COWEN
AND COMPANY

Pharmaceuticals/Specialty

Coherus BioSciences

Equity Research

Quick Take: Earnings Update

August 11, 2015

Price: $33.87 (08/10/2015)

Price Target: $45.00

OUTPERFORM (1)

Ken Cacciatore
646.562.1305
ken.cacciatore@cowen.com

Tyler Van Buren, M.Sc.
646.562.1338
tyler.vanburen@cowen.com

Sal Rais, M.D.
646.562.1420
sal.rais@cowen.com

Key Data

Symbol	NASDAQ: CHRS
Market Cap (MM)	$1,281.7

Steady Progress Continues; Numerous Disclosures Over The Next 6-12 Months

The Cowen Insight

Coherus has 3 key biosimilar products in development: (1) CHS-1420 (Humira); (2) CHS-0214 (Enbrel); and (3) CHS-1701, (Neulasta). Our $45 price target is based on conservative penetration into the RA and psoriasis markets for CHS-1420 and CHS-0214, with modest contribution from CHS-1701. With several disclosures expected over the next 6-12 months, significant value creation could occur.

Biosimilar Development Programs Continue To Make Significant Progress

Coherus held its Q2 earnings call and continues to make steady progress with its robust pipeline. As a reminder, Coherus is one of the leading players in the race to develop biosimilars with three key products in development: (1) CHS-1420, a biosimilar of AbbVie's Humira; (2) CHS-0214, a biosimilar of Amgen's Enbrel; and (3) CHS-1701, a biosimilar of Amgen's Neulasta.

Regarding CHS-1701, Coherus has completed the enrollment of the pivotal PK/PD study and also initiated an immunogenecity study, both of which are being conducted in healthy volunteers. Recall that after recently meeting with the FDA, the Company received guidance to conduct a single-dose PK/PD study of CHS-1701 in 106 healthy patients and a parallel group, two-dose immunogenicity study with 80 healthy patients in each group (CHS-1701 versus its active comparator Neulasta). Importantly, based on the feedback from the Agency, Coherus will not need to conduct Phase III efficacy studies for CHS-1701 in patients with cancer due to the following reasons: (1) pegfilgrastim is a relatively simple molecule to characterize compared to other proteins such as monoclonal antibodies (i.e., smaller molecular weight, no glycosylation, straightforward pegylation, etc.); (2) treatment with the G-CSF analog is on an acute not chronic basis; and finally (3) there is a clear rapid efficacy marker, which is an increase in neutrophil counts that can be observed in both healthy patients and those with cancer. While these three attributes (easier ability to characterize, rapid and measurable effects, acute use versus chronic) are not applicable for all biosimilars, the Agency's willingness to approach each candidate with a degree of flexibility is encouraging for potential current and future targets. The PK/PD and immunogenecity studies for CHS-1701 should support a filing of the 351(k) BLA in Q4:2015/Q1:2016. Management is already in the early stages of formalizing its commercialization and reimbursement strategy, which is encouraging.

For CHS-1420 (biosimilar Humira) – the company's key asset – Coherus continues to make stable progress. Recall that after receiving feedback from the Agency, Coherus has decided to conduct its pivotal Phase III program in plaque psoriasis. Specific for the U.S., the efficacy study will require a 16 week assessment with a PASI 75 endpoint (75% improvement in the Psoriasis Area and Severity Index score) while for the EMA, the regulators have suggested a 12 week assessment with a mean improvement in PASI endpoint. The study is expected to be initiated in mid-2015. Additionally, the Company will also initiate a PK bioequivalence bridging study toward the end of H1:2016 using Phase III drug material. The BLA for CHS-1420 is expected to be filed in H2:2016 and we continue to remain encouraged by the straightforward dialogue and

clinical guidance that Coherus has received from both the FDA and EMA for this key program.

Finally, regarding CHS-0214 (biosimilar Enbrel partnered with Baxalta and Daiichi Sankyo) enrollment for both the RA and psoriasis Phase III studies was completed in May 2015, for which Coherus received a $35MM milestone payment from Baxalta. Topline data for the psoriasis study is expected in Q4:2015 with data from the RA study expected in Q1:2016. CHS-0214 remains on-track for regulatory filings in the EU and Japan in mid-2016. The bottom-line is that Coherus continues to make significant progress with its biosimilars pipeline and several disclosures are expected over the next 6-12 months, that could generate significant value for shareholders.

