



EARNINGS UPDATE

Biotechnology

November 14, 2013

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Recommendation

Rating:	Outperform
Price Target (in \$):	\$27.00
Expected Return:	83.8%
Dividend:	NA
Enterprise Value (MM):	\$277.5

Earnings Per Share

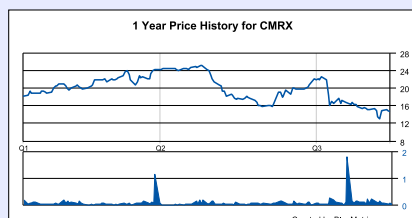
	2012A	2013E	2014E
Q1	\$0.00	\$(22.58)A	\$(0.39)
Q2	\$0.00	\$(0.91)A	\$(0.40)
Q3	\$0.00	\$(0.26)A	\$(0.33)
Prev:	--	\$(0.35)	--
Q4	\$0.00	\$(0.37)	\$(0.34)
FY	\$(1.62)	\$(1.63)	\$(1.45)
Prev:	--	\$(1.75)	--
P/E	NM	NM	NM

Stock Statistics as of 11/13/2013 (in \$)

Price:	\$14.69
52W Range:	\$27.00-\$12.96
Shares Out (MM):	25.9
Market Cap (MM):	\$387.9
Net Debt (MM):	\$110.2

Fundamentals

Revenue (MM) ('12A)	33.7
Revenue (MM) ('13E)	4.7
Revenue (MM) ('14E)	7.5
EV/S ('12)	8.2x
EV/S ('13)	59.0x
EV/S ('14)	37.0x



CHIMERIX INC (NASDAQ:CMRX)

SUPPRESS Enrolling Well, Follow-on Studies in the Works

This morning, Chimerix reported Q3:13 financials and provided an update on CMX001's clinical development. **SUPPRESS** enrollment is on schedule, with data expected in mid-2015. We think **CMRX** is dramatically undervalued based on CMX001's potential.

Q3:13 Financials.

CMRX reported a Q3 net loss of \$6.7MM (\$0.26/sh) compared to our estimate of \$9MM (\$0.35/sh). CMRX ended Q3 with \$116MM cash which we estimate is sufficient to fund operations into 2016.

SUPPRESS Enrollment on Track.

In September, CMRX initiated its Phase III **SUPPRESS** trial. 450 CMV seropositive adult HSCT patients will be enrolled to test CMX001 as a prophylactic against CMV reactivation. The primary endpoint is suppression of CMV reactivation through week 24. A key secondary will be the activity of CMX001 against other dsDNA viruses. CMRX reports that enrollment is following internal projections and top line data should be available in mid-2015.

CMX001 Confirmatory and Label Expansion Trials Being Planned

Pediatric formulation work continues with a development plan to be submitted to the FDA in early 2014. Based upon discussions with the FDA, CMRX believes existing pediatric efficacy data in combination with a positive adult pivotal data and a PK study of the final pediatric formulation will be sufficient to have pediatric patients included on CMX001's label. Therefore, if accelerated approval is granted, CMRX now plans to conduct the required confirmatory trial in renal transplant patients. The renal transplant setting could provide clinical endpoints for efficacy against multiple dsDNA viruses including CMV syndrome (CMV), eGFR (BK virus), and mental status (HHV-6). Since there are 20,000 renal transplants/year in the US, this indication could more than double the CMX001 market. CMRX plans to finalize this trial design during H1:14. Working with BARDA, CMRX is also developing CMX001 for smallpox. A pivotal trial in this indication could also begin in 2014.

Please see addendum of this report for important disclosures.



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 potentially 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. The Phase III SUPPRESS trial began in September 2013, supporting a 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' stock to outperform over the next 12 months as CMX001 progresses through development.

Upcoming Chimerix Milestones

Event	Timing
Submit pediatric development plan to the FDA	H1:14
Initiate PK trial of CMX001 pediatric formulation	H1:14
Finalize Phase III solid organ transplant study design	H1:14
Data updates from Study 350 of CMX001 in transplant patients with severe, life threatening dsDNA infections	2014
Begin pivotal trial for CMX001 in small pox (BARDA funded)	2014
Data from Phase III SUPPRESS trial of CMX001 as prophylactic against CMV in adult HSCT	Mid 2015

Source: Cowen and Company



Chimerix Quarterly P&L (\$MM)

