COMPANY NOTE

Estimate Change

USA | Healthcare | Biotechnology

November 13, 2013

Jefferies

Five Prime Therapeutics, Inc. (FPRX)
Slightly Narrower 3Q Net Loss; Early Clinical Data Readout in 2H14

BUY
Price target $20.00
Price $8.49

EQUITY RESEARCH AMERICAS

Key Takeaway

Slightly narrower net loss of $7.2M; its cash of ~$87M at end-3Q13 should be sufficient thru POC data readout - Ph1b preliminary efficacy data from GSK-partnered lead product FP-1039 in 2H14 & Ph1 safety/biomarker data for proprietary FPA008 by YE14. Despite progress in its current pipeline (& its capability to grow), FPRX shares significantly underperformed vs. other biotech IPOs; at current EV of ~$56M, we view FPRX as very attractive.

Slightly narrower 3Q13 net loss of $7.2M (vs. our loss estimate of $8.6M) primarily due to higher collaboration revenues of $3.5M (vs. ours of $2.5M). OpEx of ~$10.8M was in-line (vs. ours of $11.1M). FPRX's cash of ~$87M at end-3Q13 should be sufficient through ~2015.

Despite progress in its pipeline, FPRX shares have come under pressure vs. other recent biotech IPOs (-35% vs. +8% for median; see Chart 1); at current EV of ~ $56M, we view risk/rewards as very attractive. From IPO pricing to date, FPRX shares are down ~35% (vs. ~+8% median for other biotech IPOs in 2013) despite progress.

Partner GSK-run Ph1b for FP-1039 (FGF ligand trap) tests combinability with chemotherapy & preliminary efficacy data (ORR, duration of response, PFS) in 2H14. Low toxicity/better tolerability of FP-1039 (vs. other FGF inhibitors) allows chemotherapy combination. In FGFR1-amplified squamous NSCLC, FP-1039+paclitaxel and carboplatin in first-line NSCLC or FP-1039+docetaxel in 2nd-line NSCLC will test FP-1039 dose escalation, followed by ~30 pts expansion for preliminary efficacy measures.

Proprietary FPA008 (anti-CSF1R mAb) in Ph1, with preliminary safety/ biomarker data by YE14. With current every 2 or 4 weeks ~30-min IV infusion of FPA008, FPRX expects the SAD (~5 dosing cohorts) & MAD (~3-4 dosing cohorts) portions will likely take the most part of 2014, with data (safety and biomarkers such as CD16+ monocytes, macrophage, bone turnover, CSF, IL-34) expected by YE14. Part 3 of the study, expected to start by YE14, will assess MTX+/- FPA008 in ~36 active RA patients, with data in 2015.

Valuation/Risks

Our $20 PT is based on ~$9/sh for FP-1039 in FGFR1-amplified cancers, ~$3/sh for FPA008 in RA, ~$2/sh for FPA144 in FGFR2-amplified gastric cancer, and ~$6/sh for technology value at a 12% annual discount rate. Risks include: (1) early-clinical stage & distant profitability; (2) inherent uncertainty in drug development; (3) additional financing risks.

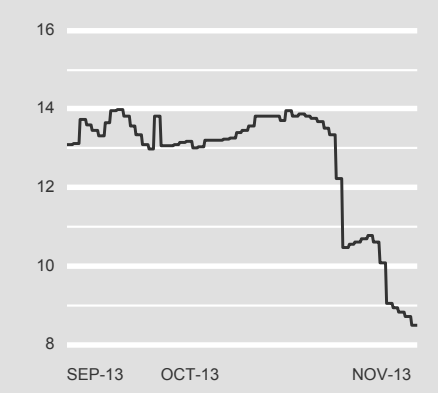
Financial Summary	
Book Value (MM):	**$64.7**
Book Value/Share:	**$3.85**
Net Debt (MM):	**($86.6)**
Long-Term Debt (MM):	**NA**
Cash/Share:	**$5.15**
Cash (MM):	**$86.6**
Market Data	
52 Week Range:	**$16.00 - $8.02**
Total Entprs. Value (MM):	**$56.0**
Market Cap. (MM):	**$142.6**
Shares Out. (MM):	**16.8**
Float (MM):	**7.9**
Avg. Daily Vol.:	**NA**

