

December 18, 2014

David M. Nierengarten, Ph.D. (415) 274-6862

Heather Behanna, Ph.D. (415) 274-6874

Dilip Joseph (415) 273-7308

## Xencor (XNCR - OUTPERFORM): XNCR Announces Bispecific Collaboration Agreement with Novo Nordisk for Undisclosed Target

Price: \$15.65

12-Month Price Target: \$18

- XNCR entered into a collaboration (worth up to \$175M, plus potential future royalties) agreement with Novo Nordisk (NVO, not covered) to jointly discover bispecific antibody candidates for an undisclosed target, using XNCR's XmAb technologies.
- Recall XNCR's XmAb bispecific platform recently showed promising pre-clinical results for three bispecific antibodies: CD3xCD123, CD3xCD20 and CD3xCD38 at this year's American Society of Hematology (ASH) meeting. Each antibody showed relatively long half-lives and activity in preclinical hematological malignancy models. We find these characteristics and the well-known clinical/regulatory and manufacturing pathway for antibodies to be potentially competitive with engineered T-cell therapies where, despite impressive clinical benefits seen to date, the route to approval and manufacturing of T-cell therapies is much less clear.
- AMGN yesterday announced its approved bispecific antibody Blincyto, which targets CD19 x CD3, will be priced at \$178,000 for a course of treatment. The price is the highest we know of for a course of antibody therapy in an oncology indication, and, if bispecifics could compete with engineered T-cell therapies, we could see further upside room to pricing of improved "second-generation" bispecifics that Xencor's technology can provide.
- Reiterate OUTPERFORM and \$18 price target. Our \$18 price target is derived from the sum of multiples on sales and royalties from XNCR's proprietary and partnered products, each discounted back.

Risks to the attainment of our price target include 1) failure to reach sales expectations for XmAb7195, XmAb5574, XmAb5871 and 2) failure in the clinic of either XmAb7195, XmAb5574, XmAb5871.

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Company	Disclosure
Xencor	1,3,4,5

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XNCR

1) 12/31/13  
OUTPERFORM \$18


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**RESEARCH DEPT. \* (213) 688-4505 \* [www.wedbush.com](http://www.wedbush.com)**

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# WEDBUSH

## EQUITY RESEARCH DEPARTMENT

(213) 688-4529

### DIRECTOR OF RESEARCH

Mark D. Benson (213) 688-4435

### MANAGER, RESEARCH OPERATIONS

Ellen Kang (213) 688-4529

#### RETAIL AND CONSUMER

##### Healthy Lifestyles

Phil Terpolilli (212) 833-1367

##### Leisure

James Hardiman, CFA CPA (212) 833-1362

Sean Wagner (212) 833-1363

##### Restaurants

Nick Setyan (213) 688-4519

Colin Radke (213) 688-6624

##### Specialty Retail: Hardlines

Joan L. Storms, CFA (213) 688-4537

John Garrett, CFA (213) 688-4523

Seth Basham, CFA (212) 938-9954

##### Specialty Retail: Softlines

Morry Brown, CFA (213) 688-4311

Taryn Kuida (213) 688-4505

#### RETAIL CHANNEL CHECKING GROUP

Lupine Skelly (505) 417-5427

#### INDUSTRIAL GROWTH TECHNOLOGY

##### Environmental Services / Building Products

Al Kaschalk (213) 688-4539

##### Water and Renewable Energy Solutions

David Rose, CFA (213) 688-4319

James Kim (213) 688-4380

#### TECHNOLOGY, INTERNET, MEDIA & SOCIAL MEDIA

##### Communications & Cloud Infrastructure

Scott Thompson (212) 938-9933

##### Communications and Application Software

Shyam Patil, CFA (213) 688-8062

Andy Cheng (213) 688-4548

##### Computer Services: Financial Technology

Gil B. Luria (213) 688-4501

Aaron Turner (213) 688-4429

##### Enterprise Software

Steve Koenig (415) 274-6801

##### Entertainment: Retail

Michael Pachter (213) 688-4474

Alicia Reese (212) 938-9927

Nick McKay (213) 688-4343

##### Entertainment: Software

Michael Pachter (213) 688-4474

Nick McKay (213) 688-4343

##### Internet: Media and Gaming

Michael Pachter (213) 688-4474

Nick McKay (213) 688-4343

Alicia Reese (212) 938-9927

##### Internet: Social Media, Advertising & Technology

Shyam Patil, CFA (213) 688-8062

Andy Cheng (213) 688-4548

##### Media

James Dix, CFA (213) 688-4315

##### Movies and Entertainment

Michael Pachter (213) 688-4474

Alicia Reese (212) 938-9927

Nick McKay (213) 688-4343

##### Semiconductors

Betsy Van Hees (415) 274-6869

Ryan Jue, CFA (415) 263-6669

#### LIFE SCIENCES AND HEALTH CARE

##### Biotechnology/Biopharmaceuticals/BioDefense

David M. Nierengarten, Ph.D. (415) 274-6862

Dilip Joseph (415) 273-7308

Heather Behanna, Ph.D. (415) 274-6874

##### Emerging Pharmaceuticals

Liana Moussatos, Ph.D. (415) 263-6626

##### Healthcare Services - Managed Care

Sarah James (213) 688-4503

##### Medical Devices

Tao Lewy (212) 938-9948

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Zarak Khurshid (415) 274-6823

#### EQUITY SALES

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San Francisco (415) 274-6811

New York (212) 344-2382

Boston (617) 832-3700

Milwaukee (213) 688-4475

#### CORPORATE HEADQUARTERS

1000 Wilshire Blvd., Los Angeles, CA 90017-2465

Tel: (213) 688-8000 www.wedbush.com