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May 13, 2013

Stock Rating  
**Overweight**

Industry View  
**In-Line**

## Chimerix Inc

### 2013 Focus Is on CMX001 Data in AdV + Other Viruses

#### What's Changed

Price Target **\$26.00 to \$27.00**

**1Q earnings were in-line. Our near term focus remains on Ph 2 AdV HALT data in 2H13 and EIND data in 2013/2014.**

**Upcoming CMX001 Data:** Upcoming data catalysts that we, and likely the Street, are focused on include 2H13 AdV (adenovirus) HALT Ph 2 trial data and 2013-2014 compassionate use EIND data. We believe that both of these data sets will help a) guide which dsDNA viruses Chimerix will focus on as their next value driving opportunity and b) further de-risk the Ph 3 CMV HSCT program. In addition, the AdV trial itself has the potential to create a second, and possibly quicker, path to mkt for CMX001, enhancing the theoretical value of those data. While we are optimistic the drug will generate strong Ph 2 AdV data given the in vitro and in vivo data to date, we are less clear as to the hurdle for approval based on these data.

**CMX001 Ph 3:** As discussed in our recent initiation ("Compelling Anti-Viral Opportunity; Init OW, \$26 PT" published May 6, 2013), we are optimistic about the outcome of the Ph 3 SUPPRESS trial, with the recently announced trial designing enhancing this positive view. In addition, we are optimistic that the Ph 3 SUPPRESS trial design will be sufficient for EU approval given the significant unmet need and likely favorable risk/benefit balance. Regardless, the EU is a much smaller part of our valuation as we model a smaller mkt opportunity in the EU with Chimerix partnering the drug and receiving a royalty. Chimerix noted the possibility of filing in the US for standard approval based on outcomes vs. accelerated approval based on viremia. Given the drug should be on the mkt either way with a clinically relevant data set, we view this as less of an issue.

**What's New:** Chimerix reported a 1Q GAAP EPS loss of (\$22.58). Our PT inc. of \$1 is driven by an advanced discount period and other small model adjustments.

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#### Key Ratios and Statistics

Reuters: CMRX.O Bloomberg: CMRX US

Biotechnology / United States of America

Price target	<b>\$27.00</b>
Shr price, close (May 10, 2013)	\$20.05
Mkt cap, curr (mm)	\$489
52-Week Range	\$22.25-15.11

Fiscal Year ending	12/12	12/13e	12/14e	12/15e
ModelWare EPS (\$)	(2.38)	(1.58)	(1.63)	1.47
Prior ModelWare EPS (\$)	(2.89)	(1.73)	(1.63)	1.47
P/E	NM	NM	NM	13.6
Consensus EPS (\$)\$	-	(1.94)	(1.72)	(0.89)
Div yld (%)	-	-	-	-
EPS (\$)**	(2.89)	(2.71)	(1.63)	1.47

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

\$ = Consensus data is provided by Thomson Reuters Estimates.

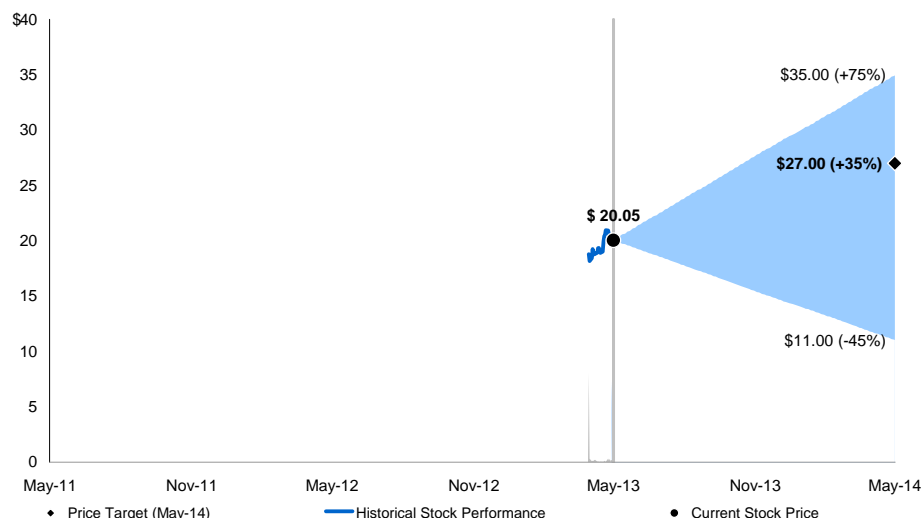
\*\* = Based on consensus methodology  
e = Morgan Stanley Research estimates

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## Risk-Reward Snapshot: Chimerix (CMRX, OW, PT \$27)