Coherus Is A Leader In What Should Be A Significant Biosimilars Market

By 2017, we estimate the WW sales of Humira for the rheumatoid arthritis (RA) and psoriasis indications alone will be approximately $10B. For Enbrel, Amgen has U.S. patent protection until 2029 in the U.S., but we estimate the 2017 ex-U.S. sales will still be $3.2B for just the RA and psoriasis indications. Finally, Neulasta WW sales are expected to be roughly $4.4B by 2017. Put simply, Coherus is currently developing three lead biosimilar products with an estimated total addressable market of $18B by 2017. And the Company's impressive development platform is easily transferable to a long list of additional biosimilar opportunities. From a clinician, patient, and overall health care system (government and commercial payors) perspective, there is an escalating, in fact desperate, need for effective and therapeutically equivalent low-cost alternatives. We believe Coherus will be at the forefront of alleviating the massive cost pressures via what should be a successful development of its biosimilar products.

Valuation Remains Attractive Here

Our base-case valuation assumes U.S. approval for CHS-1420 (Humira) in 2017, and peak sales via direct commercialization by Coherus eventually reaching approximately $1B, assuming a 3% penetration of the U.S. RA and psoriasis markets by 2022. We also assume ex-U.S. approvals of CHS-1420 in 2018 with peak royalty revenues of $190MM+. For CHS-0214 (Enbrel), we assume ex-U.S. approvals in 2017 with peak royalty revenues of $200MM+. Finally, we assume a 2017 U.S. approval (which could prove conservative) for CHS-1701 (Neulasta) with peak sales via direct marketing by Coherus of $260MM+. We also assume ex-U.S. approval of CHS-1701 in 2018 with peak royalty revenues of $30MM+. We would note, our valuation does not attribute any value to the potential additional indications for CHS-1420 and CHS-0214 that are currently found in the labels for Humira and Enbrel. Our industry checks continue to suggest that physicians are willing to use biosimilars and that managed care will clearly pressure for adoption. As a result, our current assumptions may prove to be conservative. We would note, our valuation does not attribute any value to the potential additional indications for CHS-1420 and CHS-0214 that are currently found in the labels for Humira and Enbrel. The broader utilization could garner significant upside to our base case $45 valuation since the RA and psoriasis indications only make up 55-60% of Humira's current U.S. sales.

Valuation Methodology And Risks

Valuation Methodology

Pharmaceuticals/Specialty

For our valuation methodology, we arrive at fair value utilizing a discounted cash flow (DCF) approach to derive our 12-month price target.

Investment Risks

Pharmaceuticals/Specialty

Risks include: (1) growing competitive dynamics in the specialty pharmaceuticals space; (2) the ability of management to execute on external growth by successfully acquiring new strategic, accretive products; (3) the ability to grow organically and keep the product pipeline robust; (4) potential regulatory delays, rejections, or failures of pipeline products; (5) economic sensitivity of any self-pay products or weakening consumer demand; (6) domestic or international pricing pressures for marketed products; and (7) failure to execute on new product launches.

Risks To The Price Target

Coherus is a development-stage biosimilar company and while the strategy appears to be risk-mitigated from a clinical efficacy perspective, regulatory and legal hurdles could negatively affect the Company's share price.

Addendum

Stocks Mentioned In Important Disclosures

Ticker	Company Name
CHRS	Coherus BioSciences

Analyst Certification

Each author of this research report hereby certifies that (i) the views expressed in the research report accurately reflect his or her personal views about any and all of the subject securities or issuers, and (ii) no part of his or her compensation was, is, or will be related, directly or indirectly, to the specific recommendations or views expressed in this report.

Important Disclosures

Cowen and Company, LLC and or its affiliates make a market in the stock of Coherus BioSciences securities.

Coherus BioSciences has been client(s) of Cowen and Company, LLC in the past 12 months.

Coherus BioSciences is or was in the past 12 months a client of Cowen and Company, LLC; during the past 12 months, Cowen and Company, LLC provided IB services.

