FLASH NOTE

Company Update

USA | Healthcare | Biotechnology

June 4, 2014

Jefferies

Five Prime Therapeutics, Inc. (FPRX)
Jefferies 2014 Global Healthcare Conference Key Takeaways

BUY
Price target $28.00
Price $13.01

EQUITY RESEARCH AMERICAS

Key Takeaway

Dr. Lewis "Rusty" Williams, President & CEO of Five Prime Therapeutics, presented at the conference. Despite NVS' planned acquisition of GSK oncology assets, FPRX discussions with GSK point to GSK's continued interest in FP-1039. FPRX views NVS as equally good/better partner for oncology products if transferred to NVS. At current EV of ~$130M, its discovery capability and progress in early clinical programs will continue to drive value creation, in our view.

At Jefferies 2014 Global Healthcare Conference in New York, Dr. Lewis "Rusty" Williams, President & CEO of Five Prime Therapeutics, presented. FPRX notes its proprietary, cash-generating protein discovery platform has generated ~$268M from 8 collaborations to date. Our estimated cash of ~$149M (incl. $20M upfront payment from Bristol-Myers Squibb [BMY, Hold] in April) should be sufficient into ~2017; FPRX estimates a cash runway > 2 years.

For GSK-partnered FP-1039 (FGF ligand trap) in FGFR1 gene-amplified solid tumors, management views Novartis would be equally good/better partner if asset is transferred (from NVS planned acquisition of GSK oncology assets; expected to close in 1Q15). On 4/22/14, Novartis (NOVN VX, Buy) announced its planned acquisition of GlaxoSmithKline (GSK LN, Hold) oncology assets for $14.5B upfront payment and up to $1.5B in potential milestones. In our view, there are three scenarios - (1) GSK returns FP-1039 rights to FPRX; (2) GSK transfers the asset to Novartis; and (3) GSK keeps the asset. Given GSK's continuing interest in early oncology programs, at present, it appears that the most likely case would be GSK keeping the asset. However, FPRX notes that if/when GSK is prepared to commercialize FP-1039, it must offer a commercialization option to Novartis, who must then respond with commercialization terms, which GSK can either accept or reject. If FP-1039 is ultimately transferred to Novartis, original GSK deal terms remain (same royalty rates/milestones, ex-U.S. rights, U.S. co-promote opt-in right, etc). From the FPRX perspective, each of the three options would carry merits.

Potential presentation of molecular pathway activity/characterization of leading proprietary immuno-oncology targets at Society for Immunotherapy of Cancer (SITC) on November 6-9 in National Harbor, MD. FPRX notes that two protein targets in immune checkpoint pathways partnered to BMY in March are best fit for BMY's current immuno-oncology product portfolio, not necessarily the best targets among FPRX's library. It notes many strong/promising candidates remain (with supportive preclinical data); some of which may be presented at SITC in November (though likely not disclosing specific targets). Beyond high-profile PD-1/CTLA-4 (first, but potentially not best) in the immune checkpoint field, competition in new target discovery is relatively small (most platform companies focus on publicly available targets), according to FPRX. Others involved in new target discovery include Compugen (CGEN, Buy), albeit using informatics and academia focusing primarily on one target at a time.

For FPA144 (anti-FGFR2b mAb) in FGFR2b amplified/overexpressed gastric, FPRX considers accelerated approval pathway upon completion of Phase 1 trial (set to start by YE14). While trial details are not yet finalized, FPRX plans to file an IND for FPA144 in 4Q14 and initiate a Phase 1 trial by YE14. Trial design will likely include an initial cohort of patients with solid tumor (not selected for FGFR2b amplification/overexpression) for dose escalation/identifying MTD, then moving onto the second portion of the study with expansion into patients with FGFR2b-amplified/overexpression gastric cancer (n=~20-30; 2nd/later-line patients). Though not yet discussed with the FDA, FPRX could seek accelerated approval if Phase 1 data yields durable, compelling response rate (~>25-30% RR, for 2 months or more). Based on the strength of the data, FPRX will seek breakthrough status designation as well as apply for orphan status at a later date (TBD).

