COWEN
AND COMPANY

Biotechnology

Chimerix

Equity Research

Company Quick Take

February 11, 2014

Price: $18.21 (02/11/2014)
Price Target: $27.00

OUTPERFORM (1)

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Key Data

Symbol	NASDAQ: CMRX
Market Cap (MM)	$481.1

Highlights From Dinner With Management

The Cowen Insight

Earlier this week we hosted a dinner with Chimerix management. Chimerix remains confident that brincidofovir's Ph. III SUPPRESS trial will succeed in mid-2015, and CMRX expects other potential opportunities for brincidofovir to begin to crystallize during 2014. We continue to believe that CMRX is undervalued based on brincidofovir's potential in HSCT alone, and remain at Outperform.

Chimerix Remains Very Confident In The Success of SUPPRESS.

We hosted a dinner with CMRX's CEO Ken Moch, CFO Tim Trost, and a group of investors. Brincidofovir's Phase III SUPPRESS trial as CMV prophylaxis in hematopoietic stem cell transplant (HSCT) remains on track to complete enrollment around the end of 2014, and produce data in mid-2015. Management remains very confident in its success. The primary endpoint of the study is failure to prevent CMV reactivation through week 24. The trial is >87% powered to detect a 50% decrease in CMV reactivation in brincidofovir vs. placebo. In brincidofovir's Phase II '201 trial, 100mg BIW brincidofovir produced a 73% reduction in CMV events. However, there is reason to believe the reduction will be even greater in Phase III. In Phase II, 50 of the 230 subjects with CMV reactivation had it prior to the first day of brincidofovir dosing. In Phase III brincidofovir can be dosed prior to engraftment, as early as day 1, and therefore few patients should have reactivation prior to dosing. In Phase II, none of the 41 patients on 100mg BIW brincidofovir who were CMV negative at baseline developed CMV PCR of >1,000 copies/mL during the dosing period, compared to 15 of the 47 (32%) of patients in the placebo cohort, a 100% reduction ($p<0.001$). Chimerix noted that the commercial launch of brincidofovir could be as little as 30 months away. Chimerix continues to expect to commercialize brincidofovir itself in the U.S., and hired Chief Commercial Officer Linda Richardson in December. We project ww sales of brincidofovir in HSCT of $45MM in 2016, growing to $330MM by 2019.

Opportunities For Brincidofovir In Other Indications Should Begin To Come Into Focus In 2014.

Brincidofovir has shown potent activity against a broad spectrum of dsDNA viruses including those of the herpes, adenovirus, polyoma, papilloma, and pox families. With SUPPRESS up and running, CMRX is spending an increasing amount of time and attention identifying additional opportunities for brincidofovir. Chimerix is in discussions with the FDA and EMA over the design for a Phase III trial in solid organ transplant, and expects to settle on a design during 2014. While the exact structure will depend on the regulatory discussions, CMRX currently expects to conduct the first solid organ transplant viral preventitive study of a design similar to that of the SUPPRESS study, likely in kidney transplant patients. There are approximately 2x as many kidney transplants each year as there are allogeneic stem cell transplants (35K ww vs 18K ww), implying that kidney transplant could be a large incremental market. Chimerix is working to identify other potential indications and populations for brincidofovir development. Chimerix notes that brincidofovir's compassionate

use program has provided a wealth of information on its use to treat a wide range of viral infections, in a variety of patient populations. Over 230 patients have been treated with brincidofovir under EINDs, including >142 adult and >68 pediatric patients . Brincidofovir has been used to treat life-threatening infections of CMV, AdV, BKV, EBV, JCV, HHV-6, HHV-8, HSV-1, HSV-2, VZV, HPV, moscullum, and vaccinia. Based on the compassionate use/EIND data, Chimerix has confidence in the ability of brincidofovir to manage a wide range of dsDNA infections. Potential new indications and populations will also be partially informed by data to be presented at upcoming medical meetings. In particular, data on immunocompromised pediatric patients and adenovirus viremia in transplant recipients will be presented at the BMT Tandem conference in Dallas later this month. Moreover, secondary endpoints of the SUPPRESS trial should also help demonstrate brincidofovir's broad-spectrum activity. Key endpoints include renal function and hematuria related to BK virus, adenovirus viremia, and healthcare utilization. Our model currently contains no sales outside of HSCT, and therefore opportunities in new indications represent potential upside to our estimates.

Valuation Methodology And Risks

Valuation Methodology

Biotechnology:
In calculating our 12-month target price, we employ one or more valuation methodologies, which include a discounted earnings analysis, discounted cash flow analysis, net present value analysis and/or a comparable company analysis. These analyses may or may not require the use of objective measures such as price-to-earnings or price-to-sales multiples as well as subjective measures such as discount rates.

We make investment recommendations on early stage (pre-commercial) biotechnology companies based upon an assessment of their technology, the probability of pipeline success, and the potential market opportunity in the event of success. However, because these companies lack traditional financial metrics, we do not believe there are any good methodologies for assigning a specific target price to such stocks.