Cowen and Company, LLC and/or its affiliates received in the past 12 months compensation for investment banking services from Coherus BioSciences.

Cowen and Company, LLC and/or its affiliates managed or co-managed a public offering of Coherus BioSciences within the past twelve months.

Cowen and Company, LLC compensates research analysts for activities and services intended to benefit the firm's investor clients. Individual compensation determinations for research analysts, including the author(s) of this report, are based on a variety of factors, including the overall profitability of the firm and the total revenue derived from all sources, including revenues from investment banking. Cowen and Company, LLC does not compensate research analysts based on specific investment banking transactions.

Disclaimer

This research is for our clients only. Our research is disseminated primarily electronically and, in some cases, in printed form. Research distributed electronically is available simultaneously to all Cowen and Company, LLC clients. All published research can be obtained on the Firm's client website, https://cowenlibrary.bluematrix.com/client/library.jsp.

Further information on any of the above securities may be obtained from our offices. This report is published solely for information purposes, and is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Other than disclosures relating to Cowen and Company, LLC, the information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete statement or summary of the available data. Any opinions expressed herein are statements of our judgment on this date and are subject to change without notice.

For important disclosures regarding the companies that are the subject of this research report, please contact Compliance Department, Cowen and Company, LLC, 599 Lexington Avenue, 20th Floor, New York, NY 10022. In addition, the same important disclosures, with the exception of the valuation methods and risks, are available on the Firm's disclosure website at https://cowen.bluematrix.com/sellside/Disclosures.action.

Price Targets: Cowen and Company, LLC assigns price targets on all covered companies unless noted otherwise. The price target for an issuer's stock represents the value that the analyst reasonably expects the stock to reach over a performance period of twelve months. The price targets in this report should be considered in the context of all prior published Cowen and Company, LLC research reports (including the disclosures in any such report or on the Firm's disclosure website), which may or may not include price targets, as well as developments relating to the issuer, its industry and the financial markets. For price target valuation methodology and risks associated with the achievement of any given price target, please see the analyst's research report publishing such targets.

Notice to UK Investors: This publication is produced by Cowen and Company, LLC which is regulated in the United States by FINRA. It is to be communicated only to persons of a kind described in Articles 19 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. It must not be further transmitted to any other person without our consent.

Copyright, User Agreement and other general information related to this report

Cowen and Company, LLC. New York (646) 562-1000 **Boston** (617) 946-3700 **San Francisco** (415) 646-7200 **Chicago** (312) 577-2240 **Cleveland** (440) 331-3531 **Atlanta** (866) 544-7009 **London** (affiliate) 44-207-071-7500

COWEN AND COMPANY RATING DEFINITIONS

Cowen and Company Rating System effective May 25, 2013

Outperform (1): The stock is expected to achieve a total positive return of at least 15% over the next 12 months

Market Perform (2): The stock is expected to have a total return that falls between the parameters of an Outperform and Underperform over the next 12 months

Underperform (3): Stock is expected to achieve a total negative return of at least 10% over the next 12 months

Assumption: The expected total return calculation includes anticipated dividend yield

Cowen and Company Rating System until May 25, 2013

Outperform (1): Stock expected to outperform the S&P 500

Neutral (2): Stock expected to perform in line with the S&P 500

Underperform (3): Stock expected to underperform the S&P 500

Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period

Cowen Securities, formerly known as Dahlman Rose & Company, Rating System until May 25, 2013

Buy – The fundamentals/valuations of the subject company are improving and the investment return is expected to be 5 to 15 percentage points higher than the general market return

Sell – The fundamentals/valuations of the subject company are deteriorating and the investment return is expected to be 5 to 15 percentage points lower than the general market return

Hold – The fundamentals/valuations of the subject company are neither improving nor deteriorating and the investment return is expected to be in line with the general market return

