

March 13, 2014

FPRX-NASDAQ--Outperform (1) / V

Biotechnology

FPRX: Expect Near-Term Immuno-Oncology Partnership To Drive Appreciation

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Sector Rating: Biotechnology, Market Weight

****Despite recent appreciation for FPRX shares (+30% vs. BTK -0.25%, month-to-date), we continue to believe FPRX's pipeline and discovery platform-leveraging their differentiated expression library and high-throughput capability to discover and elucidate novel pathogenic/therapeutic pathways such as in immune-oncology - remains undervalued.**

****Based on our discussions with the company, we believe they may be close to finalizing a collaboration deal with a pharma company on some of their preclinical immuno-oncology targets, which we believe would increase visibility as well as provide validation for their platform-driving further share upside.**

****We note that this morning, shares of another biotech, TSRO, are up 29% (vs. BTK +0.26%) on signing a collaboration deal with a private company (AnaptysBio) on immune-oncology antibody discovery. Candidates in TSRO's collaboration include TIM-3, LAG-3, and PD-1-which we believe are targets that FPRX is also pursuing in addition to other immunomodulatory targets, such as B7-H3 and B7-H4. Though TSRO's ultimate goal might be to combine these targets with their internal candidates (e.g. PARP and ALK/TRK inhibitors) we believe the Street's positive response to the deal is an illustration of potential upside smaller-cap companies can generate upon positive progress with early immuno-oncology programs, given the promise of the field.**

****BOTTOM LINE: We continue to view FPRX as undervalued based on their differentiated discovery platform that is well suited for exploring existing and novel immune-oncology targets, and the near-term partnership with a large pharma should provide additional validation of the platform and non-dilutive funding for future investments.**

Five Prime Therapeutics, Inc. (FPRX-NASDAQ)

Price as of 3/13/2014: \$18.00

FY 13 EPS: \$-5.49

FY 14 EPS: \$-1.78

Shares Out.: 16.8 MM

Market Cap.: \$302.4 MM

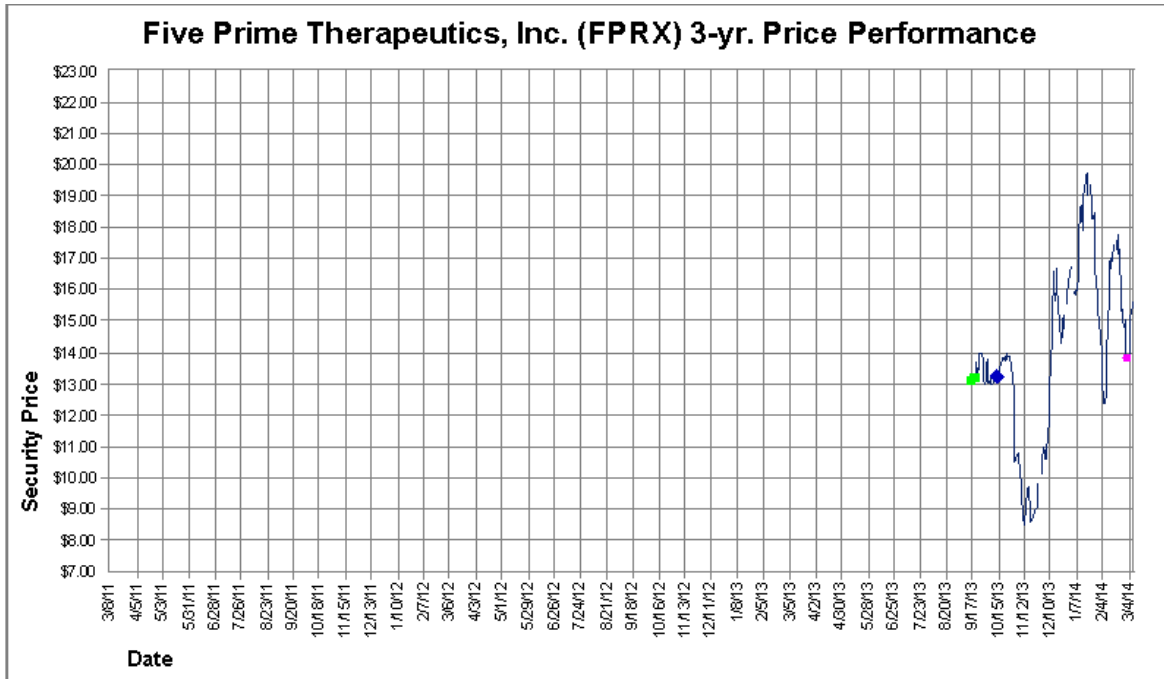
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DISCLOSURE APPENDIX

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
●	3/3/2014	13.96	1	20.00	22.00	13.78

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend
▲	Rating Upgrade	■	Analyst Change
●	Valuation Range Change	□	Split Adjustment

Rating Code Key

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

Additional Information Available Upon Request

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- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

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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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1 = Outperform: The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. **BUY**

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: March 13, 2014

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48% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Market Perform.	Wells Fargo Securities, LLC has provided investment banking services for 35% of its Market Perform-rated companies.
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