### CMX001 Drives Risk-Reward



Source: Morgan Stanley Research estimates, Thomson Reuters

<b>Price Target \$27</b>	We derive our PT from a discounted cash flow analysis that uses a WACC of 15% and a 0% terminal growth rate. The main revenue driver in our model is the launch of CMX001 in the US in 2016 and in the ROW in 2017.	
<b>Bull Case \$35</b>	<b>DCF</b> <b>WW 2022 Sales:</b> <b>HSCTs:</b> ~\$770mn (~\$540mn to Chimerix) <b>SOTs:</b> ~\$210mn (~\$170mn to Chimerix)	<b>CMX001 success in HSCTs and SOTs with dominant share of the prophylaxis and treatment HSCT mkt. We assume (2022):</b> 1) ~70% share of addressable US prophylaxis HSCT mkt, 2) ~60% share of addressable US 1 <sup>st</sup> line treatment HSCT mkt, 3) ~95% share of addressable US 2 <sup>nd</sup> line treatment HSCT mkt, 4) ~40% of prophylaxis patients receive prolonged prophylaxis, 5) HSCT prophylaxis competitor share is <20%, and 6) ~60% share of the addressable SOT mkt.
<b>Base Case \$27</b>	<b>DCF</b> <b>WW 2022 Sales:</b> <b>HSCTs:</b> ~\$620mn (~\$430mn to Chimerix) <b>SOTs:</b> ~\$140mn (~\$110mn to Chimerix)	<b>CMX001 success in HSCTs and SOTs with solid share in the prophylaxis and treatment HSCT market. We assume (2022):</b> 1) ~60% share of addressable US prophylaxis HSCT mkt, 2) ~50% share of addressable US 1 <sup>st</sup> line treatment HSCT mkt, 3) ~75% share of addressable US 2 <sup>nd</sup> line treatment HSCT mkt, 4) ~30% of prophylaxis patients receive prolonged prophylaxis, 5) HSCT prophylaxis competitor share is <25%, and 6) ~40% share of the addressable SOT mkt.
<b>Bear Case \$11</b>	<b>DCF</b> <b>WW 2022 Sales:</b> <b>HSCTs:</b> ~\$310mn (~\$220mn to Chimerix) <b>SOTs:</b> ~\$40mn (~\$30mn to Chimerix)	<b>CMX001 fails to gain sig. share in treatment or prophylaxis for HSCTs or SOTs. We assume (2022):</b> 1) ~30% share of addressable US prophylaxis HSCT mkt, 2) ~25% share of addressable US 1 <sup>st</sup> line treatment HSCT mkt, 3) ~40% share of addressable US 2 <sup>nd</sup> line treatment HSCT mkt, 4) ~15% of prophylaxis patients receive prolonged prophylaxis, 5) HSCT prophylaxis competitor share is <15%, and 6) ~10% share of the addressable SOT mkt. <b>Ultra-bear case:</b> If CMX001 fails in Ph 3, we see the stock trading down to the low single digits.

### Investment Thesis

- We are OW Chimerix as we believe CMX001 has \$750+mn sales potential in HSCT and SOT patients.
- CMX001 has shown solid early data in a Ph 2 CMV adult HSCT prophylaxis trial vs. pre-emptive standard of care.
- We do not view CMX001's safety profile (GI toxicities, GVHD, ALT increases) as limiting, and the drug is differentiated vs. standard of care given the absence of myelosuppression or nephrotoxicity
- Commercially, the opportunity in HSCT CMV infections is compelling as 1) current therapies for CMV have sig. limiting bone marrow or kidney tox., 2) docs prefer prophylaxis over pre-emption in some pts, 3) high risk transplants are growing, and 4) transplant centers are concentrated.
- CMX001 may have potential value for the prevention and/or treatment of other dsDNA viruses in a broad set of immunocompromised patients. This is upside to our base case model.
- CMX157 for HBV and HIV infections is too early for us to value.
- See **Ex. 3** for upcoming catalysts.

### Risks to our price target

- 1) CMX001 fails in Ph 3 CMV adult trial,
- 2) Ph 3 program takes sig. longer to run than we expect leading to a financing gap,
- 3) toxicity (primarily GI) is a larger problem in Ph 3 than we anticipate.

May 13, 2013

Chimerix Inc

## Valuation

Exhibit 1

### DCF Drives Valuation

(\$ in mn)	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Free Cash Flow	(2)	(63)	(38)	32	(24)	45	119	140	184	228	278	308	324	333	338	34
YoY growth	-92.5%	3032%	-39.1%	-183%	-175%	-291%	165%	17.6%	30.9%	24.2%	21.7%	10.8%	5.4%	2.7%	1.4%	-90.0%
Net Cash Proxy for Dilution	\$0.0	-\$0.4	-\$0.4	-\$0.5	-\$0.5	-\$0.5	-\$0.6	-\$0.6	-\$0.7	-\$0.7	-\$0.7	-\$0.7	-\$0.7	-\$0.7	-\$0.7	-\$0.7
Free Cash Flow for DCF	-\$2.0	-\$63.1	-\$38.6	\$31.0	-\$24.1	\$44.5	\$118.8	\$139.8	\$183.2	\$227.6	\$277.0	\$307.1	\$323.7	\$332.5	\$337.0	\$33.0
PV of Free Cash Flow		-68	-36	25	-17	27	63	65	74	80	84	81	75	67	59	5

Source: Company data, Morgan Stanley Research estimates

Exhibit 2

### DCF Valuation Suggests 30+% Upside

Valuation Date	2013.5
Discount Rate	15%
Terminal Growth Rate	0%
Terminal Value Year	2027
Sum of Discounted FCF	\$584.4
Discounted Terminal Value	\$33.4
Net Cash	\$31.5
Equity Value	\$649
Equity Value/Sh	\$27
Shares Outstanding (Basic)	24.4

Source: Company Data, Morgan Stanley Research estimates

#### \$27 PT includes CMX001 in HSCT patients and some use in SOTs.

We derive our PT from a discounted cash flow (DCF) analysis that uses a WACC of 15% and a terminal growth rate of 0% post 2027. We incorporate the cash cost of stock options

**Valuation Methodology:** We use a DCF to value Chimerix as well as most other companies under coverage. We believe a DCF best captures the longer term nature of drug development and commercialization. We do not feel that a multiples analysis accomplishes the same goal, as it only evaluates a company during a snapshot in time.