USD	*Prev.*	**2012A**	*Prev.*	**2013E**	*Prev.*	**2014E**	*Prev.*	**2015E**
Rev. (MM)	--	10.0	--	11.5	--	12.1	--	20.8
Consensus	--	--	--	(3.16)	--	(1.58)	--	(1.35)
EPS								
Mar	--	NA	--	NA	--	(0.53)	--	--
Jun	--	NA	--	NA	--	(0.55)	--	--
Sep	--	NA	*(0.71)*	(2.74)A	*(0.58)*	(0.57)	--	--
Dec	--	NA	*(0.53)*	(0.60)	*(0.62)*	(0.61)	--	--
FY Dec	--	NA	*(4.05)*	(5.79)	*(2.28)*	(2.26)	*(1.76)*	(1.75)

EPS: FPRX completed its IPO in 3Q13

Eun K. Yang, Ph.D. *
Equity Analyst
(212) 284-2264 eyang@jefferies.com
John Ryan, M.D. *
Equity Associate
(212) 336-7328 jryan2@jefferies.com
Eileen Flowers, Ph.D. *
Equity Associate
(212) 284-2192 eflowers@jefferies.com
* Jefferies LLC

Price Performance



Partner GlaxoSmithKline (GSK LN, Hold) rapidly expanding clinical sites for FP-1039; to date 5 sites out of 20 in 7 countries have been activated. Phase 1b trial (n= up to 104) is a 3-arm, non-randomized, three parallel group, uncontrolled, open label study examining safety, tolerability, PK, and overall response rate (ORR) of FP-1039 in combination with chemotherapy (in squamous NSCLC) or as monotherapy (in various tumors). For FGFR1-amplified squamous NSCLC, Arm A (FP-1039 in combination with paclitaxel and carboplatin for 1st-line NSCLC) and Arm B (FP-1039 in combination with docetaxel for 2nd-line NSCLC) will test combinability of FP-1039. Once optimal combinable dose of FP-1039 is identified, additional ~30 patients will be enrolled for preliminary efficacy measures, including ORR, duration of response and PFS. For Arm C (FP-1039 monotherapy in 3rd-line setting for NSCLC, head and neck cancer, breast cancer, SCLC), updates will be provided on a future call. Assuming a launch in ~2019, we forecast peak sales of ~$1.9B in 2026, with royalty revenue of ~$290M to FPRX.

As planned, Ph1 for proprietary FPA008 (anti-CSF1R mAb) started on 10/31/13, with preliminary data in healthy volunteers by YE14. This double-blind, placebo-controlled Phase 1 trial is to evaluate single ascending dose (SAD, Part 1; ~5 cohorts with n=8/cohort), multiple ascending-doses (MAD, Part 2; 3-4 cohorts with n=8/cohort) of intravenous FPA008 (either once every 2 weeks or 4 weeks) in healthy volunteers (n=~70 healthy subjects in Netherlands). Healthy subjects in the first cohort, usually starting at a very low sub-therapeutic dose, have been dosed. Preliminary data from healthy volunteers (safety/tolerability and biomarker levels such as CD16+ monocytes, macrophage, bone turnover (direct inhibition of osteoclasts), CSF, IL-34) are expected by YE14. Part 3 of the study includes active RA patients receiving methotrexate (MTX), assessing FPA008 (up to 4 doses) plus MTX vs. MTX alone in ~36 patients in Eastern Europe, expected to start by YE14, with data in 2015. Assuming U.S./EU commercial launches in ~2020/2021 and worldwide commercialization partnership(s), with estimated 20% royalty on FPA008 sales to FPRX, we forecast peak U.S./EU sales of ~$704M/~$222M in 2031, translating into ~$185M in peak royalty revenue to FPRX.

Exclusive license agreement with ADC Therapeutics further leverages FPRX's protein discovery platform; FPRX expects an additional discovery deal in 2014. In October 2013, FPRX entered into a license agreement with ADC Therapeutics, a privately held oncology drug development company in Switzerland for development and commercialization of antibody-drug conjugate incorporating human monoclonal antibodies (mAbs) to an undisclosed target in cancer.