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Company Description

Five Prime Therapeutics, Inc. is an early clinical stage biotechnology company focused on discovering and developing new protein therapeutics in cancer and inflammatory diseases. Five Prime's product candidates include FP-1039/GSK3052230, a biologic (FGF ligand trap) for trapping and neutralizing cancer-promoting fibroblast growth factors (FGFs) involved in cancer cell proliferation and new blood vessel formation, which is partnered with GlaxoSmithKline; FPA008, an antibody that inhibits colony stimulating factor-1 receptor (CSF-1R); and FPA144, an antibody for inhibiting FGF receptor 2b (anti-FGFR2b mAb). In addition, Five Prime has early drug discovery partnerships with GlaxoSmithKline, UCB Pharma S.A, and Bristol-Myers Squibb. Founded in 2001 and IPOed in September 2013, Five Prime is headquartered in San Francisco, California.

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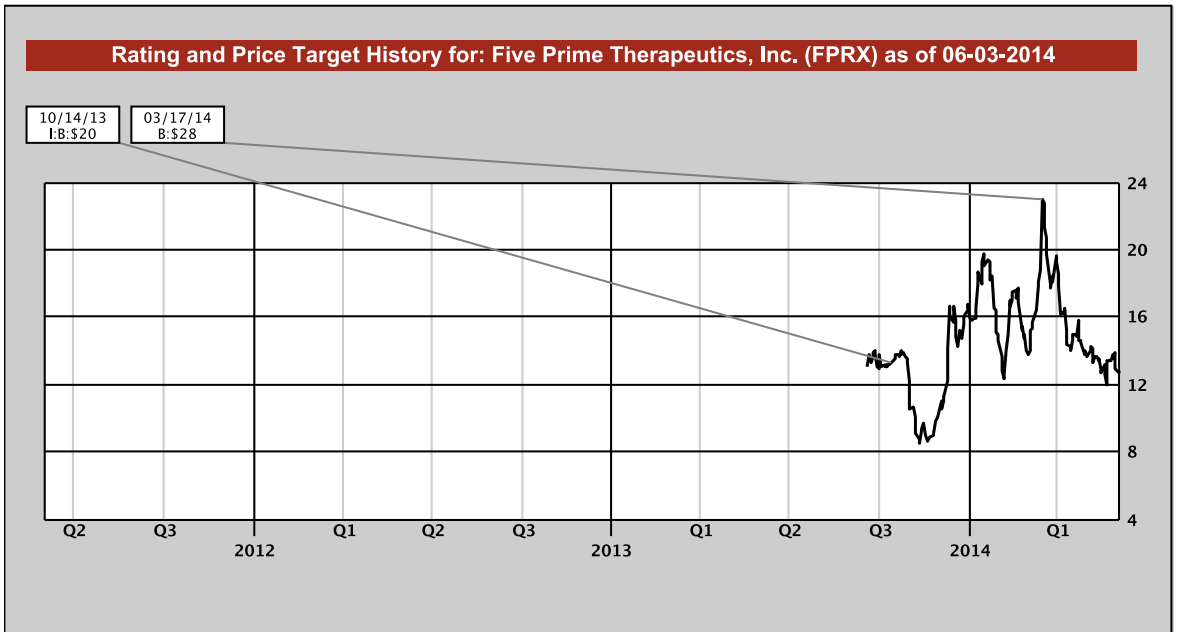
- Compugen Ltd. (CGEN: $8.07, BUY)
- GlaxoSmithKline Plc (GSK LN: p1,581.00, HOLD)
- Novartis AG (NOVN VX: CHF79.20, BUY)