**Discount Rate:** We typically apply a discount rate of 15% to development stage companies that still have a fair amount of risk.

**Terminal Growth Rate:** Our modeled cash flows extend to

2022. Beyond this, we grow free cash flow from 2023-2025 at 25% of the prior year's growth rate. We decline cash flows by 90% in 2027 due to the Dec. 2020 composition of matter patent expiry (we assume 5 yrs of Hatch Waxman). Beyond 2027, we use a terminal growth rate of 0%. The company has applied for patents (manufacturing, polymorph, etc.) which could extend the IP for CMX001 through 2031/2032.

**Revenue:** The revenue driver in our model is CMX001 in HSCT and SOT patients.

**Economics:** Chimerix currently has full rights to CMX001, but we model Chimerix partnering CMX001 ex-US with a 22.5% royalty. Chimerix pays a small royalty (we est. 2.5% of WW sales) to UCSD for patent rights for CMX001 and CMX157. CMX157 is partnered with Merck.

**COGS:** We model COGS of 6% of US and Canada sales. The UCSD royalty is accounted for through COGS as well.

#### Operating Expenses:

**R&D:** We model R&D decreasing through 2022 as trial expenses for CMX001 decrease.

**SG&A:** We model SG&A increasing significantly in 2016 as Chimerix begins building out a US and Canadian sales force. Post 2016, SG&A increases modestly.

**Financings:** We model a \$75mn raise in 2015.

**Key Risks To Our Price Target Include:** 1) CMX001 fails in Ph 3 CMV adult trial, 2) Ph 3 program takes sig. longer to run than we expect leading to a financing gap, 3) toxicity (primarily GI) is a larger problem in Ph 3 than we anticipate

Exhibit 3

## Catalyst Calendar

Drug	Type	Event	Expected Timing
CMX001	Product Advancement	Initiate Ph 3 SUPPRESS study in CMV	Mid-13
CMX001	Clinical Data	Study 350 data in dsDNA viruses	2H13
CMX001	Clinical Data	Ph 2 Halt study in AdV Data	2H13
CMX001	Clinical Data	Ph 3 SUPPRESS study in CMV	Mid-15

Source: Company Data, Morgan Stanley Research

Exhibit 4

## Variance Analysis

	1Q12 Actual	1Q13 MS Est	1Q13 Actual	Var. from est
Collaboration and Licensing Revenue	n/a	\$0	\$0	
Contract and Grant Revenue	n/a	\$0	\$2	
<b>Total Revenues</b>	n/a	\$0	\$2	
R&D	n/a	\$8	\$6	-22.5%
SG&A	n/a	\$2	\$2	-14.0%
<b>Total Operating Expenses</b>	n/a	\$10	\$8	-20.8%
<b>Operating Income (Loss)</b>	n/a	(\$10)	-\$6	-38.5%
<b>Net Income (Loss)</b>	n/a	(\$11)	-\$35	226.8%
<b>EPS - Diluted (GAAP)</b>	n/a	(\$6.91)	(\$22.58)	226.5%
Consensus EPS	n/a			
Basic Shares Outstanding	n/a	2	2	0.1%

Source: Company Data, Morgan Stanley Research

Exhibit 5

**Changes to Model**

	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
<b>US CMX-001 Sales</b>											
Current	0	0	0	0	36	118	200	264	316	376	444
Prior	0	0	0	0	36	118	200	264	316	376	441
<b>WW CMX-001 Sales</b>											
Current	0	0	0	0	36	151	303	434	538	641	759
Prior	0	0	0	0	36	151	303	434	538	641	756
<b>Total Revenues (\$mn)</b>											
Current	34	2	0	80	36	129	232	318	387	460	544
Prior	34	0	0	80	36	129	232	318	387	460	541
<b>COGS (\$mn)</b>											
Current	0	0	0	0	3	11	20	28	34	41	48
Prior	0	0	0	0	3	11	20	28	34	41	48
<b>SG&amp;A (\$mn)</b>											
Current	7.7	7.7	8.0	11.9	39.7	40.2	40.7	41.2	41.4	41.4	41.4
Prior	7.7	8.0	8.2	12.2	40.0	40.6	41.2	41.8	42.5	43.2	43.9
<b>R&amp;D (\$mn)</b>											
Current	27.4	30.2	30.0	28.0	25.0	23.0	22.0	21.0	21.0	21.0	21.0
Prior	27.4	32.0	30.0	28.0	25.0	23.0	23.0	23.0	23.0	23.0	23.0
<b>Interest, Other Income, net</b>											
Current	(0.8)	(0.9)	(0.4)	0.4	1.0	1.2	2.0	3.3	4.9	7.0	9.5
Prior	(1.6)	(0.7)	(0.2)	0.6	1.3	1.4	2.2	3.5	5.1	7.2	9.7
<b>Net Income, non-GAAP, ex-ESO (\$mn)</b>											
Current	(2.2)	(37.0)	(38.4)	40.4	(30.2)	55.5	130.9	150.1	191.9	236.9	288.0
Prior	(3.0)	(40.7)	(38.4)	40.4	(30.3)	55.3	131.4	148.5	190.0	234.6	283.7
<b>GAAP EPS</b>											
Current	(\$2.89)	(\$2.71)	(\$1.63)	\$1.47	(\$1.44)	\$1.90	\$4.76	\$5.47	\$7.05	\$8.75	\$10.68
Prior	(\$2.89)	(\$1.73)	(\$1.63)	\$1.47	(\$1.45)	\$1.89	\$4.77	\$5.40	\$6.97	\$8.65	\$10.50
<b>Diluted EPS (w/out option expense)</b>											
Current	(\$1.46)	(\$1.51)	(\$1.56)	\$1.55	(\$1.23)	\$2.12	\$5.01	\$5.75	\$7.34	\$9.07	\$11.02
Prior	(\$1.97)	(\$1.66)	(\$1.56)	\$1.55	(\$1.23)	\$2.12	\$5.03	\$5.69	\$7.27	\$8.98	\$10.86
<b>Diluted Shares Outstanding</b>											
Current	\$1.53	\$24.53	\$24.66	\$26.12	\$24.69	\$26.12	\$26.12	\$26.13	\$26.13	\$26.13	\$26.14
Prior	\$1.53	\$24.53	\$24.66	\$26.11	\$24.69	\$26.12	\$26.12	\$26.12	\$26.12	\$26.13	\$26.14

