

Five Prime Therapeutics, Inc.

FPRX - BUY - Completes First Cohort in Ph.I Healthy Volunteer/RA Trial of FPA008

BRET HOLLEY, PH.D., ANALYST

bret.holley@guggenheimpartners.com
212 293 2820

DANIEL CHUNG, ASSOCIATE

daniel.chung@guggenheimpartners.com
212 518 9771

FLASH NOTE

SECTOR: Biotechnology

October 31, 2013

On 10/31, FPRX (BUY, \$12.21) announced the completion of dosing in the first cohort of patients enrolled in the company's ongoing Ph.I trial of FPA008 ('008), an anti-CSF1R mAb, in rheumatoid arthritis (RA). Although this is a very early step in the drug's development, we believe the relatively rapid progress FPRX has made with '008 is encouraging. As a reminder, the Ph.I trial is initially assessing '008 in healthy volunteers, with plans to move the mAb into early testing in RA towards the end of '14. The first safety/PK/PD results from the healthy volunteer portion of the trial are expected in 2H14. Although we generally do not view healthy volunteer results as a major catalysts for stocks, we continue to believe the early '008 safety results will be important, given the drug's potentially more efficacious profile vs. the anti-TNFs. Logically, this profile could potentially also lead to increased side effects, but we believe this is unlikely, based on '008's specific reduction inflammatory monocytes vs. normal monocytes in preclinical models. We believe FPRX is attractive to LT investors on FP-1039's broad potential in solid tumors with significant additional upside optionality from the success of FPA008 in RA. We see no reason for the recent downside in the stock (-12% vs. NBI -3% over past 5 trading days) and believe it offers an excellent entry point.

ANALYST CERTIFICATION

By issuing this research report, each Guggenheim Securities, LLC ("Guggenheim Securities") research analyst whose name appears in this report hereby certifies that (i) all of the views expressed in this report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst.

IMPORTANT DISCLOSURES

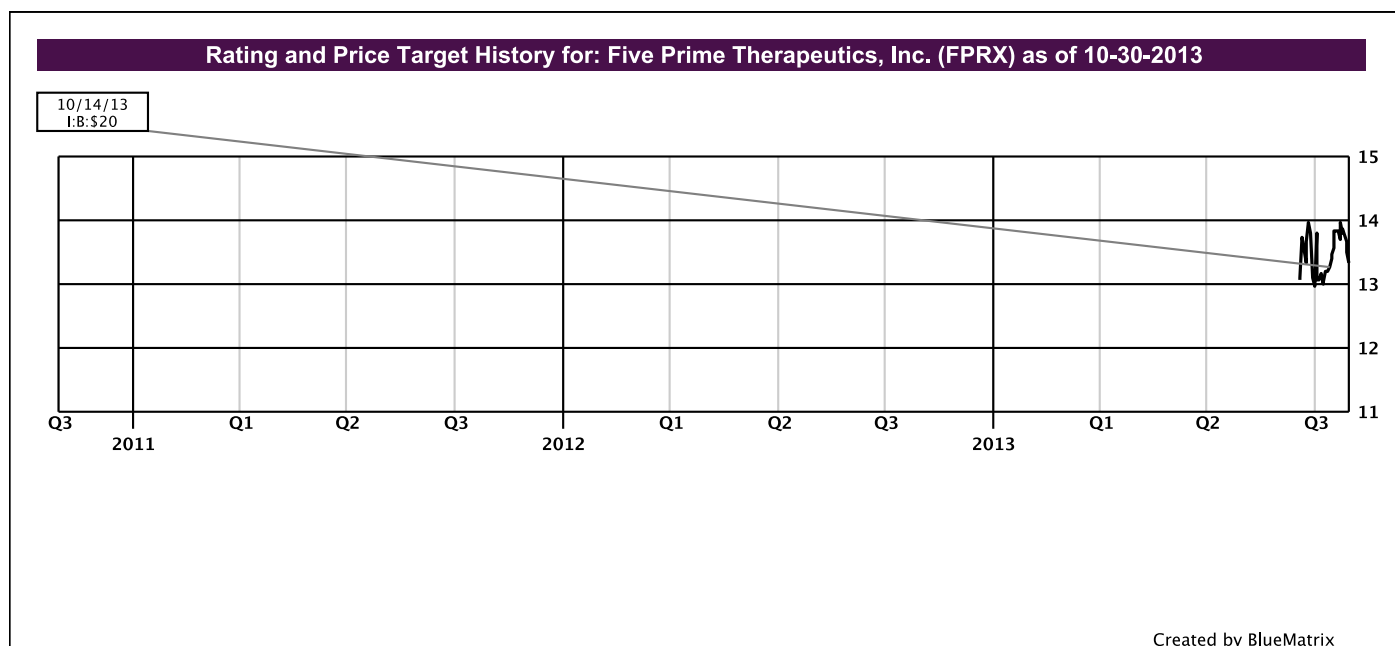
The research analyst(s) and research associate(s) have received compensation based upon various factors, including quality of research, investor client feedback, and Guggenheim Securities, LLC's overall revenues, which includes investment banking revenues.

