

February 20, 2014

FPRX-NASDAQ--Outperform (1) / V

Biotechnology

## FPRX: Arm "C" Of FP-1039 Cancer Study Revealed--Tests Concept Of Activity In Ligand-Driven Tumors

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### Sector Rating: Biotechnology, Market Weight

**\*\*This week several protocol amendments were posted to clinicaltrials.gov for the phase I/II study of FPRX's lead compound, FP-1039-an FGF ligand trap partnered with GSK being explored in cancers with abnormal FGF pathway signaling.**

**\*\*Most notably, the third arm of the study, previously in the planning phase, was revealed. "Arm C" will test FP-1039 in combination with standard chemotherapy (Alimta+cisplatin) in malignant mesothelioma. Recall Arms A and B are testing FP-1039 in combo with chemo for FGFR1-overexpressed first- and second-line squamous NSCLC, respectively.**

**\*\*Based on our discussion with the company, we believe the aim of the arm is to test proof of concept for the agent in a cancer that is driven by overexpression of the ligand--as mesothelioma has a high incidence of FGF2 ligand overexpression - in contrast to the squamous NSCLC being tested in arms A and B, which is driven by high levels of the receptor (FGFR1). We believe this makes good scientific sense to explore, and note that preclinical data further supporting the rationale of this approach could be presented at AACR. The relatively short PFS and overall survival in these patients could also potentially enable a relatively rapid read on whether efficacy looks better than historical controls.**

**\*\*Separately, the protocol was amended to enable patients in Arms A and B to start on their chemotherapy while they are still being screened for FGFR1 overexpression rather than waiting for the results to come back, which we believe could help improve accrual in a trial whose very specific inclusion criteria could present theoretical enrollment challenges.**

**\*\*BOTTOM LINE: We like FP-1039's long-term promise, and believe the addition of the mesothelioma arm is reflective of the in-depth scientific approach to drug discovery and development that the company is taking in both oncology and inflammation. We continue to believe FPRX's early-stage pipeline and platform are significantly underappreciated, and believe announcement of a immuno-oncology partnership near-term could help improve their visibility and catalyze share appreciation.**

**Five Prime Therapeutics, Inc. (FPRX-NASDAQ)**

**Price as of 2/19/2014: \$17.12**

**FY 13 EPS: \$-5.49**

**FY 14 EPS: \$-1.78**

**Shares Out.: 16.8 MM**

**Market Cap.: \$287.62 MM**

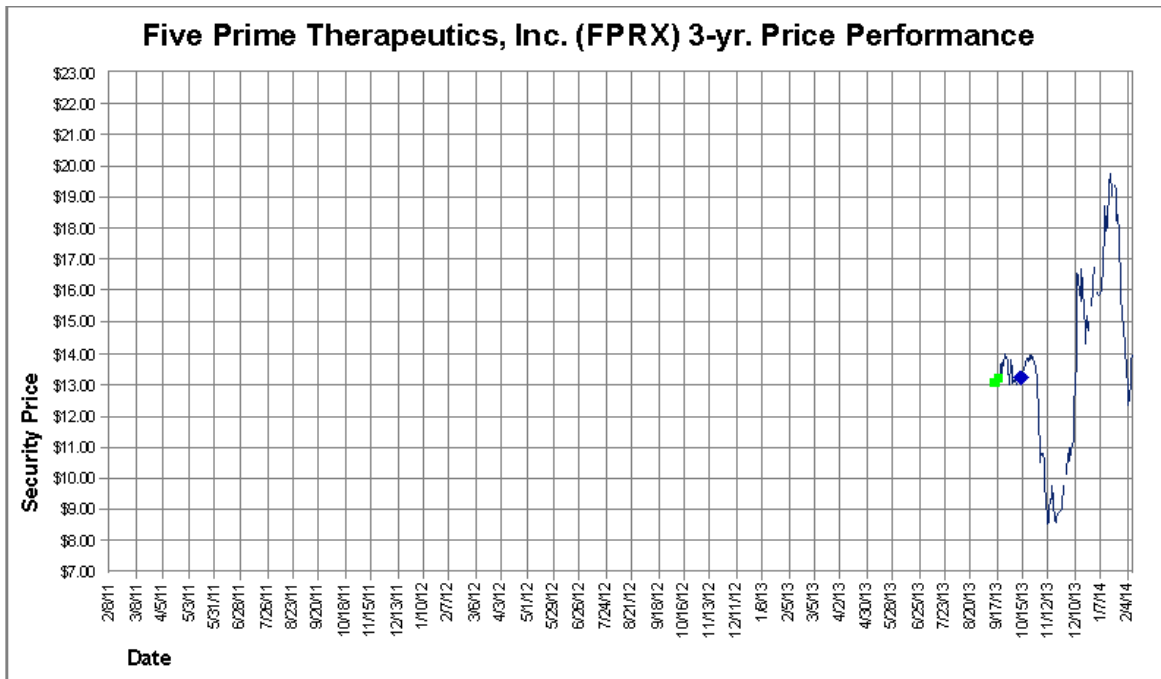
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### Required Disclosures



	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

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#### As of: February 20, 2014

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