

Company Update

December 18, 2014

TICKER NASDAQ: XNCR
RATING BUY
PRICE TARGET \$18.00
Price (December 17, 2014) \$15.55

Xencor, Inc.

Signs First Deal for Bispecific Antibody Platform with Novo Nordisk

Market Data

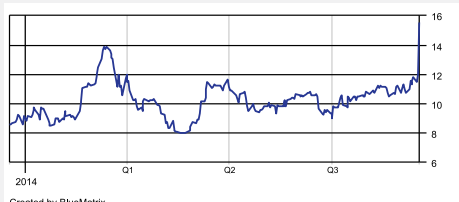
Market Cap (M): \$488.2
Shares out (M): 31.4
Float (M): 17.3
Daily Vol, 3 Mo Avg (M): 0.1
52-Week Range: \$15.95-\$7.77
Cash & Cash Eq (M): \$60.9
Debt (M): \$0.0
NAV (M): NA

Financial Metrics

Short Interest (M): 0.4
Instit. Holdings (%): NA
Cash Burn (M): NA
Short Interest (% of Float): NA

EPS	1Q	2Q	3Q	4Q	FY
2014	-0.12A	-0.16A	-0.20A	-0.06E	-0.54E
2015	-0.18E	-0.18E	-0.20E	-0.18E	-0.74E
2016	—	—	—	—	-0.72E

1-Year Price History



This morning, Xencor announced a discovery collaboration and licensing deal with Novo Nordisk (NVO - not covered) for XNCR's bispecific and immune inhibitor technologies, further validating the XmAb engineered antibody platform. Under the deal, XNCR is entitled to product sales royalties and up to \$175 million in upfront payments, research/clinical support, regulatory and sales milestones. The Novo collaboration is XNCR's eighth utilizing the XmAb platform and highlights its utility across a broad spectrum of diseases. We reiterate our Buy rating and \$18 price target.

First Bispecific Collaboration Provides Additional External Validation. XNCR previously signed licensing deals with 7 major pharmaceutical and biotechnology companies (Amgen, Morphosys, Alexion, Boehringer Ingelheim, Janssen, CSL Limited, and Merck) but the deal with Novo is the first to include the bispecific antibody technology. While XNCR and Novo did not disclose the target they will pursue, we expect the target is in the autoimmunity or inflammation space, given that the bispecific antibody incorporates XNCR's immune inhibitor technology.

Others Bispecific Partnerships Likely to Follow. With the success of AMGN's Blnicyto in acute lymphoblastic leukemia (ALL) and the general interest in immunotherapies for cancer treatment, interest in bispecific antibodies has recently surged, and we expect additional bispecific collaborations to follow. At the American Society of Hematology (ASH) meeting earlier this month, XNCR presented preclinical data on 3 wholly owned bispecific antibodies (CD3-CD38, CD3-CD20, and CD3-CD123). XNCR intends to develop XmAb14045 (CD3-CD123) in acute myeloid leukemia (AML) itself, and we expect both the CD3-CD38 program for myeloma and CD3-CD20 program for B-cell malignancies to garner significant large pharma and biotech interest.

Upcoming Milestones. In December, we continue to expect top-line Phase 1b/2a XmAb5871 results in rheumatoid arthritis to serve as proof-of-concept for suppressing B-cell response, providing scientific rationale for XNCR to pursue rare orphan B-cell diseases such as IgG4-Related Disease (IgG4-RD). We anticipate a Phase 2 trial to initiate in IgG4-RD in 2015. For anti-IgE antibody XmAb7195, we expect allergic asthma data in 1Q15 followed by Phase 1b multiple ascending dose results. We also expect XNCR to commence Phase 1 studies of its bispecific CD3-CD123 antibody XmAb14045 in AML by 2016.

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VALUATION

We derive a value of \$18 per XNCR common share based on a probability-adjusted sum-of-the-parts analysis. We estimate wholly owned lead product candidates 7195 and 5871 are worth \$8 and \$5 per share, respectively. We also value all partnered programs at \$4 based on our estimates of peak sales potential, launch timing, and stage of development. Lastly, cash on hand comprises the remaining \$1 of our valuation of XNCR shares.

