SCYNEXIS, Inc. (SCYX)

Phase 2 Trial Initiated as Scynexis Reports 3Q Earnings

MARKET DATA

Price	$9.31
52-Week Range:	$5.10 - $9.89
Shares Out. (M):	8.5
Market Cap ($M):	$79.1
Average Daily Vol. (000):	66.0
Cash (M):	$34
LT Debt (M):	$0

Source: Thomson Reuters and JMP Securities LLC

FY DEC		2013A	2014E	2015E
Revenue ($M)	1Q	--	$4.7A	--
	2Q	--	$4.6A	--
	3Q	--	$4.4A	--
	4Q	--	$3.7	--
	FY	**$16.9**	**$17.4**	**$14.8**
EPS	1Q	--	($6.57)A	--
	2Q	--	$0.36A	--
	3Q	--	($0.45)A	--
	4Q	--	($0.68)	--
	FY	**($0.14)**	**($1.56)**	**($1.99)**
Previous FY		NC	($1.96)	($2.22)

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE

MARKET OUTPERFORM | Price: $9.31 | Target Price: $15.00

INVESTMENT HIGHLIGHTS

Phase 2 trial initiated as Scynexis reports 3Q earnings; reiterate our Market Outperform rating and $15 price target. As expected, SCYX initiated a Phase 2 study for its lead product candidate SCY-078 for the treatment of invasive candida infections and we expect data could become available towards mid-2015. We view these data as providing the first view on safety in infected patients for SCY-078, but our visibility on both safety and efficacy will be somewhat limited by the initial use of IV caspofungin, used as a placeholder as we await development of IV SCY-078. We believe forthcoming new treatment guidelines, expected in 1H15, should facilitate this given the expectation that the recommended first-line therapy will move away from the azole class given high levels of resistance. SCY-078 has a potential to become an important new treatment option for serious fungal infections with an IV and oral formulation. Scynexis reported 3Q14 cash burn generally in line with our estimates and the current $34M cash balance should be sufficient to get SCYX through the Phase 2 study readout expected in 4Q15 (Figure 1). We continue to recommend the stock, and base our price target on a risk-adjusted, discounted cash flow analysis.

Phase 2 trial and design. The study will enroll patients with invasive candida infection and will start with a IV caspofungin therapy for 5-7 days, followed by a switch to oral SCY-078 or standard of care (SOC) fluconazole (Figure 2). The trial will explore two dosing regimens of SCY-078, a high dose of 1,250mg loading followed by 750mg QD or a low dose of 1,000mg loading, 500mg QD of SCY-078. The primary purpose of the study is to determine the dose required to achieve the target exposure of 15uMhr. The study will also be the first evaluation of safety in patients. We believe assessing efficacy of SCY-078 in this trial will be challenging given the lead-in phase with caspofungin, but it will be informative to see how SCY-078 stacks up against the step down to oral fluconazole. One specific area where we are looking for efficacy is in cases of c. glabrata and c. krusei, strains with known resistance to azoles and echinocandins.

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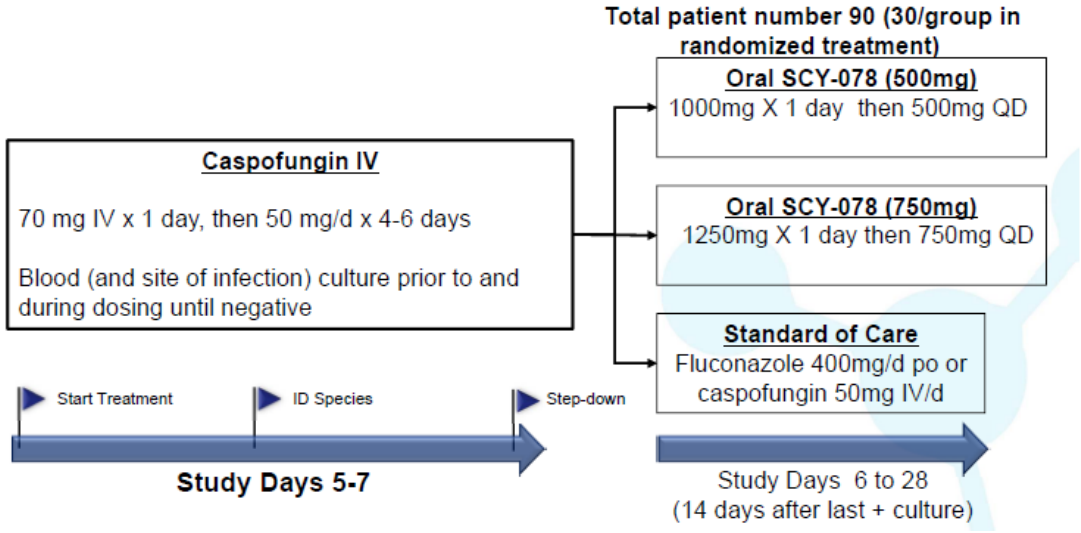
FIGURE 1. Catalyst Chart

Time	Event	Program
1H15	Updated IDSA guidelines for Candida	
4Q15	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 & JMP Securities LLC

FIGURE 2. Phase 2 Study Design



Source: Company Reports

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

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Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.
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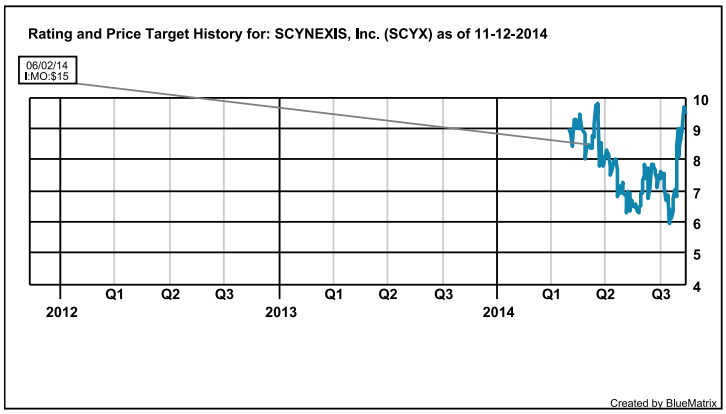
JMP Rating	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	# Co's Receiving IB Services in Past 12 Months	*% of Co's With This Rating*
MARKET OUTPERFORM	Buy	285	*61.03%*	Buy	285	*61.03%*	104	*36.49%*
MARKET PERFORM	Hold	141	*30.19%*	Hold	141	*30.19%*	15	*10.64%*
MARKET UNDERPERFORM	Sell	2	*0.43%*	Sell	2	*0.43%*	0	*0%*
COVERAGE IN TRANSITION		36	*7.71%*		36	*7.71%*	0	*0%*
TOTAL:		467	*100%*		467	*100%*	121	*25.91%*

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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