Guggenheim Securities, LLC managed or co-managed a public offering of securities for Five Prime Therapeutics, Inc. during the past 12 months.

Five Prime Therapeutics, Inc. is or was during the 12-month period preceding the date of the distribution of this report a client of Guggenheim Securities. Guggenheim Securities, LLC Provided Five Prime Therapeutics, Inc. investment banking services.

Guggenheim Securities, LLC or its affiliates expect(s) to receive or intend(s) to seek compensation for investment banking services from Five Prime Therapeutics, Inc. in the next 3 months.

Please refer to this website for company-specific disclosures referenced in this report: <https://guggenheimsecurities.bluematrix.com/sellside/Disclosures.action>. Disclosure information is also available from Compliance, 330 Madison Avenue, New York, NY 10017.



RATING DEFINITIONS

BUY (B) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

NEUTRAL (N) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 15% within a 12-month period.

SELL (S) - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 15% or more within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Guggenheim Securities, LLC policies.

CS - Coverage Suspended. Guggenheim Securities, LLC has suspended coverage of this company.

NC - Not covered. Guggenheim Securities, LLC does not cover this company.

Restricted - Describes issuers where, in conjunction with Guggenheim Securities, LLC engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes stocks whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Guggenheim Securities, LLC methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market

SECTOR: BIOTECHNOLOGY

October 31, 2013

risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

RATINGS DISTRIBUTIONS FOR GUGGENHEIM SECURITIES:

Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
Buy	101	52.88%	13	12.87%
Neutral	89	46.60%	9	10.11%
Sell	1	0.52%	0	0.00%

OTHER DISCLOSURES

This research is for our clients and prospective clients only. Other than disclosures relating to Guggenheim Securities and its affiliates, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the research analyst's judgment. Guggenheim Securities conducts a full-service, integrated investment banking and brokerage business, and one or more of its affiliates conduct an investment management business. Guggenheim Securities is a member of SIPC (<http://www.sipc.org>). Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our employees trading for our own account that reflect opinions that are contrary to the opinions expressed in this research. Guggenheim Securities or certain of its affiliates conducts an investment management business, trades for its own account, and conducts an investment business, and may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

We and our affiliates, officers, directors, and employees, excluding equity and credit analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives, if any, referred to in this research. We and our affiliates also may sell to or buy from customers on a principal basis the securities described herein. We and our affiliates also do business with, or that relates to, companies covered in Guggenheim Securities' research, and may have a position in the debt of the company or companies discussed herein.

This research is not an offer to sell or the solicitation of an offer to buy any security. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

TACTICAL TRADING IDEA DISCLAIMER

Guggenheim Securities, LLC produces "Tactical Trade Ideas" that identify short-term, catalyst-driven trading opportunities impacting companies within the Firm's coverage universe. Tactical Trade Ideas may exist on companies in this report and may be contrary to the analyst's published rating.

