COWEN AND COMPANY

Chimerix

Outperform (1)

Reports Q1:13; Dosing In SUPPRESS On Track To Begin During Q3

May 13, 2013

Analysts
Phil Nadeau, Ph.D.
(646) 562-1336
phil.nadeau@cowen.com

Imran Babar, Ph.D.
(646) 562-1331
imran.babar@cowen.com

Conclusion: This morning Chimerix reported Q1:13 earnings and provided an update on its pipeline. We believe that Chimerix is undervalued based just on CMX001's potential as a CMV prophylactic in HSCT patients, with no contribution from other indications or other pipeline programs. We expect Chimerix's stock to outperform over the next 12 months as CMX001 progresses through development.

- **Q1:13 Financials.** Chimerix reported $1.8MM in BARDA-associated revenue, a net loss of $9.1MM and $25.5MM in accretion of redeemable convertible preferred, equating to a net loss of $22.58/share. Following Chimerix's April IPO the company had $134.1MM in cash, $14.3MM in debt, and 25.7MM shares outstanding.

- **Dosing In SUPPRESS To Begin During Q3.** The Ph. III SUPPRESS trial will test CMX001 in CMV prophylaxis. It will enroll 450 CMV seropositive adult patients and randomize them 2:1 to 100mg BIW CMX001 or placebo for 14 weeks. The primary endpoint of the study is failure to prevent CMV reactivation through week 24. The trial is powered to detect a 50% decrease in CMV reactivation in CMX001 vs. placebo. A single measure of CMV in the blood greater than or equal to 1,000 copies/mL (by quantitative PCR) will be considered a failure of CMV prevention. In addition, subjects at risk for rapid progression to CMV disease (recipients of umbilical cord blood stem cells, for example) will have a lower threshold of 150 copies/mL (the lower limit of quantification of the assay) for the initiation of pre-emptive therapy. Data from the SUPPRESS trial are expected in 2015.

- **CMRX To Define Pediatric Development Plan During H2.** Chimerix will unblind the results from the Phase II of CMX001 as preemptive therapy for adenoviral disease in HSCT during H2, and will define a pediatric registration plan after.

CMRX (05/10)	**$20.05**
Mkt cap	**515.3MM**
Dil shares out	25.7MM
Avg daily vol	102.5K
52-wk range	$15.1-22.3
Dividend	Nil
Dividend yield	Nil
BV/sh	$4.24
Net cash/sh	$4.26
Debt/cap	2.8%
ROIC (LTM)	NA
5-yr fwd EPS growth (Norm)	NA
S&P 500	**1630.8**

Revenue $MM

FY Dec	2012 Actual	2013E Prior	2013E Current	2014E Prior	2014E Current	2015E Prior	2015E Current
Q1	0.0	—	1.8A	—	—	—	—
Q2	0.0	—	0.0	—	—	—	—
Q3	0.0	—	0.0	—	—	—	—
Q4	0.0	—	0.0	—	—	—	—
Year	**33.7**	**0.0**	**1.8**	**—**	**5.0**	**—**	**15.5**
EV/S	—	—	230.6x	—	83.0x	—	26.8x

EPS $

FY Dec	2012 Actual	2013E Prior	2013E Current	2014E Prior	2014E Current	2015E Prior	2015E Current
Q1	0.00	—	(22.58)A	—	—	—	—
Q2	0.00	(0.42)	(0.40)	—	—	—	—
Q3	0.00	(0.43)	(0.42)	—	—	—	—
Q4	0.00	(0.45)	(0.44)	—	—	—	—
Year	**(1.62)**	**(2.10)**	**(2.00)**	**—**	**(1.55)**	**—**	**(1.20)**
P/E	—	—	—	—	—	—	—

