

## CareDx, Inc. (CDNA)

## Overweight

### Highlights From The 26th Annual Piper Jaffray Healthcare Conference

#### CONCLUSION

CareDx's CEO, Peter Maag, and CFO, Ken Ludlum, laid out the investment thesis for CDNA shares, which included solid performance of their existing Allomap test, an upcoming series of data releases on their cfDNA tests for both Heart and Kidney rejection, reiterated product launch timelines and also highlighted the low cash burn, with the existing Allomap product close to profitability. We reiterate our Overweight rating on shares, with a \$13.00 price target.

- **Allomap Update:** CareDx's CEO, Peter Maag, and CFO, Ken Ludlum, provided a favorable update on Allomap, continuing to emphasize the use of Allomap in guiding immune response post-transplantation. Mr. Maag highlighted recent reimbursement wins, taking practical coverage of their test up to 220M lives (175M lives under contract). Management stressed the progress the sales team has made in the past 2 years with 45 centers including Allomap into their protocols (an additional 28 centers are developing protocols). In many cases, getting into protocols is but an initial step, with recent efforts focused on increasing year 1 surveillance intervals as well as expanding the surveillance period (i.e., using Allomap beyond the initial year 1 post-transplant).
- **Pipeline Update:** Mr. Maag reiterated product introduction timelines for cfDNA, with the cfDNA Heart currently released selectively as a free add-on to Allomap. In terms of milestones, Peter highlighted cfDNA Heart data at the International Society for Heart & Lung Transplantation (ISHLT, April 15-18, 2015) and initial cfDNA Kidney within 1H15. Additionally, management will ramp the Kidney trial mid-2015. As a reminder, in preliminary data, CareDx has demonstrated statistical significance in predicting rejection using cfDNA in a very small sample (3x fold difference in rejection vs quiescence).
- **General Update:** Despite two strong quarters, CDNA is below its offering price, and while this is clearly disappointing, management noted they are focusing first on the business, wisely (in our opinion) noting that performance (fundamental) tends to beget performance (stock).

#### COMPANY DESCRIPTION

CareDx develops novel tests for recipient organ transplant surveillance.

**PRICE: US\$7.03**

**TARGET: US\$13.00**

3.2x FY17E EV/Revenue discounted 25% to FY16E (FY17E Rev: \$55.8M, FY16E: 12.5M shares outstanding, \$1.44 in net cash/sh).

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**Related Companies:**

CDNA

**Share Price:**

7.03

#### RISKS TO ACHIEVEMENT OF PRICE TARGET

Risks for CareDx include weaker-than-expected AlloMap penetration, pipeline delays and competition.

#### Price Performance - 1 Year



Source: Bloomberg

## IMPORTANT RESEARCH DISCLOSURES



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

### Legend:

I: Initiating Coverage  
R: Resuming Coverage  
T: Transferring Coverage  
D: Discontinuing Coverage  
S: Suspending Coverage  
OW: Overweight  
N: Neutral  
UW: Underweight  
NA: Not Available  
UR: Under Review

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			Count	Percent
<b>BUY [OW]</b>	378	61.97	101	26.72
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The views expressed in this report accurately reflect my personal views about the subject company and the subject security. In addition, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

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