Upcoming events for FPRX include: (1) Top-line Phase 1b data for FP-1039 in squamous NSCLC and other solid tumors in 2H14; (2) Phase 1 preliminary safety/PK/PD/biomarker data for FPA008 in healthy volunteers & progress to dosing active RA patients by YE14 (with data in 2015); and (3) Phase 1 initiation for FPA144 in FGFR2-amplified gastric cancer in 2H14, with data potentially by YE15

Eun K. Yang, Ph.D., Equity Analyst, (212) 284-2264, eyang@jefferies.com

Chart 1: Selected Biotechnology IPO Activity and Performance in 2013

Company	Ticker Symbol	IPO Date	Amount Raised in IPO (M)	IPO Price	Current Stock Price	Shares Outstanding (M)	Current Market Cap (M)	% Change from IPO Price	Most Advanced Program
Karyopharm Therapeutics	KPTI	11/6/2013	$108.8	$16.00	$16.00	28.7	$459.7	0%	Phase 1
Aerie Pharmaceuticals	AERI	10/25/2013	$67.2	$10.00	$10.67	22.2	$236.9	7%	Phase 2
MacroGenics	MGNX	10/10/2013	$80.0	$16.00	$26.93	24.0	$646.9	68%	Phase 2
Fate Therapeutics	FATE	10/1/2013	$40.0	$6.00	$4.77	19.2	$91.4	-21%	Phase 2
Ophthotech Corp.	OPHT	9/25/2013	$167.2	$22.00	$26.49	30.1	$797.6	20%	Phase 2b
Evoke Pharma	EVOK	9/25/2013	$25.2	$12.00	$9.29	5.8	$53.7	-23%	Phase 2b
Bind Therapeutics	BIND	9/20/2013	$70.5	$15.00	$9.50	15.8	$149.9	-37%	Phase 2
Acceleron Pharma	XLRN	9/19/2013	$83.7	$15.00	$19.01	26.5	$504.6	27%	Phase 2
Five Prime Therapeutics	**FPRX**	**9/18/2013**	**$62.4**	**$13.00**	**$8.49**	**16.8**	**$142.6**	**-35%**	**Phase 1b**
Regado Biosciences	RGDO	8/22/2013	$43.0	$4.00	$4.86	20.4	$99.1	22%	Phase 2
Sophiris Bio	SPHS	8/8/2013	$65.0	$5.00	$4.54	16.1	$73.3	-9%	Phase 2
Onconova Therapeutics	ONTX	7/25/2013	$25.0	$15.00	$13.07	20.1	$262.2	-13%	Phase 3
Heat Biologics	HTBX	7/24/2013	$25.0	$10.00	$8.18	5.9	$47.9	-18%	Phase 1
Agios Pharmaceuticals	AGIO	7/24/2013	$106.2	$18.00	$20.09	29.4	$590.3	12%	Phase 1
OncoMed Pharmaceuticals	OMED	7/18/2013	$81.6	$17.00	$12.31	27.1	$333.2	-28%	Phase 1b/2
Prosensa Holding B.V.	RNA-US	6/28/2013	$78.0	$13.00	$3.72	34.0	$126.5	-71%	Phase 3
Esperion Therapeutics	ESPR	6/26/2013	$70.0	$14.00	$14.44	14.1	$203.3	3%	Phase 2
PTC Therapeutics Inc.	PTCT	6/20/2013	$125.6	$15.00	$16.42	23.7	$388.8	9%	Phase 3
bluebird bio Inc.	BLUE	6/19/2013	$101.0	$17.00	$20.49	21.9	$448.1	21%	Phase 1/2
Epizyme Inc.	EPZM	5/30/2013	$77.1	$15.00	$32.05	27.6	$886.0	114%	Phase 1
Alcobra Ltd.	ADHD	5/22/2013	$25.0	$8.00	$16.25	11.1	$180.8	103%	Phase 2
Portola Pharmaceuticals Inc.	PTLA	5/22/2013	$122.1	$14.50	$27.48	33.9	$931.1	90%	Phase 3
Ambit Biosciences Corp.	AMBI	5/16/2013	$65.0	$8.00	$12.89	17.7	$228.3	61%	Phase 2
Receptos Inc.	RCPT	5/8/2013	$72.8	$14.00	$23.29	18.3	$427.1	66%	Phase 2
Erytech Pharma S.A. *	ERYP-FR	4/30/2013	$23.1	$15.13	$13.78	$5.54	$99.2	-9%	Phase 3
Chimerix Inc.	CMRX	4/11/2013	$102.5	$14.00	$14.96	24.4	$365.2	7%	Phase 2
Enanta Pharmaceuticals Inc.	ENTA	3/20/2013	$56.0	$14.00	$20.61	16.8	$347.0	47%	Phase 3
Tetraphase Pharmaceuticals Inc.	TTPH	3/20/2013	$75.0	$7.00	$10.22	19.9	$203.1	46%	Phase 3
KaloBios Pharmaceuticals Inc.	KBIO	1/31/2013	$70.0	$8.00	$4.08	24.1	$98.4	-49%	Phase 2
Stemline Therapeutics Inc.	STML	1/28/2013	$33.2	$10.00	$23.29	7.0	$162.1	133%	Phase 2
Average			$71.6	$12.7				18%	
Median			$70.3	$14.0				8%	

