

SCYNEXIS, Inc. (SCYX)

Phase 2 Trial Re-energized with Amended Protocol

MARKET DATA

Price	\$7.90
52-Week Range:	\$5.10 - \$15.00
Shares Out. (M):	8.5
Market Cap (\$M):	\$67.2
Average Daily Vol. (000):	8.0
Cash (M):	\$32
LT Debt (M):	\$0

Source: Thomson Reuters and JMP Securities LLC

MARKET OUTPERFORM | Price: \$7.90 | Target Price: \$15.00

INVESTMENT HIGHLIGHTS

Phase 2 trial re-energized with amended protocol as Scynexis reports Y/E earnings; reiterate our Market Outperform rating and \$15 price target. SCYX reported YE14 financials mostly in line with our estimates and announced enrollment of the first patient in March in its Phase 2 study for lead product candidate SCY-078 (oral formulation) for the treatment of invasive candida infections. As a reminder, the study opened sites for enrollment late in 2014; however, strict inclusion criteria screened all potentially eligible patients out. Management indicated that relaxed inclusion/exclusion criteria should expedite enrollment, which SCYX aims to complete by mid-2015 with data from the study potentially in 1H16. Management also commented that an IND filing for the IV formulation of SCY-078 is expected in 3Q15, with Phase 1 to start by YE15. We view data from the Phase 2 study of oral SCY-078 as an important catalyst for the company as it provides visibility, mostly on safety for SCY-078 in infected patients, although we note that the read-through for efficacy will likely be somewhat limited by the initial use of IV caspofungin in patients in the trial. SCYX ended the year with \$32M in cash, which we view as sufficient to see it through 3Q15; we currently model a capital raise of ~\$56M in 4Q15. We continue to recommend the stock and we derive our \$15 price target from a risk-adjusted, discounted cash flow analysis.

FY DEC	2014A	2015E	2016E
Revenue (\$M) 1Q	\$4.7	\$3.7	--
2Q	\$4.6	\$3.7	--
3Q	\$4.4	\$3.7	--
4Q	\$5.3	\$3.7	--
FY	\$19.0	\$14.8	\$15.1
EPS 1Q	(\$6.57)	(\$0.45)	--
2Q	\$0.36	(\$0.52)	--
3Q	(\$0.45)	(\$0.58)	--
4Q	(\$0.35)	(\$0.50)	--
FY	(\$1.04)	(\$2.06)	(\$2.90)
Previous FY	(\$1.56)	(\$1.99)	(\$2.52)

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE



Company Description

Scynexis is a development-stage pharmaceutical company based in Durham, NC with a focus on anti-infectives. The lead drug candidate for the company is SCY-078, which, if successful, would be the first non-azole anti-fungal with both IV and oral formulations.

Investment Risks

Clinical risk. Although efficacy of SCY-078 has been demonstrated in animal models, it has not yet been proven in humans. There is risk that the proof-of-concept study will not show efficacy compared to other classes of antifungals. It is also possible that the doses chosen for the first study will not be the optimal doses of SCY-078. SCY-078 was well tolerated in healthy volunteers; however, we do not yet know if this will translate to patients, especially with a preclinical signal of degradation of the stomach lining in animals. Scynexis is also preparing an IV form of SCY-078; however, this formulation has not yet been tested in humans and therefore, its viability is not yet known.

Regulatory risk. SCY-078 has QIDP status, however, this does not guarantee approval. Changes in FDA guidance could delay the path for SCY-078 to reach the market.

Commercial risk. SCY-078 will be launched into the hospital market where formulary access can be slow and launches tend to be sluggish. In the hospital setting, there is competition from other classes of antifungals that are already entrenched. There are many generics available in this setting that can also make it difficult for Scynexis to gain share with SCY-078.

Sector risk. Valuation of pharmaceutical stocks is subject to both investor assessments of the prospects of the underlying companies as well as investor tolerance for risk and confidence in the prospects of pharmaceutical stocks as a group. Therefore, Scynexis' stock price may fall, even while the company meets or exceeds investor expectations.

Patent risk. SCY-078 is covered by a composition of matter patent and QIDP protection. However, after 10 years exclusivity of QIDP has expired, patents for SCY-078 can be challenged. At this time, there are patent applications pending to strengthen the position of SCY-078; however, they may not be awarded.

JMP FACTS AND DISCLOSURES

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JMP Securities Disclosures:

JMP Securities currently makes a market in the security of SCYNEXIS, Inc.

JMP Securities was manager or co-manager of a public offering of securities for SCYNEXIS, Inc. (SCYX) in the past 12 months, and received compensation for doing so.

JMP Securities expects to receive OR intends to seek compensation for investment banking services from SCYNEXIS, Inc. in the next 3 months.

JMP Securities Investment Opinion Definitions:

Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.

Market Perform (MP): JMP Securities expects the stock price to perform in line with relevant market indices over the next 12 months.

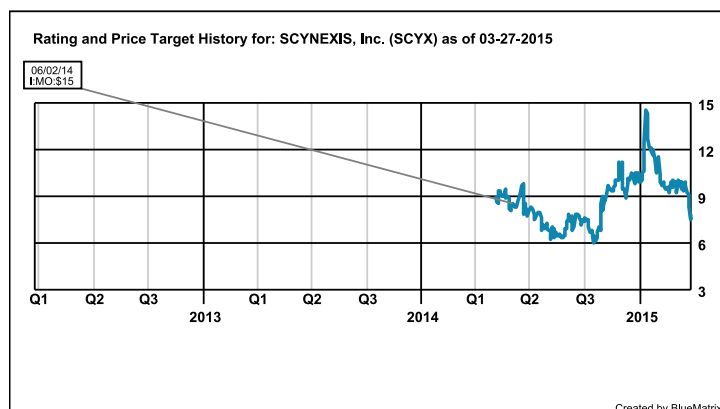
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

JMP Securities Research Ratings and Investment Banking Services: (as of March 30, 2015)

JMP Rating	Regulatory Equivalent	# Co's Under Coverage	% of Total	# Co's Receiving IB Services in Past 12 Months				
				Regulatory Equivalent	# Co's Under Coverage	% of Total	% of Co's With This Rating	
MARKET OUTPERFORM	Buy	285	63.62%	Buy	285	63.62%	87	30.53%
MARKET PERFORM	Hold	153	34.15%	Hold	153	34.15%	21	13.73%
MARKET UNDERPERFORM	Sell	8	1.79%	Sell	8	1.79%	0	0%
COVERAGE IN TRANSITION		1	0.22%		1	0.22%	0	0%
TOTAL:		448	100%		448	100%	108	24.11%

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with NASD Rule 2711, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: JMP Securities.



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