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SCYNEXIS Inc.

Deal represents smart pipeline monetization; focus remains new MOA anti-fungal

Positive - Letting partner focus on SCY-635 for HCV/HBV brings in some cash for SCY-078 and creates upside opportunity at no cost.

First impression

The key value proposition in SCYX is the development of SCY-078, a potentially oral and intravenous anti-fungal with a novel mechanism of action for the treatment of invasive fungal infections, where currently approved drugs are losing efficacy due to increasing resistance, that is about to start Phase II studies. SCYX previously announced its intention to focus largely on SCY-078 and to out-license non-core assets opportunistically in return for milestones and royalties. The deal with Waterstone represents successful execution on this strategy.

SCY-635 out-licensed; brings in capital and upside opportunity. SCYX announced a partnership with Waterstone Pharmaceutical for the development of SCY-635 for viral diseases. Waterstone has worldwide rights to develop and commercialize SCY-635 and also has the option to in-license two additional cyclophilin inhibitors from SCYX. In return SCYX received an as yet undisclosed upfront payment as well as commercialization milestones and royalties. We view the out-licensing as a smart deal that adds back potential SCY-635 optionality at no cost to SCYX since it was no longer focused on that program. The HCV and HBV landscapes are both fast-changing and given SCYX's current resources a focus on SCY-078 is likely the quickest route to the market, in our view.

What is SCY-635? SCY-635 is an oral, cyclophilin inhibitor targeting viral infections, such as HCV and HBV. A Phase IIa study demonstrated synergistic activity with PEG-interferon as co-treatment made HCV patients previously non-responsive to interferon responsive again. Treatment over four weeks restored the patients' sensitivity toward PEG-IFN/ RBV therapy and at week 24, 63% had undetectable HCV RNA vs. 0% for placebo. In vitro data shows activity against HBV as well.

Background on Waterstone Pharmaceuticals. Waterstone Pharmaceutical is a privately held pharma company with over 40 marketed drugs and a development pipeline focused on China. The company already has clinical and preclinical antiviral, including HBV and HCV, and oncology and g.i./ metabolic candidates so in-licensing and developing SCY-635 for HBV and HCV appears in-line with its existing expertise.

Outperform Speculative Risk

NASDAQ: SCYX

Price: USD 8.07

All values in USD unless otherwise noted.



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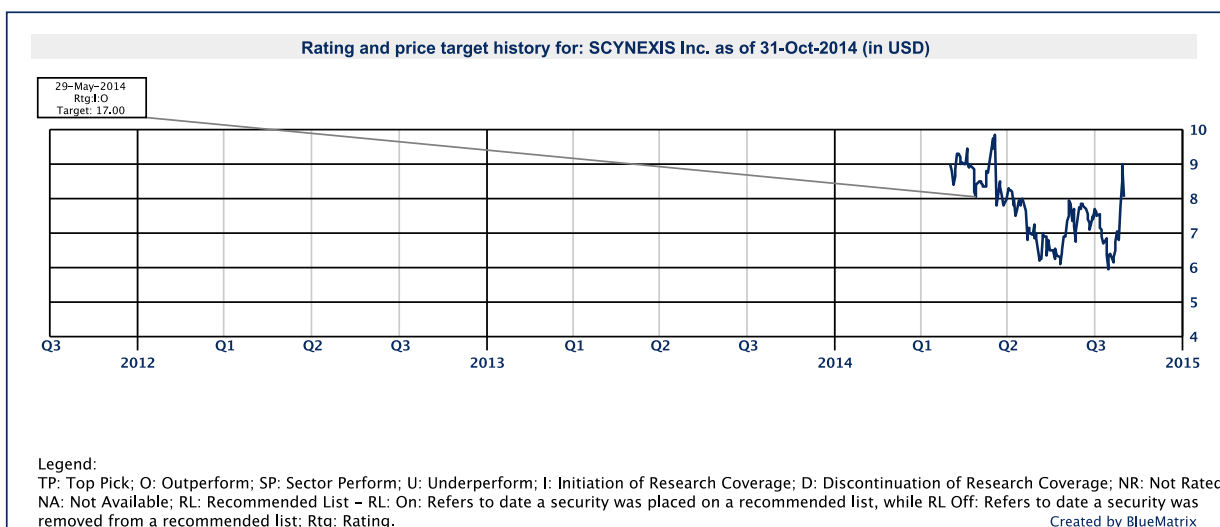
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			Count	Percent
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