* Trades on NYSE Euronext; amount raised in IPO, IPO price (using IPO price of €11.60), current stock price, current market cap, and % change from IPO price converted to dollars using current exchange rate (on 6/27/2013) of 1.30 USD: 1 EUR

Source: Company reports and Jefferies

Eun K. Yang, Ph.D., Equity Analyst, (212) 284-2264, eyang@jefferies.com

Chart 2: Five Prime's Product Portfolio

Product	Description	Indication	Status	Marketing Rights	Patent Expiry
FP-1039 (GSK3052230)	Fibroblast growth factor (FGF) ligand trap	FGFR1 gene-amplified solid tumors (e.g., squamous non-small cell lung cancer)	Phase 1b open-label, non-randomized, 3-arm study (n=up to 104) evaluating FP-1039 + paclitaxel/carboplatin (Arm A: 1st-line NSCLC; FP-1039 + docetaxel (Arm B: 2nd-line NSCLC) (all metastatic squamous NSCLC with FGFR1 amplification +); & FP-1039 alone (Arm C in various cancers) started in 07/13, with data in 2H14 Phase 1 open-label, non-randomized, dose-ranging study (n=39) demonstrated safety and tolerability across tested dose range (IV infusion of 0.5-16.0 mg/kg for a total of 4 weekly infusions) in pts with a variety of solid tumors; study completed in 5/11	GlaxoSmithKline (U.S./EU/Canada); Five Prime (co-promotion option in U.S.; RoW rights outside of EU and Canada)	In U.S./EU, composition of matter patent through 2026; specific dosage regimens patent allowed (projected expiry in 2031); pending patent on methods of treatment and selecting patients (projected expiry in 2032)
FPA008	Anti-CSF-1R (colony stimulating factor-1 receptor) humanized monoclonal antibody	Rheumatoid arthritis (RA) and other inflammatory/ autoimmune diseases	Phase 1 trial for safety, tolerability and early clinical activity in healthy volunteers (in SAD, 5 dosing cohorts (n=8/cohort); in MAD, 3-4 cohorts (n=8/cohort) and RA pts (n=~36, MTX +/-FPA008) started on 10/31/13, with dosing in healthy voluteers to be completed in 2H14, preliminary healthy volunteer data & progress to dosing in RA pts by YE14	Five Prime (worldwide)	In U.S./EU (pending), composition of matter patent through 2031; methods of treatment patent pending (projected expiry in 2031-2033)
FPA144	Anti-FGFR2b humanized monoclonal antibody	FGFR2-amplified gastric cancer	Phase 1 trial for safety and early clinical activity in gastric cancer pts (FGFR2b amplification +) to potentially start in 2H14, with data by YE15	Five Prime (worldwide)	In U.S./EU (pending), composition of matter patent through 2029; methods of treatment patent pending, with projected expiration in 2029

FGFR= fibroblast growth factor receptor

Source: Company reports and Jefferies

Eun K. Yang, Ph.D., Equity Analyst, (212) 284-2264, eyang@jefferies.com

FivePrime Therapeutics, Inc. (FPRX)
Income Statement
($ in thousands except per share)

