

November 1, 2013

FPRX-NASDAQ--Outperform (1) / V

Biotechnology

FPRX: Promising Pipeline Progressing, As Second Agent FPA008 Enters Clinic

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Sector Rating: Biotechnology, Market Weight

**On Thursday 10/31, after the close, FPRX announced that they have begun dosing the ph.I study of their anti-CSF-1R monoclonal antibody FPA008.

**FPA008 inhibits CSF-1R, a receptor which mediates monocyte and macrophage survival and proliferation, and thus plays an important role in inflammatory processes and diseases. Preclinical data corroborated the potential of this mechanism, with FPA008 reducing joint inflammation, swelling, and bone damage in a validated RA animal model compared to marketed anti-TNF Enbrel. FPA008's direct inhibitory activity on osteoclasts could also enable greater structural/bone benefits vs. existing drugs for autoimmune/inflammatory diseases.

**The phase I will be important for fully elucidating the agent's safety profile. Although there are several theoretical safety risks to targeting monocytes/macrophages directly, several features of the drug and pathway -- including its predilection for inflammatory monocytes, non-ADCC engineering, and wide window before known on-target liver biomarker effects would be expected to be observed -- give us more comfort the antibody will ultimately have acceptable safety.

**We believe the ph.I will explore doses in the 3mg/kg to 10-20mg/kg range, administered intravenously (a SC formulation will be developed later). Though the study will initially be in healthy volunteers, depletion of CD16+ monocytes should provide an important biomarker for activity (animal studies suggest goal is 60-80% reduction) when results become available by end-2014. FPRX plans to subsequently enroll DMARD/biologic inadequate responder RA patients in part 3 of the ph.I starting in 2015.

**BOTTOM LINE: We see this study initiation as a positive step for FPRX, and expect greater visibility for the company's promising platform and portfolio as their pipeline continues to progress, helping drive long-term value.

Five Prime Therapeutics, Inc. (FPRX-NASDAQ)

Price as of 10/31/2013: \$12.21

FY 13 EPS: \$-3.27

FY 14 EPS: \$-1.68

Shares Out.: 16.8 MM

Market Cap.: \$205.13 MM

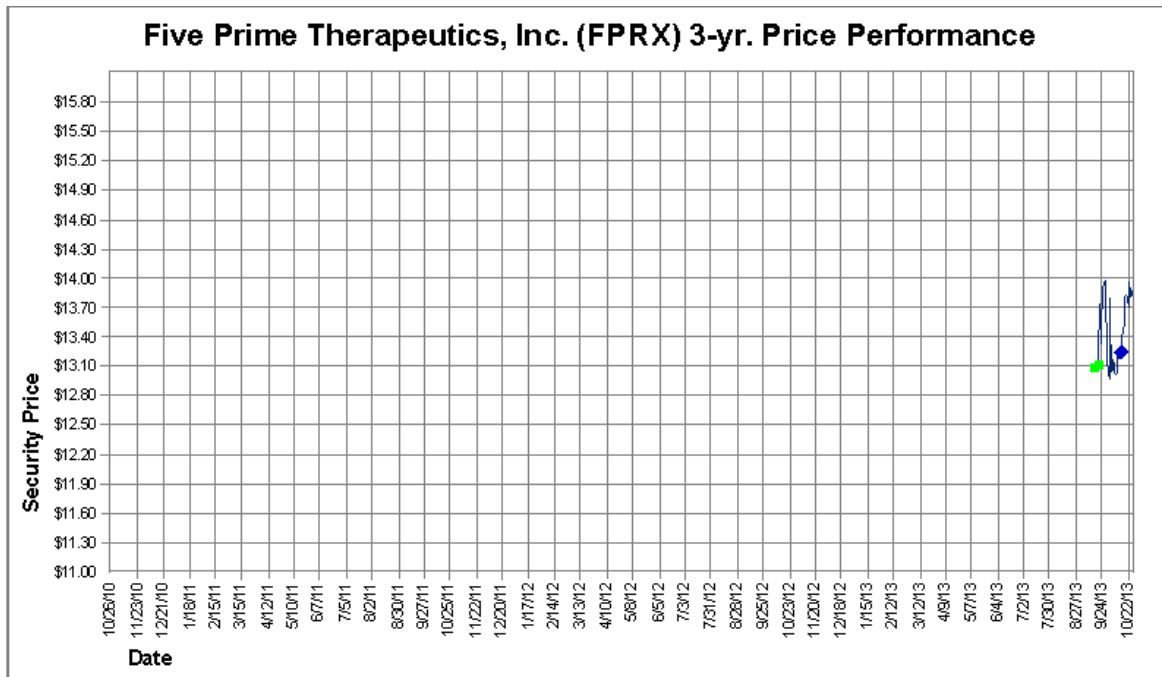
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DISCLOSURE APPENDIX

Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
□	9/18/2013		IPO at \$13.00			
	10/14/2013		Abrahams, M.D.			
◆	10/14/2013	13.19	1	17.00	19.00	13.25

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- Valuation Range Change

- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

Rating Code Key

- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

Additional Information Available Upon Request

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FPRX: Key risks, in our view, are clinical and regulatory failure of its programs, competition, and financing.

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2 = Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3 = Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O = Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M = Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U = Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

VOLATILITY RATING

V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: November 1, 2013

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