Source: Company Data, Morgan Stanley Research

May 13, 2013

Chimerix Inc

Exhibit 6

# Quarterly Income Statement

(\$ in millions except per-share data)	1Q13A	2Q13E	3Q13E	4Q13E	2013E
Collaboration and Licensing Revenue					
Contract and Grant Revenue	2				
<b>Total Revenues</b>	<b>1.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.8</b>
QoQ Revenue Growth		-100.0%	n/a	n/a	
<b>Costs &amp; Expenses:</b>					
COGS	0	0	0	0	0
QoQ Growth		n/a	n/a	n/a	
% of Sales	0.0%	n/a	n/a	n/a	0.0%
R&D	6	8	8	8	30
QoQ Growth		29.1%	0.0%	0.0%	
% of Sales	0.0%	n/a	n/a	n/a	0.0%
SG&A	2	2	2	2	8
QoQ Growth		16.2%	0.0%	0.0%	
% of Sales	0.0%	n/a	n/a	n/a	0.0%
<b>Total Operating Expenses</b>	<b>7.9</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>37.9</b>
<b>Operating Income (Loss)</b>	<b>(6)</b>	<b>(10)</b>	<b>(10)</b>	<b>(10)</b>	<b>(36)</b>
Operating Margin					
Other Income	0.0	0.0	0.0	0.0	0.0
Interest (Expense) Income	(0.4)	(0.2)	(0.2)	(0.2)	(0.88)
<b>Pretax Income (Loss)</b>					
Provision For Income Taxes	0	0	0	0	0
Effective Tax Rate					
<b>Non-GAAP Net Income (Loss)</b>	<b>(\$7)</b>	<b>(\$10)</b>	<b>(\$10)</b>	<b>(\$10)</b>	<b>(37.0)</b>
Stock Compensation Expense	\$0.4	\$0.4	\$0.4	\$0.4	\$2
% of Operating Expenses	5.05%	4.23%	4.23%	4.23%	4.40%
<b>Non-GAAP Net Income (incl. ESO)</b>	<b>(\$6.9)</b>	<b>(\$10.6)</b>	<b>(\$10.6)</b>	<b>(\$10.6)</b>	<b>(\$38.7)</b>
<b>GAAP Net Income (Loss)</b>	<b>(\$34.6)</b>	<b>(\$10.6)</b>	<b>(\$10.6)</b>	<b>(\$10.6)</b>	<b>(\$66.4)</b>
EPS, Basic (Non-GAAP, Pre-ESO)	(\$4.24)	(\$0.42)	(\$0.41)	(\$0.41)	(\$1.51)
EPS, Diluted (Non-GAAP, Pre-ESO)	(\$4.24)	(\$0.42)	(\$0.41)	(\$0.41)	(\$1.51)
<b>EPS - Diluted (GAAP, Post- ESO)</b>	<b>(\$22.58)</b>	<b>(\$0.43)</b>	<b>(\$0.43)</b>	<b>(\$0.43)</b>	<b>(\$2.71)</b>
Shares Outstanding - Basic	1.53	24.41	24.53	24.65	24.53
Shares Outstanding - Diluted	1.53	24.41	24.53	24.65	24.53