	2012	1Q13	2Q13	3Q13	4Q13E	2013E	1Q14E	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Royalty Revenues																						
FP-1039 for solid tumors																631	9,657	35,592	73,932	131,047	196,398	252,419
% growth y/y																		*268.6%*	*107.7%*	*77.3%*	*49.9%*	*28.5%*
FPA008 for RA																-	10,060	32,002	52,285	74,815	93,533	112,466
% growth y/y																			*63.4%*	*43.1%*	*25.0%*	*20.2%*
FPA144 for gastric cancer																-	2,128	12,845	30,156	52,016	78,513	105,351
% growth y/y																			*134.8%*	*72.5%*	*50.9%*	*34.2%*
Collaboration revenues	9,983	2,975	3,549	3,482	1,518	11,524	3,025	3,025	3,025	3,025	12,100	20,800	30,000	10,000	60,000	105,000	20,000	20,000	20,000	20,000	20,000	20,000
Others																						
Total Revenues	**9,983**	**2,975**	**3,549**	**3,482**	**1,518**	**11,524**	**3,025**	**3,025**	**3,025**	**3,025**	**12,100**	**20,800**	**30,000**	**10,000**	**60,000**	**105,631**	**41,845**	**100,439**	**176,373**	**277,878**	**388,444**	**490,235**
% growth y/y						*15.4%*					*5.0%*	*71.9%*	*44.2%*	*-66.7%*	*500.0%*	*76.1%*	*-60.4%*	*140.0%*	*75.6%*	*57.6%*	*39.8%*	*26.2%*
Expenses																						
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Gross margin																						
R&D	28,778	7,930	8,585	8,193	8,962	33,670	9,200	9,500	9,800	10,221	38,721	44,529	50,763	57,362	64,246	71,313	79,157	87,864	97,529	108,258	119,083	129,801
% growth y/y	*-15.5%*					*17.0%*					*15.0%*	*15.0%*	*14.0%*	*13.0%*	*12.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*10.0%*	*9.0%*
SG&A	9,009	2,392	2,386	2,607	2,705	10,090	2,750	2,800	2,900	3,154	11,604	13,228	14,948	16,741	18,583	20,441	22,485	24,734	27,207	29,928	32,921	36,213
% growth y/y	*-19.7%*					*12.0%*					*15.0%*	*14.0%*	*13.0%*	*12.0%*	*11.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*
Total Expenses	37,787	10,322	10,971	10,800	11,667	43,760	11,950	12,300	12,700	13,374	50,324	57,757	65,711	74,104	82,829	91,754	101,642	112,598	124,737	138,186	152,004	166,014
Income (loss) from Operations (EBIT)	**(27,804)**	(7,347)	(7,422)	(7,318)	(10,149)	**(32,236)**	(8,925)	(9,275)	(9,675)	(10,349)	**(38,224)**	**(36,957)**	**(35,711)**	**(64,104)**	**(22,829)**	**13,877**	**(59,798)**	**(12,159)**	**51,637**	**139,693**	**236,440**	**324,221**
% growth y/y																						
Interest income	88	15	13	84	18	130	25	25	25	25	100	100	100	100	100	100	100	100	200	1,000	2,000	2,000
Other income (expense), net	121	285	135			420																
Earnings (Loss) Before Taxes	(27,595)	(7,047)	(7,274)	(7,234)	(10,131)	(31,686)	(8,900)	(9,250)	(9,650)	(10,324)	(38,124)	(36,857)	(35,611)	(64,004)	(22,729)	13,977	(59,698)	(12,059)	51,837	140,693	238,440	326,221
Income taxes (benefits)															-	-	-	-	5,184	21,104	47,688	81,555
Tax rate															0.0%	0.0%	0.0%	0.0%	10.0%	15.0%	20.0%	25.0%
Net Income (loss)	**(27,595)**	**(7,047)**	**(7,274)**	**(7,234)**	**(10,131)**	**(31,686)**	**(8,900)**	**(9,250)**	**(9,650)**	**(10,324)**	**(38,124)**	**(36,857)**	**(35,611)**	**(64,004)**	**(22,729)**	**13,977**	**(59,698)**	**(12,059)**	**46,653**	**119,589**	**190,752**	**244,666**
GAAP EPS (LPS) - Basic	**(23.05)**	**(5.73)**	**(5.87)**	**(2.74)**	**(0.60)**	**(5.79)**	**(0.53)**	**(0.55)**	**(0.57)**	**(0.61)**	**(2.26)**	**(1.75)**	**(1.68)**	**(2.42)**	**(0.85)**	0.52	**(1.97)**	**(0.39)**	1.51	3.84	6.06	7.69
GAAP EPS (LPS) - Diluted	(23.05)	(5.73)	(5.87)	(2.74)	(0.60)	(5.79)	(0.53)	(0.55)	(0.57)	(0.61)	(2.26)	(1.75)	(1.68)	(2.42)	(0.85)	**0.47**	(1.97)	(0.36)	**1.38**	**3.50**	**5.53**	**7.03**
Pro Forma EPS (LPS)																						
% growth y/y																						
Shares - Basic	1,197	1,229	1,240	2,637	16,800	5,477	16,817	16,834	16,850	16,867	16,842	21,036	21,246	26,459	26,723	26,991	30,261	30,563	30,869	31,177	31,489	31,804
Shares - Diluted	1,197	1,229	1,240	2,637	16,800	5,477	16,817	16,834	16,850	16,867	16,842	21,036	21,246	26,459	26,723	29,991	30,261	33,563	33,869	34,177	34,489	34,804
Cash, cash equivalents & investments	38,015	37,509	28,196	86,637	76,506	76,506	67,606	58,356	48,706	38,381	38,381	58,524	22,914	52,910	30,181	44,158	54,460	42,401	89,054	208,643	399,395	644,061