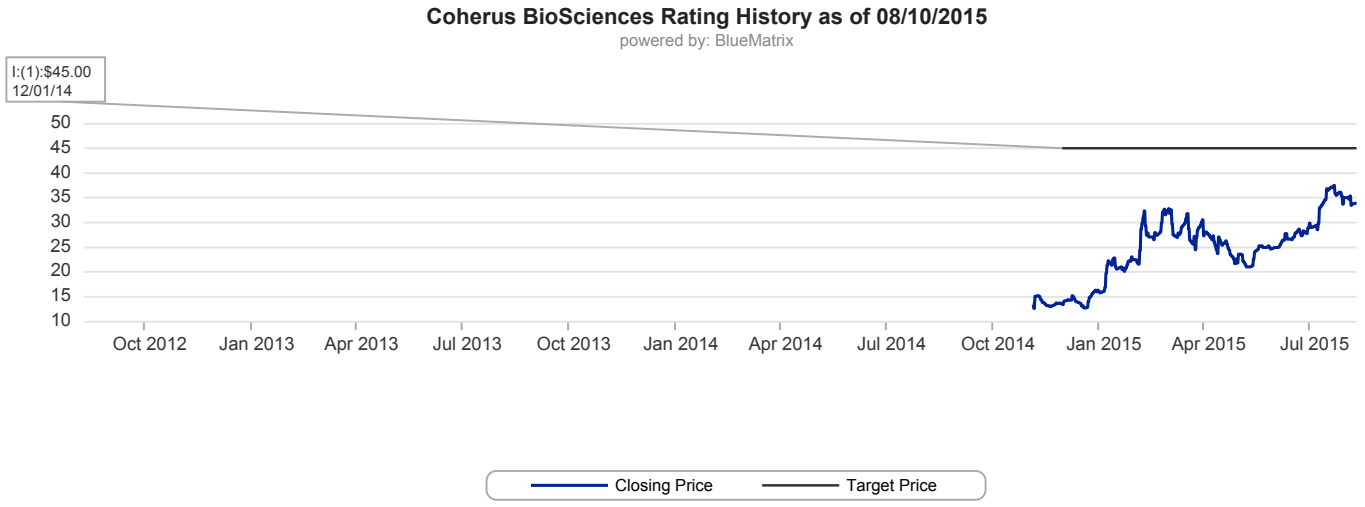
Cowen And Company Rating Definitions

Distribution of Ratings/Investment Banking Services (IB) as of 06/30/15

Rating	Count	Ratings Distribution	Count	IB Services/Past 12 Months
Buy (a)	476	59.20%	110	23.11%
Hold (b)	314	39.05%	7	2.23%
Sell (c)	14	1.74%	0	0.00%

(a) Corresponds to "Outperform" rated stocks as defined in Cowen and Company, LLC's rating definitions. (b) Corresponds to "Market Perform" as defined in Cowen and Company, LLC's ratings definitions. (c) Corresponds to "Underperform" as defined in Cowen and Company, LLC's ratings definitions.

Note: "Buy", "Hold" and "Sell" are not terms that Cowen and Company, LLC uses in its ratings system and should not be construed as investment options. Rather, these ratings terms are used illustratively to comply with FINRA and NYSE regulations.



Legend for Price Chart:

I = Initiation | 1 = Outperform | 2 = Market Perform | 3 = Underperform | UR = Price Target Under Review | T = Terminated Coverage | $xx = Price Target | NA = Not Available | S=Suspended

Points Of Contact

Reaching Cowen

Main U.S. Locations

New York
599 Lexington Avenue
New York, NY 10022
646.562.1000
800.221.5616

Boston
Two International Place
Boston, MA 02110
617.946.3700
800.343.7068

Cleveland
20006 Detroit Road
Suite 100
Rocky River, OH 44116
440.331.3531

San Francisco
555 California Street, 5th Floor
San Francisco, CA 94104
415.646.7200
800.858.9316

Atlanta
3399 Peachtree Road NE
Suite 417
Atlanta, GA 30326
866.544.7009

Chicago
181 West Madison Street
Suite 3135
Chicago, IL 60602
312.577.2240

International Locations

Cowen International Limited

London
1 Snowden Street - 11th Floor
London EC2A 2DQ
United Kingdom
44.20.7071.7500

Cowen and Company (Asia) Limited

Hong Kong
Suite 1401 Henley Building
No. 5 Queens Road Central
Central, Hong Kong
852 3752 2333

@CowenResearch

Cowen and Company