

SCYNEXIS, Inc. (SCYX)

Scynexis Reports 1Q Results Highlighted by IPO and Ramp to Phase 2

MARKET DATA

Price	\$9.10
52-Week Range:	\$7.92 - \$9.84
Shares Out. (M):	8.5
Market Cap (\$M):	\$77.4
Average Daily Vol. (000):	25.0
Cash (M):	\$42
LT Debt (M):	\$0

Source: Thomson Reuters and JMP Securities LLC

MARKET OUTPERFORM | Price: \$9.10 | Target Price: \$15.00

INVESTMENT HIGHLIGHTS

Scynexis reports 1Q results highlighted by IPO and ramp to Phase 2; reiterate our Market Outperform rating and \$15 price target based on a risk-adjusted, discounted cash flow analysis. Scynexis reported earnings of (\$6.57), below our estimate and consensus of (\$0.20) and (\$0.34), respectively, due primarily to differences between actual and projected shares related to the company's recent IPO. We think the company's lead compound, SCY-078, has potential to be a market leader in serious systemic fungal infections as it could be the first non-azole with both IV and oral formulations, while avoiding the problem of rising azole resistance. The company ended 1Q with \$42M in pro forma cash, including funds from the IPO and payment of its full \$15M of outstanding debt. We believe this amount is sufficient to see the company through its next key catalyst, Phase 2 data, expected next year (Figure 1), and we recommend owning shares ahead of this event.

FY DEC	2013A	2014E	2015E
Revenue (\$M) 1Q	--	\$4.7A	--
2Q	--	\$3.7	--
3Q	--	\$3.7	--
4Q	--	\$3.7	--
FY	\$16.9	\$15.8	\$14.8
EPS 1Q	--	(\$6.57)A	--
2Q	--	(\$0.41)	--
3Q	--	(\$0.49)	--
4Q	--	(\$0.67)	--
FY	(\$0.14)	(\$2.32)	(\$2.24)
Previous FY	NC	(\$1.36)	(\$2.45)

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE



FIGURE 1. Upcoming Catalysts

Time	Event	Program
2H14	Updated IDSA guidelines for Candida	
2015	Phase 2a safety data - oral formulation	SCY-078
2015	Phase 1 safety data - IV formulation	SCY-078
2017-2018	Phase 2/3 pivotal trial data	SCY-078

Source: Company reports and JMP Securities LLC

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.

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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 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.

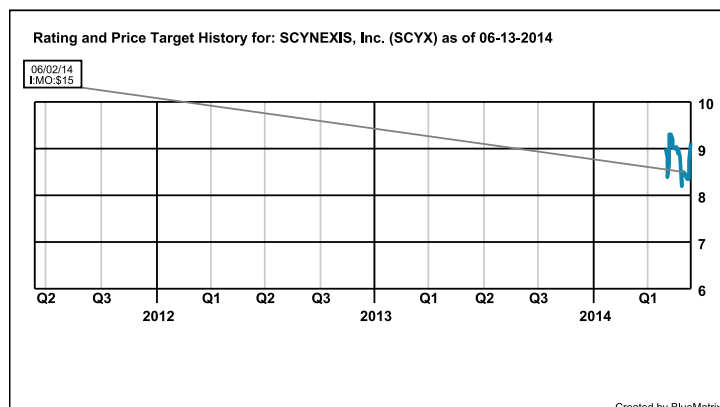
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

JMP Securities Research Ratings and Investment Banking Services: (as of June 15, 2014)

JMP Rating	Regulatory Equivalent	# Co's Under Coverage	% of Total	Regulatory Equivalent	# Co's Under Coverage	% of Total	# Co's Receiving IB Services in Past 12 Months	% of Co's With This Rating
MARKET OUTPERFORM	Buy	261	58.92%	Buy	261	58.92%	98	37.55%
MARKET PERFORM	Hold	135	30.47%	Hold	135	30.47%	19	14.07%
MARKET UNDERPERFORM	Sell	4	0.90%	Sell	4	0.90%	0	0%
COVERAGE IN TRANSITION		43	9.71%		43	9.71%	0	0%
TOTAL:		443	100%		443	100%	117	26.41%

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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