Source: Company Data, Morgan Stanley Research

May 13, 2013

Chimerix Inc

Exhibit 7

## Annual Income Statement

(\$ in millions except per-share data)	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
<b>Sales</b>												
US CMX-001 Sales				0	0	36	118	200	264	316	376	444
Canada CMX-001 Sales				0	0	0	4	12	20	26	32	38
EU CMX-001 Sales				0	0	0	29	92	150	195	233	277
WW CMX-001 Sales				0	0	36	151	303	434	538	641	759
<b>Revenue to Chimerix</b>												
US CMX-001 Revenue				0	0	36	118	200	264	316	376	444
Canada CMX-001 Revenue				0	0	0	4	12	20	26	32	38
EU CMX-001 Royalty				0	0	0	6	21	34	44	52	62
WW CMX-001 Revenue to Chimerix				0	0	36	129	232	318	387	460	544
Collaboration and Licensing Revenue	0	17			80							
Contract and Grant Revenue	12	16										
<b>Total Revenues</b>	<b>12.1</b>	<b>33.7</b>	<b>1.8</b>	<b>0.0</b>	<b>80.0</b>	<b>36.5</b>	<b>128.6</b>	<b>232.1</b>	<b>317.7</b>	<b>386.7</b>	<b>460.4</b>	<b>543.9</b>
YoY Revenue Growth							252%	81%	37%	22%	19%	18%
<b>Costs &amp; Expenses:</b>												
COGS	0	0	0	0	0	3	11	20	28	34	41	48
YoY Growth	-	-	-	-	-	-	257.7%	82.7%	37.6%	22.0%	19.1%	18.1%
% of Sales	-	-	-	-	-	8.5%	9.1%	9.6%	9.8%	9.9%	9.9%	9.9%
R&D	27	27	30	30	28	25	23	22	21	21	21	21
YoY Growth	43.2%	0.1%	10.2%	-0.7%	-6.7%	-10.7%	-8.0%	-4.3%	-4.5%	0.0%	0.0%	0.0%
% of Sales	-	-	-	-	-	68.5%	18.8%	10.4%	7.4%	6.1%	5.1%	4.4%
SG&A	9	8	8	8	12	40	40	41	41	41	41	41
YoY Growth	22.3%	-11.9%	0.2%	3.0%	50.2%	232.4%	1.2%	1.2%	1.2%	0.7%	0.0%	0.0%
% of Sales	-	-	-	-	-	108.7%	32.9%	19.2%	14.5%	12.1%	10.2%	8.6%
<b>Total Operating Expenses</b>	<b>36.1</b>	<b>35.1</b>	<b>37.9</b>	<b>38.0</b>	<b>39.9</b>	<b>67.8</b>	<b>74.3</b>	<b>82.9</b>	<b>90.0</b>	<b>96.5</b>	<b>102.9</b>	<b>110.3</b>
<b>Operating Income (Loss)</b>	<b>(24.026)</b>	<b>(1)</b>	<b>(36)</b>	<b>(38)</b>	<b>40</b>	<b>(31)</b>	<b>54</b>	<b>149</b>	<b>228</b>	<b>290</b>	<b>357</b>	<b>434</b>
Operating Margin	(198.5%)	(4.1%)	(2041.1%)	-	50.1%	(85.7%)	42.2%	64.3%	71.7%	75.1%	77.6%	79.7%
Other Income	0.0	0.0	0.0	0.4	0.6	1.0	1.2	2.0	3.3	4.9	7.0	9.5
Interest Expense, Net	(0.21)	(0.85)	(0.88)	(0.78)	(0.29)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Pretax Income (Loss)</b>	<b>(\$24)</b>	<b>(\$2)</b>	<b>(\$37)</b>	<b>(\$38)</b>	<b>\$40</b>	<b>(\$30)</b>	<b>\$55</b>	<b>\$151</b>	<b>\$231</b>	<b>\$295</b>	<b>\$364</b>	<b>\$443</b>
Provision For Income Taxes	0	0	0	0	0	0	0	20	81	103	128	155
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13.4%	35.0%	35.0%	35.0%	35.0%
<b>Non-GAAP Net Income (Loss)</b>	<b>(\$24)</b>	<b>(\$2)</b>	<b>(\$37)</b>	<b>(\$38)</b>	<b>\$40</b>	<b>(\$30)</b>	<b>\$55</b>	<b>\$131</b>	<b>\$150</b>	<b>\$192</b>	<b>\$237</b>	<b>\$288</b>
Stock Compensation Expense	\$1	\$1	\$2	\$2	\$2	\$5	\$6	\$7	\$7	\$8	\$8	\$9
% of Operating Expenses	2.67%	3.98%	4.40%	4.65%	4.90%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
<b>Non-GAAP Net Income (incl. ESO)</b>	<b>(\$25)</b>	<b>(\$4)</b>	<b>(\$39)</b>	<b>(\$40)</b>	<b>\$38</b>	<b>(\$36)</b>	<b>\$50</b>	<b>\$124</b>	<b>\$143</b>	<b>\$184</b>	<b>\$229</b>	<b>\$279</b>
<b>GAAP Net Income (Loss)</b>	<b>(\$26)</b>	<b>(\$4)</b>	<b>(\$66)</b>	<b>(\$40)</b>	<b>\$38</b>	<b>(\$36)</b>	<b>\$50</b>	<b>\$124</b>	<b>\$143</b>	<b>\$184</b>	<b>\$229</b>	<b>\$279</b>
EPS, Basic (Non-GAAP, Pre-ESO)	(\$16.20)	(\$1.46)	(\$1.51)	(\$1.56)	\$1.64	(\$1.23)	\$2.24	\$5.29	\$6.07	\$7.75	\$9.56	\$11.62
EPS, Diluted (Non-GAAP, Pre-ESO)	(\$16.20)	(\$1.46)	(\$1.51)	(\$1.56)	\$1.55	(\$1.23)	\$2.12	\$5.01	\$5.75	\$7.34	\$9.07	\$11.02
<b>EPS - Diluted (GAAP, Post- ESO)</b>	<b>(\$17.10)</b>	<b>(\$2.89)</b>	<b>(\$2.71)</b>	<b>(\$1.63)</b>	<b>\$1.47</b>	<b>(\$1.44)</b>	<b>\$1.90</b>	<b>\$4.76</b>	<b>\$5.47</b>	<b>\$7.05</b>	<b>\$8.75</b>	<b>\$10.68</b>
Shares Outstanding - Basic	1.50	1.53	24.53	24.66	24.68	24.69	24.71	24.72	24.74	24.75	24.77	24.78
Shares Outstanding - Diluted	1.50	1.53	24.53	24.66	26.12	24.69	26.12	26.12	26.13	26.13	26.13	26.14