Copyright © 2013 by Guggenheim Securities, LLC, ("Guggenheim") a FINRA registered broker-dealer. All rights reserved. The contents of this report are based upon information or are obtained from sources that Guggenheim generally considers reliable, but Guggenheim makes no representations or warranties with respect to their accuracy, completeness, timeliness, suitability or otherwise, and assumes no responsibility to update them for subsequent events or knowledge. Guggenheim is not responsible for your use of this information.

Contact Information

NEW YORK SALES & TRADING DESK

212 292 4700

EQUITY TRADING DESK

212 292 4701

MEDIA INQUIRIES

310 367 6567

EMAIL

general@guggenheimcm.com

Locations

NEW YORK

330 Madison Avenue
New York, NY 10017

WASHINGTON, DC

1055 Thomas Jefferson Street, NW
Suite 450
Washington, DC 20007

BOSTON

500 Boylston Street, 13th Floor
Boston, MA 02116

LOS ANGELES

601 South Figueroa Street
Suite 4005
Los Angeles, CA 90017

DALLAS

1717 McKinney Avenue
Suite 870
Dallas, TX 75202

SAN FRANCISCO

50 California Street
San Francisco, CA 94111

NASHVILLE

104 Woodmont Blvd
Suite 203
Nashville, TN 37205

HERNANDO

1288 Byhalia Road
Suite 2
Hernando, MS 38632

Guggenheim Equity Research

AUTOMOTIVE

Matthew Stover, Analyst

matthew.stover@guggenheimpartners.com
617 859 4605

Brendon Mason, Associate

brendon.mason@guggenheimpartners.com
617 859 4624

ENERGY: EXPLORATION & PRODUCTION

Rob Cordray, Analyst

robert.cordray@guggenheimpartners.com
972 638 5509

Steven Hader, Associate

steven.hader@guggenheimpartners.com
972 638 5507

ENERGY: OIL SERVICES & EQUIPMENT

Darren Gacicia, Analyst

darren.gacicia@guggenheimpartners.com
212 293 3054

Michael LaMotte, Analyst

michael.lamotte@guggenheimpartners.com
972 638 5502

Wilson Waggoner, Associate

wilson.waggoner@guggenheimpartners.com
972 638 5506

FINANCIAL SERVICES: LARGE-CAP BANKS

Marty Mosby, Analyst

marty.mosby@guggenheimpartners.com
662 469 9595

Mason Mosby, Associate

mason.mosby@guggenheimpartners.com
662 469 9194

FINANCIAL SERVICES: REGIONAL & COMMUNITY BANKS, CARD NETWORKS

Taylor Brodarick, Analyst

taylor.brodarick@guggenheimpartners.com
615 208 1222

David Darst, Analyst

david.darst@guggenheimpartners.com
615 208 1224

Rahul Agarwal, Associate

rahul.agarwal@guggenheimpartners.com
615 208 1221

FINANCIAL SERVICES: INSURANCE

Bijan Moazami, Analyst

bijan.moazami@guggenheimpartners.com
202 747 9466

HEALTHCARE: BIOTECH

Bret Holley, Analyst

bret.holley@guggenheimpartners.com
212 293 2820

Daniel Chung, Associate

daniel.chung@guggenheimpartners.com
212 518 9771

HEALTHCARE: PHARMACEUTICALS

Louise Chen, Analyst

louise.chen@guggenheimpartners.com
212 381 4195

Swati Kumar, Associate

swati.kumar@guggenheimpartners.com
212 918 8754

RETAIL & CONSUMER

John Heinbockel, Analyst

john.heinbockel@guggenheimpartners.com
212 381 4135

Steven Forbes, Associate

steven.forbes@guggenheimpartners.com
212 381 4188

TMT: CABLE & SATELLITE TV

Sabina Nyckowski, Analyst

sabina.nyckowski@guggenheimpartners.com
212 292 4778

TMT: MEDIA & ENTERTAINMENT

Michael Morris, Analyst

michael.morris@guggenheimpartners.com
646 357 6232

Curry Baker, Associate

curry.baker@guggenheimpartners.com
646 357 6684