Source: Company reports, Jefferies estimates

Eun K. Yang, Ph.D., Equity Analyst, (212) 284-2264, eyang@jefferies.com

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 and UCB Pharma S.A. Founded in 2001 and IPOed in September 2013, Five Prime is headquartered in San Francisco, California.

Analyst Certification

I, Eun K. Yang, Ph.D., certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, John Ryan, M.D., certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Eileen Flowers, Ph.D., certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

Company Specific Disclosures

Jefferies Group LLC makes a market in the securities or ADRs of Five Prime Therapeutics, Inc..

Jefferies Group LLC makes a market in the securities or ADRs of OncoMed Pharmaceuticals.

Jefferies Group LLC makes a market in the securities or ADRs of Stemline Therapeutics, Inc..

Jefferies Group LLC, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from Five Prime Therapeutics, Inc. within the next three months.

Within the past 12 months, Jefferies Group LLC, its affiliates or subsidiaries has received compensation from investment banking services from Five Prime Therapeutics, Inc..

Jefferies Group LLC, its affiliates or subsidiaries has acted as a manager or co-manager in the underwriting or placement of securities for Five Prime Therapeutics, Inc. or one of its affiliates within the past twelve months.

Within the past 12 months, Jefferies Group LLC, its affiliates or subsidiaries has received compensation from investment banking services from OncoMed Pharmaceuticals.

Within the past twelve months, OncoMed Pharmaceuticals has been a client of Jefferies LLC and investment banking services are being or have been provided.

Jefferies Group LLC, its affiliates or subsidiaries has acted as a manager or co-manager in the underwriting or placement of securities for OncoMed Pharmaceuticals or one of its affiliates within the past twelve months.

Within the past 12 months, Jefferies Group LLC, its affiliates or subsidiaries has received compensation from investment banking services from Stemline Therapeutics, Inc..

Meanings of Jefferies Ratings

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

Hold - Describes stocks that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated stocks with an average stock price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% 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 Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

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

Eun K. Yang, Ph.D., Equity Analyst, (212) 284-2264, eyang@jefferies.com

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.

Valuation Methodology

Jefferies' 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 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.