Source: Company Data, Morgan Stanley Research

Exhibit 8

## Balance Sheet

(\$ in millions)	2010A	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
<b>Assets</b>													
Cash and Cash Equivalents	3.3	13.6	19.9	47.5	3.3	106.4	82.8	127.9	247.3	387.8	571.7	800.2	1,078.0
Short-term Investments, Available-For-Sale	-	5.9	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
Grant Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Contract Receivable	-	4.2	0.8	-	-	-	-	-	-	-	-	-	-
Prepaid Expenses and Other Current Assets	0.6	1.0	1.0	0.1	-	2.3	1.1	3.7	6.8	9.3	11.3	13.4	15.9
Loan Receivable From Officer	0.1	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Financing Costs, Current Portion	0.1	0.1	0.0	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	0.1	-	6.4	2.9	10.3	18.6	25.4	30.9	36.8	43.5
<b>Total current assets</b>	<b>4.1</b>	<b>24.8</b>	<b>31.6</b>	<b>57.5</b>	<b>13.2</b>	<b>124.9</b>	<b>96.6</b>	<b>151.8</b>	<b>282.5</b>	<b>432.3</b>	<b>623.8</b>	<b>860.3</b>	<b>1,147.3</b>
Property and Equipment, Net	0.5	0.6	0.4	0.3	0.4	0.7	1.5	2.3	3.3	4.3	5.4	6.5	8.3
Patents and Licenses	0.3	-	-	-	-	-	-	-	-	-	-	-	-
Deposits	0.0	0.0	0.0	0.0	-	0.1	0.0	0.1	0.2	0.2	0.3	0.3	0.4
Deferred Financing Costs, Less Current Portion	0.1	0.0	0.0	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>5.0</b>	<b>25.4</b>	<b>32.0</b>	<b>57.9</b>	<b>13.5</b>	<b>125.7</b>	<b>98.1</b>	<b>154.2</b>	<b>286.0</b>	<b>436.9</b>	<b>629.4</b>	<b>867.1</b>	<b>1,155.9</b>
<b>Liabilities</b>													
Accounts Payable	1.6	4.1	2.0	2.3	2.3	2.4	4.1	4.5	5.0	5.4	5.8	6.2	6.6
Accrued Liabilities	3.0	2.5	0.9	1.0	1.0	1.0	1.7	1.9	2.1	2.3	2.5	2.7	2.8
Loan Payable, Current Portion	2.0	0.2	4.8	-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>6.6</b>	<b>6.8</b>	<b>7.6</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>	<b>5.8</b>	<b>6.4</b>	<b>7.1</b>	<b>7.7</b>	<b>8.3</b>	<b>8.8</b>	<b>9.5</b>
Deferred Rent	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Other Long-Term Liabilities	-	-	0.3	0.4	0.4	0.4	0.7	0.7	0.8	0.9	0.9	1.0	1.1
Loan Payable, Less Current Portion	2.6	2.4	9.9	9.5	3.5	-	-	-	-	-	-	-	-
Redeemable Preferred Stock Warrant Liability	-	6.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
<b>Total Liabilities</b>	<b>9.2</b>	<b>15.7</b>	<b>25.3</b>	<b>20.6</b>	<b>14.6</b>	<b>11.3</b>	<b>14.0</b>	<b>14.6</b>	<b>15.4</b>	<b>16.1</b>	<b>16.7</b>	<b>17.3</b>	<b>18.0</b>
Redeemable convertible preferred stock	55.1	103.4	107.7	-	-	-	-	-	-	-	-	-	-
<b>Shareholder's Equity</b>													
Preferred Stock	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock (Plus APIC)	1.9	0.0	0.0	204.7	206.5	283.5	288.9	294.9	301.6	308.9	316.7	325.1	334.1
Accumulated Other Comprehensive Income	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Accumulated Deficit	(61.2)	(93.7)	(101.0)	(167.5)	(207.6)	(169.1)	(204.8)	(155.3)	(31.1)	111.9	296.0	524.6	803.8
<b>Total Shareholder's Equity</b>	<b>(59.2)</b>	<b>(93.7)</b>	<b>(101.0)</b>	<b>37.3</b>	<b>(1.1)</b>	<b>114.3</b>	<b>84.1</b>	<b>139.6</b>	<b>270.6</b>	<b>420.8</b>	<b>612.7</b>	<b>849.7</b>	<b>1,137.9</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>5.0</b>	<b>25.4</b>	<b>32.0</b>	<b>57.9</b>	<b>13.5</b>	<b>125.7</b>	<b>98.1</b>	<b>154.2</b>	<b>286.0</b>	<b>436.9</b>	<b>629.4</b>	<b>867.1</b>	<b>1,155.9</b>