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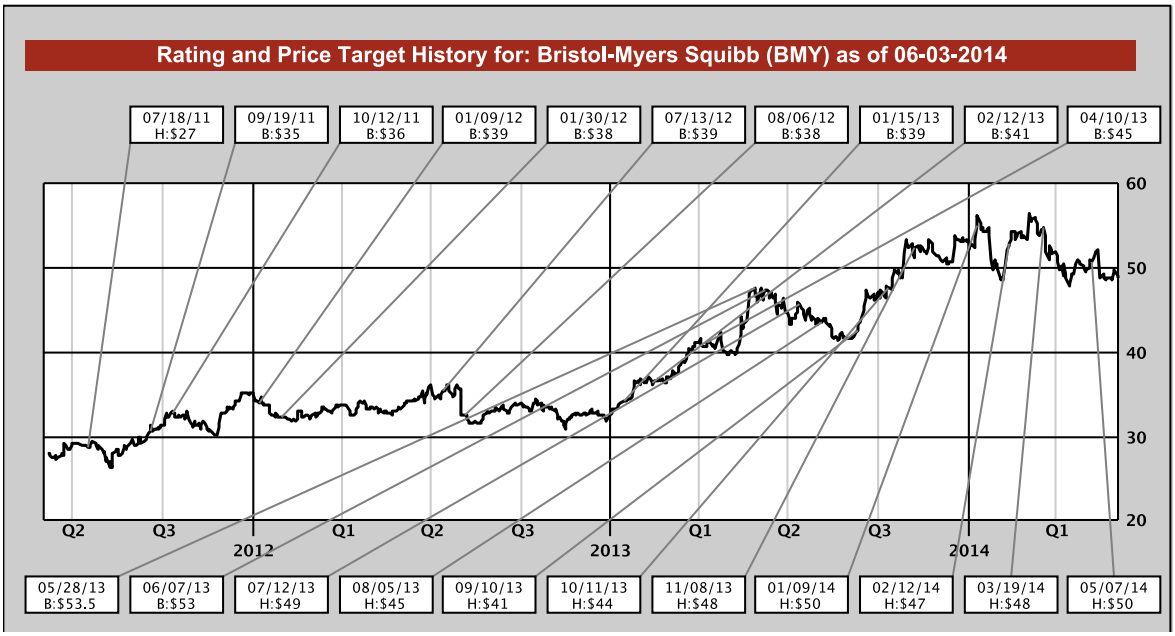