INVESTMENT RISK

Risks include clinical and regulatory uncertainties, commercial and partnership risks, access to financing, and post-regulatory approval drug safety warnings.

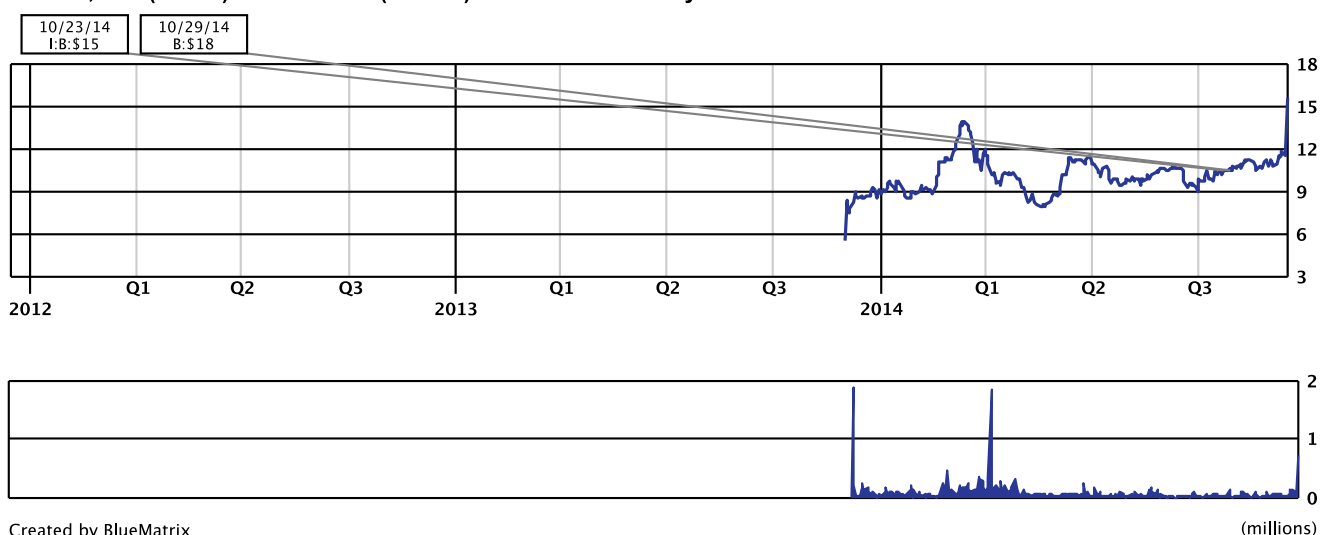
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Rating and Price Target History

MLV disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies initiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available upon request.

All required current disclosures on subject companies covered in this report may be obtained by contacting Randy Billhardt at MLV at 212-542-5882 or rbillhardt@mlvco.com.

Xencor, Inc. (XNCR): Share Price (in USD) and Volume History as of 12-17-2014**MLV RATING ALLOCATION (as of December 17, 2014)**

BUY: MLV projects that the subject company's stock price will increase in value by 20% or more in the next 12 months.

HOLD: MLV projects that the subject company's stock price will trade in a range not more than 20% above or below its current price.

SELL: MLV projects that the subject company's stock price will decrease in value by 20% or more in the next 12 months.

Rating	COMPANIES UNDER COVERAGE		INVESTMENT BANKING SERVICE WITHIN 12 MONTHS	
	Count	Percent	Count	Percent
BUY	116	66.29%	53	30.29%
HOLD	59	33.71%	21	12.00%
SELL	0	0.00%	0	0.00%

Issuer Specific Disclosures

MLV or any affiliate expects to receive or intends to seek compensation for investment banking services from Xencor, Inc. in the next 3 months.

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To receive any additional information upon which this report is based, including disclosures please contact MLV at 212-542-5880 or write to: Research Department, MLV & Co LLC, 1251 Avenue of the Americas, 41st Floor, New York, NY 10020.

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