Investment Thesis

Chimerix is a biopharmaceutical company focused on the discovery and development of novel antivirals. Chimerix has a propriety lipid technology that has been shown to improve the potency of antivirals, and has produced two clinical stage candidates. Lead candidate CMX001 is a phospholipid derivative of GILD's cidofovir that can potently kill a wide range of dsDNA viruses. It has successfully completed a Phase II trial for the prophylaxis against CMV reactivation in hematopoietic stem cell transplant (HSCT) patients. A Phase III trial is expected to begin in Q3:13, supporting an U.S. launch by 2016. Our consultants think CMX001 is safe, well tolerated, and potent, and is consequently likely to succeed in its Phase III SUPPRESS trial. Moreover, they think there is a need for a prophylactic to prevent infection with CMV and other dsDNA viral infections in transplant patients, and therefore expect CMX001 to be widely adopted once available. We project that CMX001 will achieve worldwide sales of $330MM in HSCT alone by 2019, with Chimerix achieving profitability in 2017. CMX001 is also in development for the prevention of viral infection in solid organ transplant patients, and as a bioterrorism measure to prevent smallpox. Behind CMX001 is CMX157, a phospholipid derivative of GILD's tenofovir that partner Merck is developing for the treatment of HIV. We believe that Chimerix is undervalued based just on CMX001's potential as a CMV prophylactic in HSCT patients, with no contribution from other indications or other pipeline programs. We expect Chimerix's stock to outperform over the next 12 months as CMX001 progresses through development.

Upcoming Chimerix Milestones

Event	Timing
Initiate Phase III SUPPRESS trial of CMX001 as prophylactic against CMV in adult HSCT	Q3:13
Data from Phase II Study 202 of CMX001 as preemptive therapy for adenoviral disease in HSCT	H2:13
Define pediatric development plan for CMX001	H2:13
Data from Study 350 of CMX001 in transplant patients with severe, life threatening dsDNA infections	2013
Negotiation with BARDA over continued funding of CMX001's smallpox program	2013

Source: Cowen and Company

Chimerix Quarterly P&L ($MM)

	2012A	Q1:13A	Q2:13E	Q3:13E	Q4:13E	2013E
CMX-001		-				-
CMX-157 Royalty		-				-
Collaboration and Licensing Revenue	17.4	-	-	-	-	-
Contract And Grant Revenue	16.3	1.8				1.8
Total Revenue	33.7	1.8	-	-	-	1.8
COGS		-	-	-	-	-
Gross Margin						
R&D	27.8	6.5	7.2	7.8	8.2	29.7
SG&A	8.7	1.8	2.8	3.0	3.1	10.7
Other						
Operating Expenses	36.5	8.3	10.0	10.8	11.3	40.4
Operating Income / (Loss)	(2.8)	(6.5)	(10.0)	(10.8)	(11.3)	(38.6)
Interest Income, net	(0.8)	(0.4)	(0.2)	(0.2)	(0.2)	(1.0)
Other Income	(0.8)	(2.2)				
Pretax net income	(4.4)	(9.1)	(10.2)	(11.0)	(11.5)	(39.6)
Accretion of redeemable convertible preferred stock	(4.4)	(25.5)				
Taxes		-	-	-	-	-
Tax Rate		*0%*	*0%*	*0%*	*0%*	*0%*
GAAP Net Income	(8.8)	(34.6)	(10.2)	(11.0)	(11.5)	(39.6)
GAAP EPS	**$(1.62)**	**$(22.58)**	**$(0.40)**	**$(0.42)**	**$(0.44)**	**$(2.00)**
Diluted Shares Outstanding (MM)	5.4	1.5	25.7	25.9	26.0	19.8

Source: Cowen and Company

Chimerix Annual P&L ($MM)