Investment Risks

Biotechnology:
There are multiple risks that are inherent with an investment in the biotechnology sector. Beyond systemic risk, there is also clinical, regulatory, and commercial risk. Additionally, biotechnology companies require significant amounts of capital in order to develop their clinical programs. The capital-raising environment is always changing and there is risk that necessary capital to complete development may not be readily available.

Risks To The Price Target

Much of Chimerix valuation rests on the potential of its developmental-stage candidates, most specifically CMX001 and CMX157. Projecting future sales for any product is difficult, and this is particularly the case for candidates that are still in clinical development. Chimerix' stock could be impacted by changes in the regulatory, commercial, or competitive environment for any. Moreover, a number of antiviral candidates have failed during clinical trials, and both CMV and HIV are an extremely competitive spaces. There can be no assurance that any of Chimerix candidates, even if successfully developed, will generate meaningful revenue. Therefore Chimerix product portfolio must be considered high risk.

Addendum

Stocks Mentioned In Important Disclosures

Ticker	Company Name
CMRX	Chimerix

Analyst Certification

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Outperform (1): The stock is expected to achieve a total positive return of at least 15% over the next 12 months

Market Perform (2): The stock is expected to have a total return that falls between the parameters of an Outperform and Underperform over the next 12 months

Underperform (3): Stock is expected to achieve a total negative return of at least 10% over the next 12 months

Assumption: The expected total return calculation includes anticipated dividend yield

Cowen and Company Rating System until May 25, 2013

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

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

Cowen Securities, formerly known as Dahlman Rose & Company, Rating System until May 25, 2013

Buy – The fundamentals/valuations of the subject company are improving and the investment return is expected to be 5 to 15 percentage points higher than the general market return

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Hold – The fundamentals/valuations of the subject company are neither improving nor deteriorating and the investment return is expected to be in line with the general market return

Cowen And Company Rating Definitions

Distribution of Ratings/Investment Banking Services (IB) as of 12/31/13

Rating	Count	Ratings Distribution	Count	IB Services/Past 12 Months
Buy (a)	415	59.20%	68	16.39%
Hold (b)	270	38.52%	4	1.48%
Sell (c)	16	2.28%	1	6.25%

(a) Corresponds to "Outperform" rated stocks as defined in Cowen and Company, LLC's rating definitions. (b) Corresponds to "Market Perform" as defined in Cowen and Company, LLC's ratings definitions. (c) Corresponds to "Underperform" as defined in Cowen and Company, LLC's ratings definitions.

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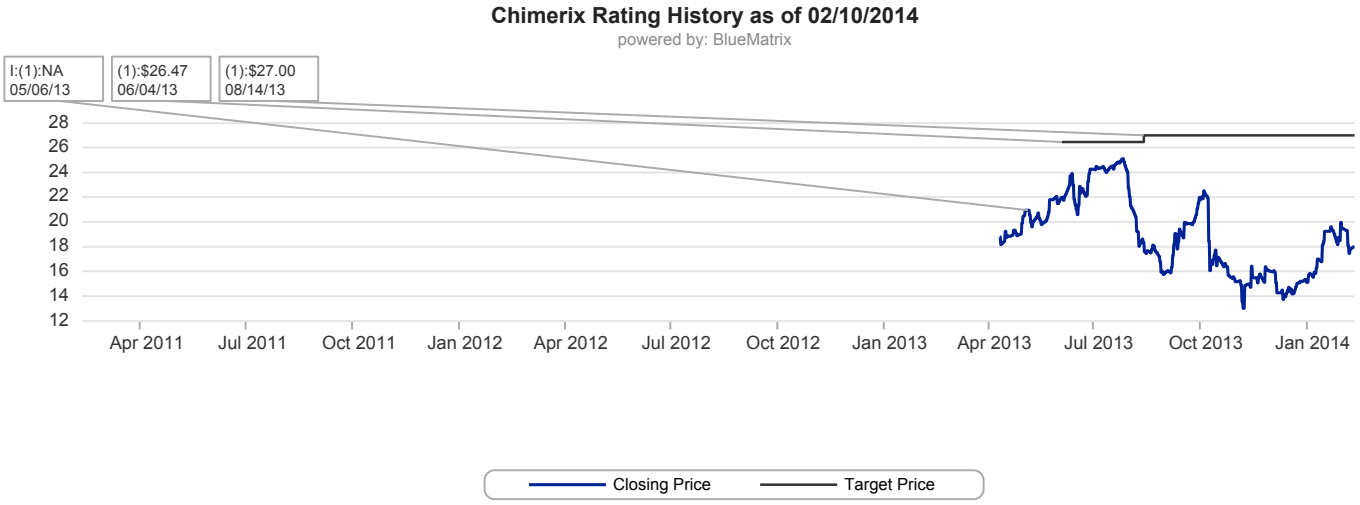

Legend for Price Chart:

I = Initation | 1 = Outperform | 2 = Market Perform | 3 = Underperform | UR = Price Target Under Review | T = Terminated Coverage | $xx = Price Target | NA = Not Available

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