Conviction List Methodology

1. The aim of the conviction list is to publicise the best individual stock ideas from Jefferies Global Research
2. Only stocks with a Buy or Underperform rating are allowed to be included in the recommended list.
3. Stocks are screened for minimum market capitalisation and adequate daily turnover. Furthermore, a valuation, correlation and style screen is used to ensure a well-diversified portfolio.
4. Stocks are sorted to a maximum of 30 stocks with the maximum country exposure at around 50%. Limits are also imposed on a sector basis.
5. Once a month, analysts are invited to recommend their best ideas. Analysts' stock selection can be based on one or more of the following: non-Consensus investment view, difference in earnings relative to Consensus, valuation methodology, target upside/downside % relative to the current stock price. These are then assessed against existing holdings to ensure consistency. Stocks that have either reached their target price, been downgraded over the course of the month or where a more suitable candidate has been found are removed.
6. All stocks are inserted at the last closing price and removed at the last closing price. There are no changes to the conviction list during the month.
7. Performance is calculated in US dollars on an equally weighted basis and is compared to MSCI World AC US$.
8. The conviction list is published once a month whilst global equity markets are closed.
9. Transaction fees are not included.
10. All corporate actions are taken into account.

Risk which may impede the achievement of our Price Target

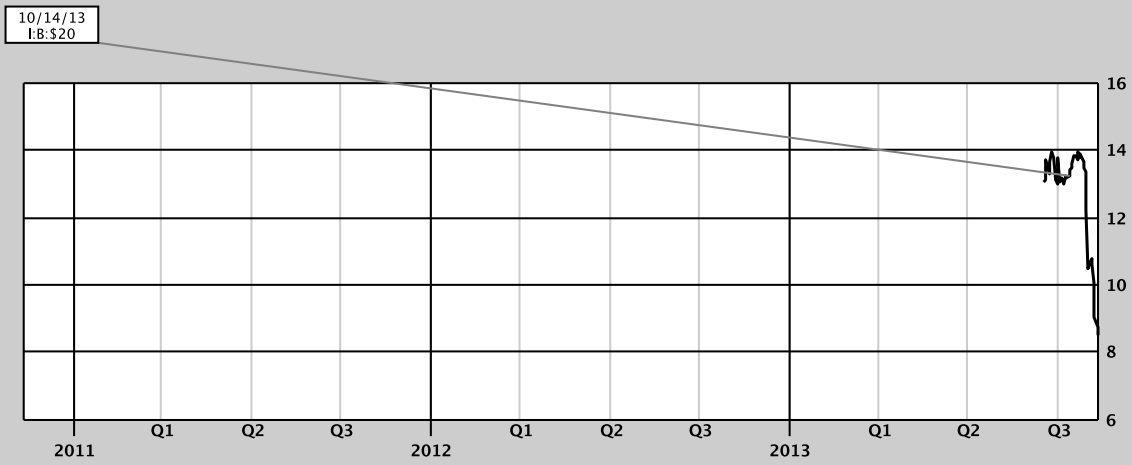
This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

Other Companies Mentioned in This Report

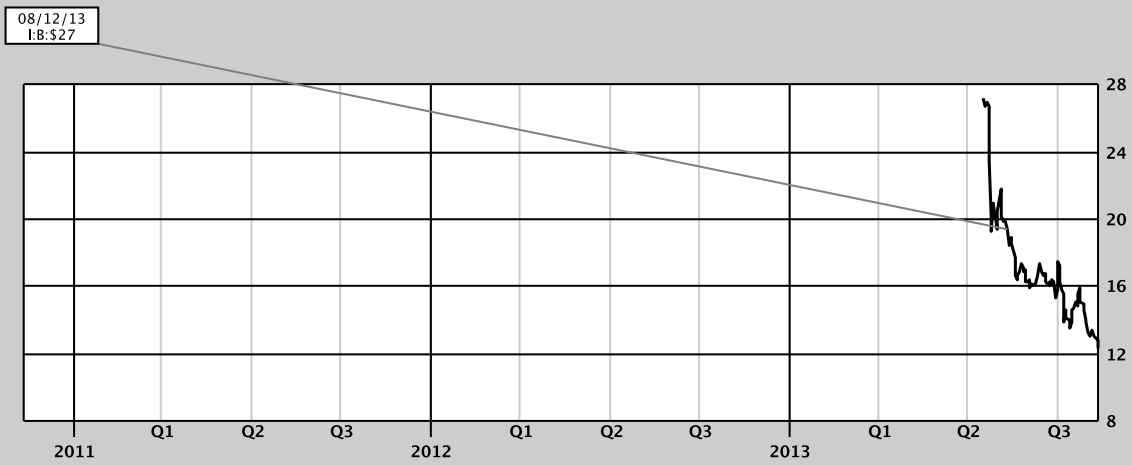
- Five Prime Therapeutics, Inc. (FPRX: $8.49, BUY)
- OncoMed Pharmaceuticals (OMED: $12.31, BUY)
- Stemline Therapeutics, Inc. (STML: $23.29, BUY)