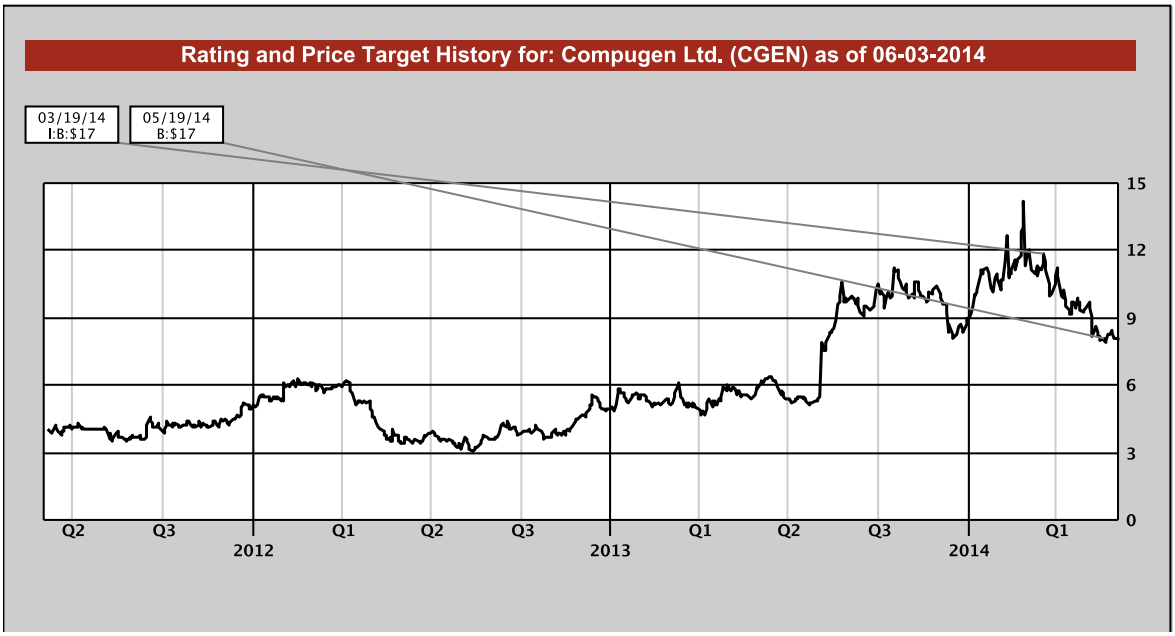

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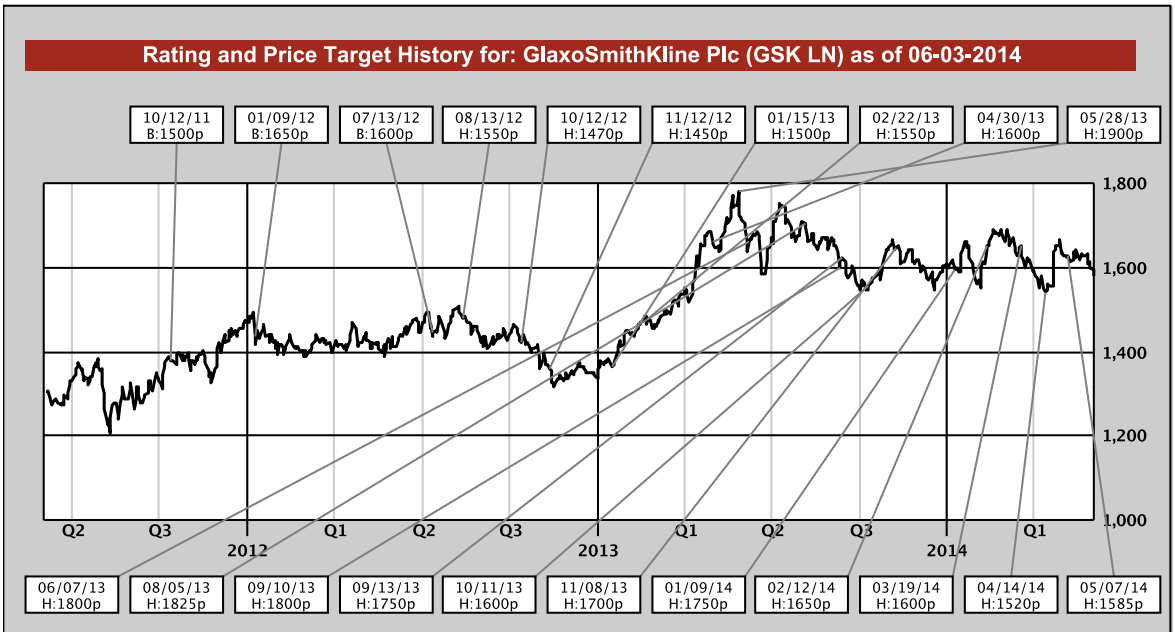

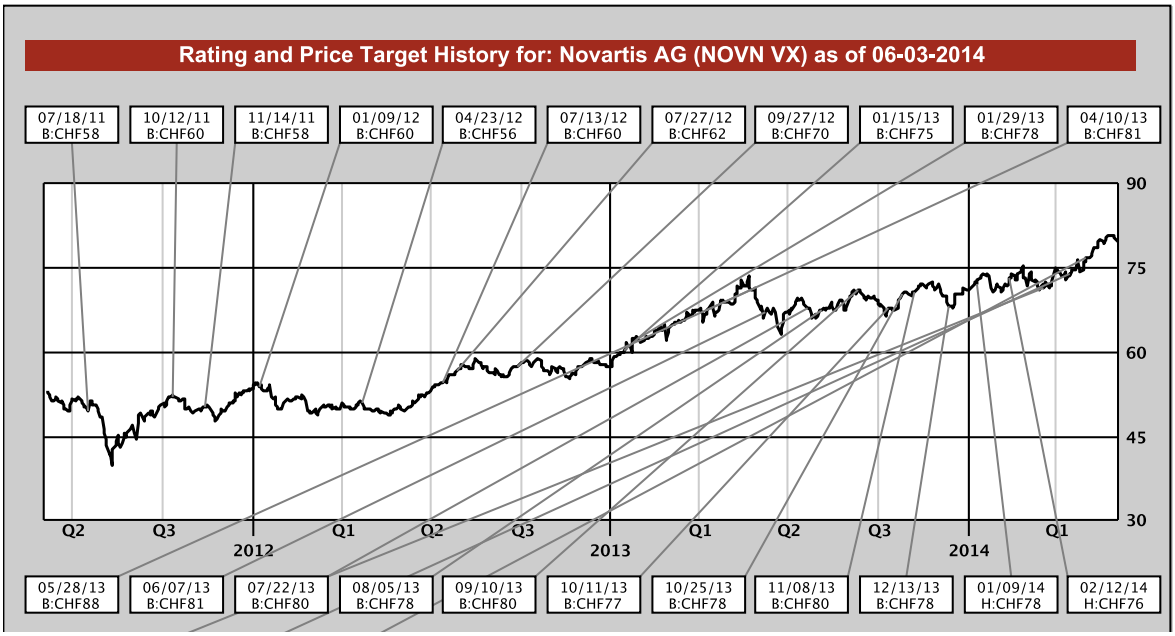

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