

# SCYNEXIS, Inc. (SCYX)

Phase 2 Trial for SCY-078 Tracking with Data in 1H16

## MARKET DATA

Price	\$9.14
52-Week Range:	\$5.10 - \$15.00
Shares Out. (M):	13.9
Market Cap (\$M):	\$127.0
Average Daily Vol. (000):	3.0
Cash (M):	\$65
LT Debt (M):	\$0

Source: Thomson Reuters and JMP Securities LLC

**MARKET OUTPERFORM** | Price: \$9.14 | Target Price: \$15.00

## INVESTMENT HIGHLIGHTS

**Phase 2 trial for SCY-078 tracking with data in 1H16 as Scynexis reports 1Q15 earnings; reiterate our Market Outperform rating and \$15 price target.** Scynexis continues to enroll patients in its Phase 2 study of oral SCY-078 for the treatment of invasive candida infections and is on track to report top-line results in 1H16. As a reminder, the ongoing study includes IV micafungin for 5-7 days as a lead-in in the hospital setting followed by SCY-078 oral vs. standard of care. The design of the study limits efficacy read-through, but should provide visibility on the safety of SCY-078. SCYX is developing its own IV formulation of SCY-078 and is on track to complete IND-enabling toxicology studies where Phase 1 should begin in the 2H15. Separately, SCYX underwent a complete management turnover since February starting with a new CEO, appointment of David Angulo as a new CMO, and today the company announced the resignation of Chuck Osborne from the CFO post. Mr. Osborne is leaving SCYX to pursue a new private biotech opportunity, but will remain with SCYX through June to help with the transition. Separately, we are pleased that SCYX will exit the contract R&D services business to focus exclusively on the development of its pipeline asset SCY-078 and we may see some funds flow into the company from this activity.

SCYX has \$67M in its proforma cash balance following its recent capital raise, which we believe is sufficient to take the company through the Phase 2 readout in 1H16. We continue to recommend shares of SCYX and derive our \$15 price target from a risk-adjusted, discounted cash flow analysis.

FY DEC	2014A	2015E	2016E
Revenue (\$M) 1Q	\$4.7	\$3.3A	--
2Q	\$4.6	\$3.7	--
3Q	\$4.4	\$3.7	--
4Q	\$5.3	\$3.7	--
<b>FY</b>	<b>\$19.0</b>	<b>\$14.4</b>	<b>\$15.1</b>
EPS 1Q	(\$6.57)	(\$0.75)A	--
2Q	\$0.36	(\$0.44)	--
3Q	(\$0.45)	(\$0.52)	--
4Q	(\$0.35)	(\$0.47)	--
<b>FY</b>	<b>(\$1.04)</b>	<b>(\$2.07)</b>	<b>(\$2.82)</b>
Previous FY	NC	(\$2.06)	(\$2.90)

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.

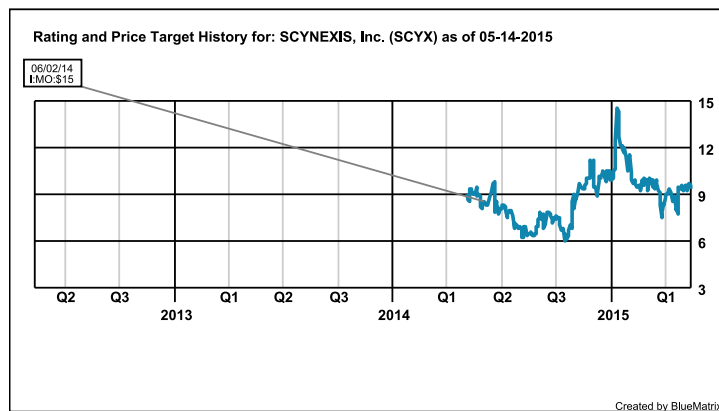
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

### JMP Securities Research Ratings and Investment Banking Services: (as of May 15, 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	279	62.00%	Buy	279	62.00%	95	34.05%
MARKET PERFORM	Hold	140	31.11%	Hold	140	31.11%	17	12.14%
MARKET UNDERPERFORM	Sell	9	2.00%	Sell	9	2.00%	0	0%
COVERAGE IN TRANSITION		21	4.67%		21	4.67%	4	19.05%
TOTAL:		450	100%		450	100%	116	25.78%

### 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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