Eun K. Yang, Ph.D., Equity Analyst, (212) 284-2264, eyang@jefferies.com

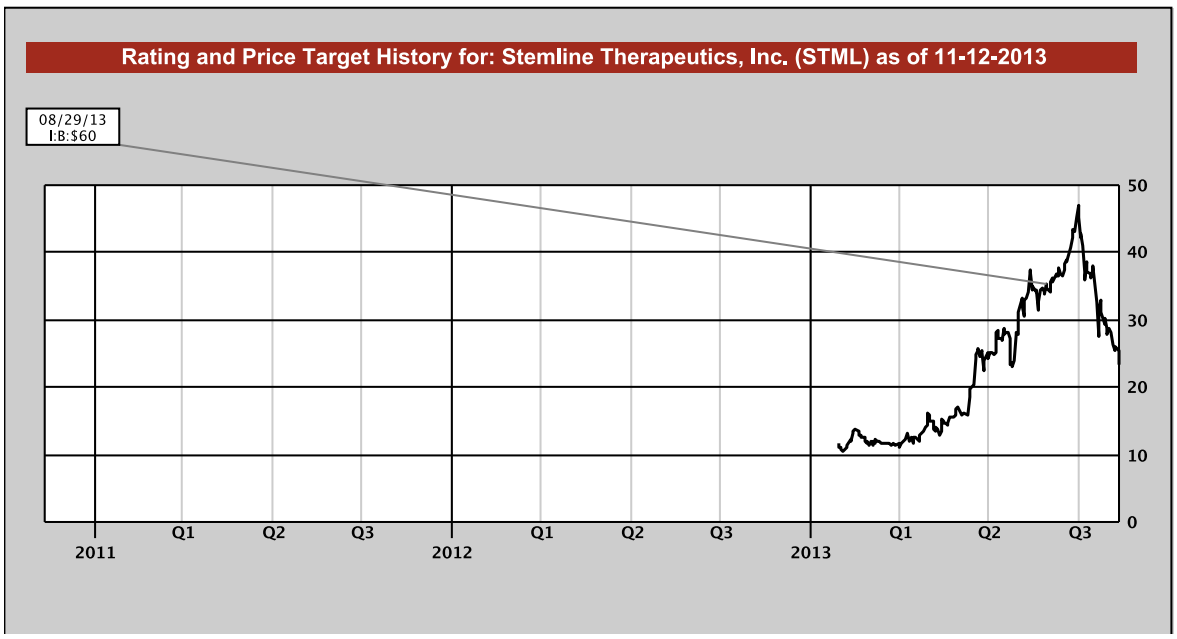
Rating and Price Target History for: Five Prime Therapeutics, Inc. (FPRX) as of 11-12-2013



Rating and Price Target History for: OncoMed Pharmaceuticals (OMED) as of 11-12-2013



Eun K. Yang, Ph.D., Equity Analyst, (212) 284-2264, eyang@jefferies.com



Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	825	47.61%	184	22.30%
HOLD	763	44.03%	121	15.86%
UNDERPERFORM	145	8.37%	1	0.69%

Other Important Disclosures

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC (“Jefferies”) group companies:

United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited, which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies

Eun K. Yang, Ph.D., Equity Analyst, (212) 284-2264, eyang@jefferies.com

International Limited has adopted a conflicts management policy in connection with the preparation and publication of research, the details of which are available upon request in writing to the Compliance Officer. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material 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 report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein 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. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s). Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis. Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 1.888.JEFFERIES

Eun K. Yang, Ph.D., Equity Analyst, (212) 284-2264, eyang@jefferies.com