	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E
CMX-001	-	-	-	-	45.0	135.0	240.0	330.0
CMX-157 Royalty	-	-	-	-	-	-	-	-
Collaboration and Licensing Revenue	17.4	-	5.0	15.5	20.0	20.0	20.0	20.0
Contract And Grant Revenue	16.3	1.8	-	-	-	-	-	-
Total Revenue	33.7	1.8	5.0	15.5	65.0	155.0	260.0	350.0
COGS	-	-	0.5	1.6	3.6	10.8	19.2	26.4
Gross Margin		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
R&D	27.8	29.7	34.5	38.0	45.0	55.0	65.0	75.0
SG&A	8.7	10.7	12.0	13.0	28.0	34.0	40.0	45.0
Other	-	-	-	-	-	-	-	-
Operating Expenses	36.5	40.4	47.0	52.6	76.6	99.8	124.2	146.4
Operating Income / (Loss)	(2.8)	(38.6)	(42.0)	(37.1)	(11.6)	55.2	135.8	203.6
Interest Income, net	(0.8)	(1.0)	0.5	1.0	1.0	2.0	6.0	6.0
Other Income								
Pretax net income	(4.4)	(39.6)	(41.5)	(36.1)	(10.6)	57.2	141.8	209.6
Accretion of redeemable convertible preferred stock								
Taxes	-	-	-	-	-	-	-	-
Tax Rate	-	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
GAAP Net Income	(8.8)	(39.6)	(41.5)	(36.1)	(10.6)	57.2	141.8	209.6
GAAP EPS	**(1.62)**	**(2.00)**	**(1.55)**	**(1.20)**	**(0.35)**	**1.65**	**3.95**	**5.65**
Diluted Shares Outstanding (MM)	5.4	19.8	26.8	30.0	30.5	34.8	35.9	37.1

Source: Cowen and Company

Addendum

STOCKS MENTIONED IN IMPORTANT DISCLOSURES

Ticker	Company Name
CMRX	Chimerix

ANALYST CERTIFICATION

Each author of this research report hereby certifies that (i) the views expressed in the research report accurately reflect his or her personal views about any and all of the subject securities or issuers, and (ii) no part of his or her compensation was, is, or will be related, directly or indirectly, to the specific recommendations or views expressed in this report.

IMPORTANT DISCLOSURES

Cowen and Company, LLC and or its affiliates make a market in the stock of CMRX securities.

Cowen and Company, LLC and/or its affiliates managed or co-managed a public offering of CMRX within the past twelve months.

Cowen and Company, LLC and/or its affiliates received in the past 12 months compensation for investment banking services from CMRX.

CMRX is or was in the past 12 months a client of Cowen and Company, LLC; during the past 12 months, Cowen and Company, LLC provided IB services.

CMRX has been client(s) of Cowen and Company, LLC in the past 12 months.

Cowen and Company, LLC and/or its affiliates expect to receive, or intend to seek, compensation for investment banking services in the next 3 months from CMRX.

Cowen and Company, LLC compensates research analysts for activities and services intended to benefit the firm's investor clients. Individual compensation determinations for research analysts, including the author(s) of this report, are based on a variety of factors, including the overall profitability of the firm and the total revenue derived from all sources, including revenues from investment banking. Cowen and Company, LLC does not compensate research analysts based on specific investment banking transactions.

DISCLAIMER

This research is for our clients only. Our research is disseminated primarily electronically and, in some cases, in printed form. Research distributed electronically is available simultaneously to all Cowen and Company, LLC clients. All published research, including required disclosures, can be obtained on the Firm's client website, www.cowenresearch.com.

Further information on any of the above securities may be obtained from our offices. This report is published solely for information purposes, and is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Other than disclosures relating to Cowen and Company, LLC, the information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete statement or summary of the available data. Any opinions expressed herein are statements of our judgment on this date and are subject to change without notice.

Notice to UK Investors: This publication is produced by Cowen and Company, LLC which is regulated in the United States by FINRA. It is to be communicated only to persons of a kind described in Articles 19 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. It must not be further transmitted to any other person without our consent.

Cowen and Company, LLC. New York (646) 562-1000 **Boston** (617) 946-3700 **San Francisco** (415) 646-7200
Chicago (312) 577-2240 **Cleveland** (440) 331-3531 **Atlanta** (866) 544-7009 **London (affiliate)** 44-207-071-7500

COWEN AND COMPANY RATING DEFINITIONS (a)

Rating	Definition
Outperform (1)	Stock expected to outperform the S&P 500
Neutral (2)	Stock expected to perform in line with the S&P 500
Underperform (3)	Stock expected to underperform the S&P 500

(a) Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period.