	Q1:13A	Q2:13A	Q3:13A	Q4:13E	2013E	Q1:14E	Q2:14E	Q3:14E	Q4:14E	2014E
CMX-001	-	-	-	-	-	-	-	-	-	-
CMX-157 Royalty	-	-	-	-	-	-	-	-	-	-
Collaboration and Licensing Revenue	-	-	-	-	-	-	-	2.5	2.5	5.0
Contract And Grant Revenue	1.8	0.8	0.9	1.3	4.7	0.6	0.6	0.6	0.7	2.5
Total Revenue	1.8	0.8	0.9	1.3	4.7	0.6	0.6	3.1	3.2	7.5
COGS	-	-	-	-	-	-	-	0.3	0.3	0.5
<i>Gross Margin</i>										
R&D	6.5	6.3	5.3	8.1	26.2	8.2	8.4	8.7	9.0	34.3
SG&A	1.8	2.2	2.0	2.5	8.5	2.7	2.9	3.1	3.3	12.0
Other										
Operating Expenses	8.3	8.5	7.3	10.6	34.7	10.9	11.3	12.1	12.6	46.8
Operating Income / (Loss)	(6.5)	(7.7)	(6.4)	(9.4)	(30.0)	(10.3)	(10.7)	(9.0)	(9.4)	(39.3)
Interest Income, net	(0.4)	(0.4)	(0.3)	(0.2)	(1.2)	0.2	0.1	0.1	0.1	0.5
Other Income	(2.2)	(4.4)								
Pretax net income	(9.1)	(12.5)	(6.7)	(9.6)	(31.2)	(10.1)	(10.6)	(8.9)	(9.3)	(38.8)
Accretion of redeemable convertible preferred stock	(25.5)	(8.6)								
Taxes	-	-	-	-	-	-	-	-	-	-
<i>Tax Rate</i>	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
GAAP Net Income	(34.6)	(21.0)	(6.7)	(9.6)	(31.2)	(10.1)	(10.6)	(8.9)	(9.3)	(38.8)
GAAP EPS	\$ (22.58)	\$ (0.91)	\$ (0.26)	\$ (0.37)	\$ (1.63)	\$ (0.39)	\$ (0.40)	\$ (0.33)	\$ (0.34)	\$ (1.45)
Diluted Shares Outstanding (MM)	1.5	23.1	25.9	26.0	19.1	26.2	26.6	27.0	27.3	26.8

Source: Cowen and Company

Chimerix Annual P&L (\$MM)

	2012A	2013E	2014E	2015E	2016E	2017E	2018E
CMX-001	-	-	-	-	45.0	135.0	240.0
CMX-157 Royalty	-	-	-	-	-	-	-
Collaboration and Licensing Revenue	17.4	-	5.0	15.5	20.0	20.0	20.0
Contract And Grant Revenue	16.3	4.7	2.5	-	-	-	-
Total Revenue	33.7	4.7	7.5	15.5	65.0	155.0	260.0
COGS	-	-	0.5	1.6	3.6	10.8	19.2
<i>Gross Margin</i>		0%	0%	0%	0%	0%	0%
R&D	27.8	26.2	34.3	38.0	45.0	55.0	65.0
SG&A	8.7	8.5	12.0	13.0	28.0	34.0	40.0
Other	-	-	-	-	-	-	-
Operating Expenses	36.5	34.7	46.8	52.6	76.6	99.8	124.2
Operating Income / (Loss)	(2.8)	(30.0)	(39.3)	(37.1)	(11.6)	55.2	135.8
Interest Income, net	(0.8)	(1.2)	0.5	1.0	1.0	2.0	6.0
Other Income							
Pretax net income	(4.4)	(31.2)	(38.8)	(36.1)	(10.6)	57.2	141.8
Accretion of redeemable convertible preferred stock							
Taxes	-	-	-	-	-	-	-
<i>Tax Rate</i>	-	0%	0%	0%	0%	0%	0%
GAAP Net Income	(8.8)	(31.2)	(38.8)	(36.1)	(10.6)	57.2	141.8
GAAP EPS	(1.62)	(1.63)	(1.45)	(1.20)	(0.35)	1.65	3.95
Diluted Shares Outstanding (MM)	5.4	19.1	26.8	30.0	30.5	34.8	35.9

Source: Cowen and Company



Chimerix DCF Analysis (\$MM)

Financial Year End	12/31/2012
Valuation Date	11/14/2013
Discount Rate	10.0%
Terminal Growth Rate	-20.0%