Source: Company Data, Morgan Stanley Research



## Exhibit 9

## Cash Flow Statement

(\$ in millions)	2010A	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>													
Net Income (Loss)	(25.5)	(25.6)	(4.4)	(66.4)	(40.1)	38.5	(35.7)	49.5	124.2	142.9	184.1	228.7	279.2
Depreciation	0.2	0.3	0.3	0.4	0.5	0.4	0.8	1.2	1.8	2.5	3.1	3.9	4.1
Amortization/accretion of premium/discount on investments	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Cash Interest Expense	0.0	0.05	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-Based Compensation Costs	0.8	1.1	1.4	1.7	1.8	2.0	5.4	5.9	6.6	7.2	7.7	8.2	8.8
Deferred Lease Obligations	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fair Value Measurement of Redeemable Preferred Stock W	0.0	0.4	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Change in assets and liabilities:</b>													
Accounts Receivable	0.9	(4.2)	3.4	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	(0.1)	0.1	(6.4)	3.5	(7.4)	(8.3)	(6.8)	(5.5)	(5.9)	(6.7)
Prepaid and Other Current Assets and Deposits	0.2	(0.4)	0.1	1.0	0.1	(2.4)	1.3	(2.7)	(3.1)	(2.6)	(2.1)	(2.2)	(2.5)
Accounts Payable and Accrued Liabilities	1.6	2.1	(3.8)	0.4	0.0	0.2	2.7	0.6	0.8	0.7	0.6	0.6	0.7
<b>Net cash provided by (used in) operating activities</b>	<b>(21.7)</b>	<b>(26.3)</b>	<b>(1.9)</b>	<b>(62.4)</b>	<b>(37.7)</b>	<b>32.2</b>	<b>(22.0)</b>	<b>47.2</b>	<b>122.1</b>	<b>143.9</b>	<b>188.0</b>	<b>233.3</b>	<b>283.6</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>													
Purchases of Property and Equipment	(0.1)	(0.3)	(0)	(0)	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(5)	(6)
Purchases of Short-Term Investments	(12.1)	(13.6)	(9.9)	0	0	0	0	0	0	0	0	0	0
Sales of Short-Term Investments	2.9	0.5	0.0	0	0	0	0	0	0	0	0	0	0
Maturities of Short-Term Investments	9.1	7.1	5.9	0	0	0	0	0	0	0	0	0	0
Repayment of Loan to Officer	0.0	0.1	0	0	0	0	0	0	0	0	0	0	0
<b>Net cash used in investing activities</b>	<b>(0.2)</b>	<b>(6.2)</b>	<b>(4.1)</b>	<b>(0.3)</b>	<b>(0.5)</b>	<b>(0.7)</b>	<b>(1.6)</b>	<b>(2.1)</b>	<b>(2.8)</b>	<b>(3.5)</b>	<b>(4.2)</b>	<b>(5.0)</b>	<b>(5.9)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>													
Proceeds from Issuance of Redeemable Preferred Stock and '	0.0	45.0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Issuance of Stock	0.0	0.0	0	95	0	75	0	0	0	0	0	0	0
Proceeds from Exercise of Stock Options	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Loan Payable	6.0	0.0	15	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt discount	0.0	0.0	(0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of Loan Payable	(1.4)	(2.0)	(2.6)	(5.1)	(6.0)	(3.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock Offering and Deferred Financing Costs	0.0	(0.2)	(0.0)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net cash provided by financing activities</b>	<b>4.6</b>	<b>42.8</b>	<b>12.3</b>	<b>90.3</b>	<b>(6.0)</b>	<b>71.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
Change in Cash and Cash Equivalents	(17.314)	10.301	6.299	27.6	(44.2)	103.0	(23.6)	45.1	119.4	140.5	183.9	228.4	277.9
Cash and Cash Equivalents at Beginning of Year	20.6	3.3	13.607	19.9	47.5	3.3	106.4	82.8	127.9	247.3	387.8	571.7	800.2
<b>Cash and Cash Equivalents at End of Year</b>	<b>3.3</b>	<b>13.6</b>	<b>19.9</b>	<b>47.5</b>	<b>3.3</b>	<b>106.4</b>	<b>82.8</b>	<b>127.9</b>	<b>247.3</b>	<b>387.8</b>	<b>571.7</b>	<b>800.2</b>	<b>1,078.0</b>
<b>Marketable Securities</b>	<b>0.0</b>	<b>5.9</b>	<b>9.8</b>	<b>9.8</b>	<b>9.8</b>	<b>9.8</b>	<b>9.8</b>	<b>9.8</b>	<b>9.8</b>	<b>9.8</b>	<b>9.8</b>	<b>9.8</b>	<b>9.8</b>
<b>Cash and Marketable Securities at End of Year</b>	<b>3.3</b>	<b>19.5</b>	<b>29.8</b>	<b>57.3</b>	<b>13.2</b>	<b>116.2</b>	<b>92.6</b>	<b>137.8</b>	<b>257.2</b>	<b>397.7</b>	<b>581.6</b>	<b>810.0</b>	<b>1,087.9</b>

Source: Company Data, Morgan Stanley Research



**Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations.** For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

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(as of April 30, 2013)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we

cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	Total IBC	% of % of Rating Category
<b>Overweight/Buy</b>	<b>1034</b>	<b>36%</b>	<b>399</b>	<b>39%</b>	<b>39%</b>
<b>Equal-weight/Hold</b>	<b>1250</b>	<b>44%</b>	<b>479</b>	<b>47%</b>	<b>38%</b>
<b>Not-Rated/Hold</b>	<b>105</b>	<b>4%</b>	<b>27</b>	<b>3%</b>	<b>26%</b>
<b>Underweight/Sell</b>	<b>473</b>	<b>17%</b>	<b>123</b>	<b>12%</b>	<b>26%</b>
<b>Total</b>	<b>2,862</b>		<b>1028</b>		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

## Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

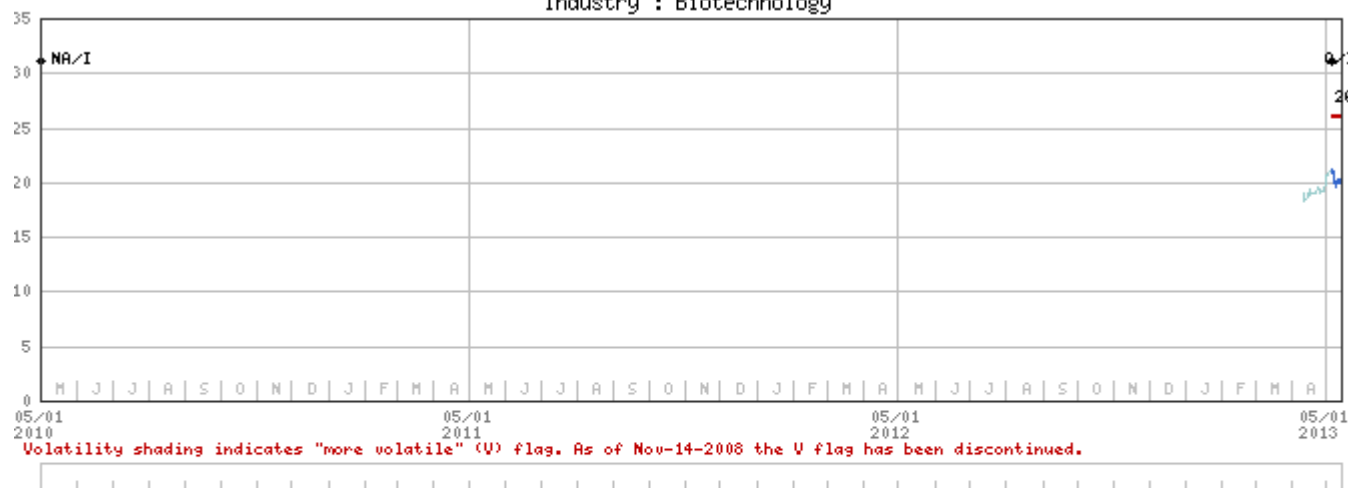
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

## Stock Price, Price Target and Rating History (See Rating Definitions)

May 13, 2013

Chimerix Inc

Chimerix Inc (CMRX.O) - As of 5/12/13 in USD  
Industry : Biotechnology

Stock Rating History: 5/1/10 : NA/I; 5/6/13 : 0/I

Price Target History: 5/6/13 : 26

Source: Morgan Stanley Research      Date Format : MM/DD/YY      Price Target --      No Price Target Assigned (NA)  
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —  
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View  
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)  
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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May 13, 2013

Chimerix Inc

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## Industry Coverage:Biotechnology

Company (Ticker)	Rating (as of)	Price* (05/10/2013)
<b>David Friedman, M.D.</b>		
AMAG Pharmaceuticals, Inc. (AMAG.O)	E (11/21/2011)	\$24.54
Alexion Pharmaceuticals (ALXN.O)	O (09/07/2010)	\$104.14
Auxilium Pharmaceuticals (AUXL.O)	E (05/03/2013)	\$15.16
Chimerix Inc (CMRX.O)	O (05/06/2013)	\$20.05
Cubist Pharmaceuticals Inc. (CBST.O)	O (10/03/2012)	\$48
Elan Corporation PLC (ELN.N)	++	\$11.78
Idenix Pharmaceuticals, Inc. (IDIX.O)	E (03/18/2011)	\$3.64
Incyte Corporation (INCY.O)	U (01/23/2013)	\$23.29
InterMune (ITMN.O)	E (09/07/2010)	\$9.7
Ironwood Pharmaceuticals, Inc. (IRWD.O)	E (04/24/2013)	\$14.81
Lexicon Pharmaceuticals, Inc. (LXRX.O)	E (09/07/2010)	\$1.99
NPS Pharmaceuticals (NPSP.O)	O (10/03/2012)	\$14.37
Synageva Biopharma Corp (GEVA.O)	O (04/20/2012)	\$42.91
Theravance Inc (THRX.O)	++	\$34.94
Vertex Pharmaceuticals (VRTX.O)	E (05/08/2012)	\$80.43
XenoPort Inc (XNPT.O)	E (08/26/2011)	\$6
<b>Yigal Nochomovitz, Ph.D.</b>		
Immunogen Inc. (IMGN.O)	E (11/13/2012)	\$16.13
Infinity Pharmaceuticals Inc (INFI.O)	O (02/19/2013)	\$32.03
Pharmacyclics Inc. (PCYC.O)	E (03/19/2013)	\$79
Tesaro Inc. (TSRO.O)	O (07/23/2012)	\$28.44
<b>Sara Slifka</b>		
Neurocrine Biosciences Inc (NBIX.O)	O (10/03/2012)	\$12.13
Optimer Pharmaceuticals (OPTR.O)	U (10/03/2012)	\$12.81

Stock Ratings are subject to change. Please see latest research for each company.  
\* Historical prices are not split adjusted.