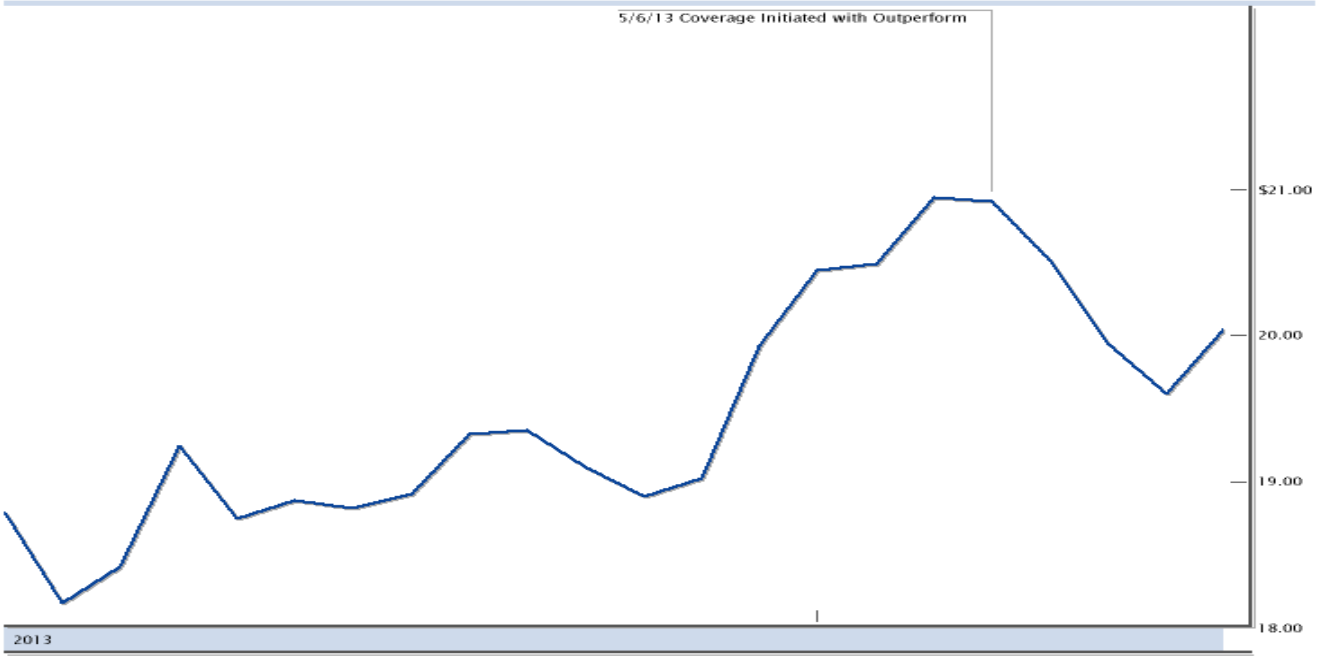
COWEN AND COMPANY RATING ALLOCATION (a)

Rating	Pct of companies under coverage with this rating	Pct for which Investment Banking services have been provided within the past 12 months
Buy (b)	53.3%	9.3%
Hold (c)	43.0%	0.5%
Sell (d)	3.4%	0.0%

(a) As of 03/31/2013. (b) Corresponds to "Outperform" rated stocks as defined in Cowen and Company, LLC's rating definitions (see above). (c) Corresponds to "Neutral" as defined in Cowen and Company, LLC's ratings definitions (see above). (d) Corresponds to "Underperform" as defined in Cowen and Company, LLC's ratings definitions (see above). Note: "Buy," "Hold" and "Sell" are not terms that Cowen and Company, LLC uses in its ratings system and should not be construed as investment options. Rather, these ratings terms are used illustratively to comply with NASD and NYSE regulations.

Cowen and Company Price and Ratings History

Chimerix - CMRX



Pricing data provided by Reuters America. Chart as of 5/10/13 in USD.