Chimerix: DCF Valuation

\$MM	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CMX-001	0	0	0	45	135	240	330	347	364	382	401	421	442
Growth (%)					20%	10%	5%	5%	5%	5%	5%	5%	5%
CMX-157 Royalty	0	0	0	0	0	0	0	0	0	0	0	0	0
Growth (%)													
Collaboration and Licensing Revenue	0	5	16	20	20	20	20	20	20	20	20	20	20
Growth (%)													
Contract And Grant Revenue	5	3	0	0	0	0	0	0	0	0	0	0	0
Growth (%)													
Total Revenues	5	8	16	65	155	260	350	367	384	402	421	441	462
Growth (%)					138%	68%	35%	5%	5%	5%	5%	5%	5%
COGS	0	1	2	4	11	19	26	30	31	33	34	36	37
COGS as a % of sales				8%	8%	8%	8%	9%	9%	9%	8%	8%	8%
R&D	26	34	38	45	55	65	75	55	50	44	46	44	46
R&D as a % of Revenues				69%	35%	25%	21%	15%	13%	11%	11%	10%	10%
SG&A	9	12	13	28	34	40	45	51	54	48	51	53	55
SG&A as a % of Revenues				43%	22%	15%	13%	14%	14%	12%	12%	12%	12%
Operating Income	-30	-39	-37	-12	55	136	204	230	249	277	290	308	323
Tax	0	0	0	0	0	0	0	69	75	83	87	93	97
Tax rate	0%	0%	0%	0%	0%	0%	0%	30%	30%	30%	30%	30%	30%
NOL/ Tax Assets Utilized													
Tax rate													
Taxes Paid	0	0	0	0	0	0	0	69	75	83	87	93	97
Approx Free Cash Flow	(30)	(39)	(37)	(12)	55	136	204	161	174	194	203	216	226
Years	0.13	1.12	2.12	3.13	4.13	5.12	6.12	7.13	8.13	9.12	10.12	11.12	12.12
Discount Factor	0.99	0.90	0.82	0.74	0.67	0.61	0.56	0.51	0.46	0.42	0.38	0.35	0.31
NPV of Cash flows	(30)	(35)	(30)	(9)	37	83	114	82	80	81	77	75	71

Terminal Value Calculation

Final year FCF	0
Perpetual Growth Rate	-20.0%
Terminal Value	0
Discount Factor	0
Present Value of Terminal Value	0
Present Value of Cash Flows	597
Enterprise Value	597
Add: Net cash	115
Market Value	713
Fully Diluted Shares Outstanding	25.9
Value per Fully Diluted Share	\$27.55

Source: Cowen and Company



Valuation Methodology & Investment 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.

Company Specific Risks

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 Inc

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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 Chimerix Inc.

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COWEN AND COMPANY RATING DEFINITIONS

Cowen and Company Rating System effective May 25, 2013

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

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

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

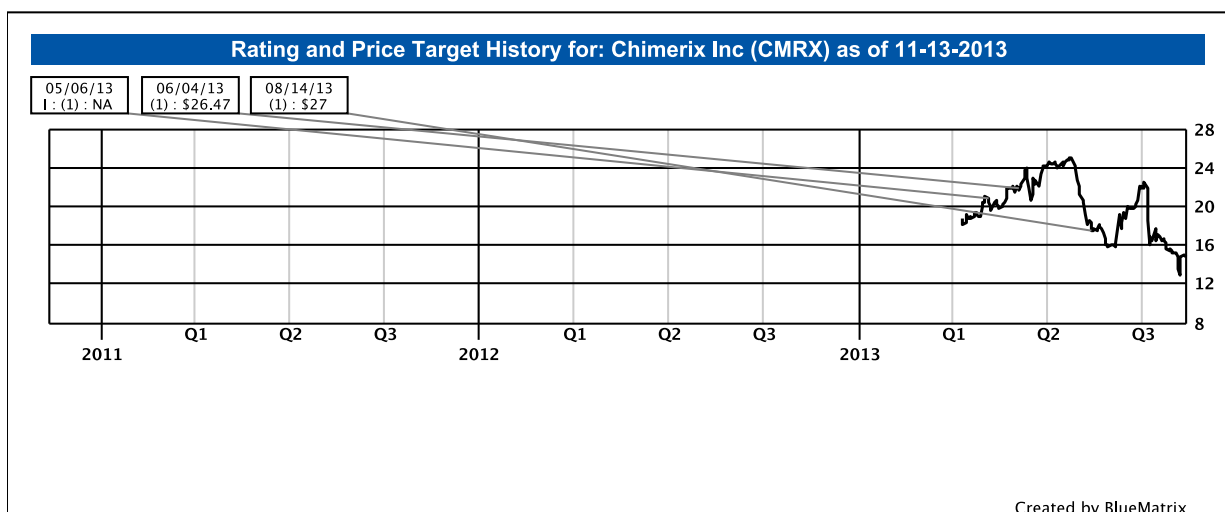
COWEN AND COMPANY RATING ALLOCATION

Distribution of Ratings/Investment Banking Services (IB) as of 09/30/13

Rating	Count	Ratings Distribution	Count	IB Services/Past 12 Months
Buy (a)	394	58.72%	54	13.71%
Hold (b)	255	38.00%	5	1.96%
Sell (c)	22	3.28%	1	4.55%

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