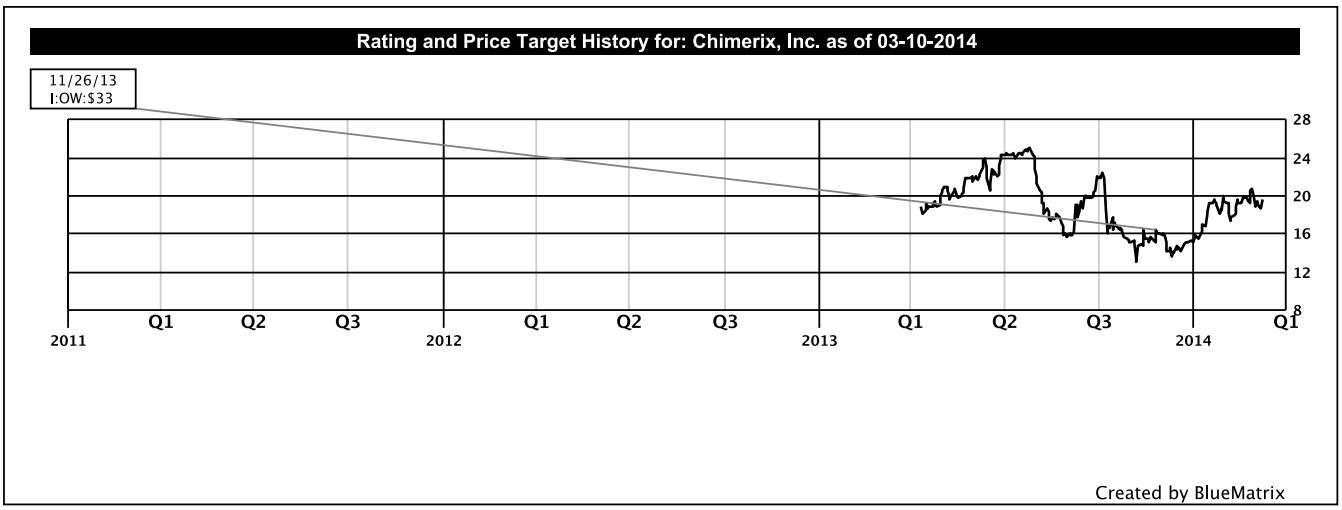
RISKS TO ACHIEVEMENT OF PRICE TARGET

SUPPRESS study may fail or safety concerns could limit brincidofovir's potential.

Price Performance - 1 Year

Source: Bloomberg

IMPORTANT RESEARCH DISCLOSURES



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R: Resuming Coverage
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D: Discontinuing Coverage
S: Suspending Coverage
OW: Overweight
N: Neutral
UW: Underweight
NA: Not Available
UR: Under Review

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Analyst Certification — Joshua E. Schimmer, MD, Sr Research Analyst
— Jerry Yang, Ph.D., Research Analyst

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