

## COMPANY NOTE

Estimate Change

USA | Healthcare | Biotechnology

March 25, 2014

# Jefferies

## Five Prime Therapeutics, Inc. (FPRX) Narrower 4Q Net Loss; Early Clinical Data Readout Starting in 2H14

### Key Takeaway

**Narrower net loss of \$7.3M; our estimated cash of ~\$124M (excl. \$20M upfront payment from BMJ due in April) should be sufficient into ~2017. While early, we view FPRX's ability to continue to generate new protein targets/therapeutics for proprietary & partnered opportunities as a key differentiator. Early clinical data flow from GSK-partnered lead product FP-1039 & Ph1 safety/biomarker data for proprietary FPA008 are expected by YE14.**

**Narrower 4Q13 net loss of \$7.3M (vs. our loss estimate of \$10.1M) primarily due to higher collaboration revenues of \$3.8M (vs. ours of \$1.5M).** OpEx of ~\$11.1M was ~in-line (vs. ours of \$11.7M). Our estimated cash of \$124M (excluding \$20M upfront payment from Bristol-Myers Squibb (BMJ, Hold) due in 04/14) should be sufficient into ~2017.

**Third arm of Ph1b trial for FP-1039 now targeting 1st-line mesothelioma in combo with chemotherapy; preclinical data to be presented at American Association for Cancer Research (AACR) on 4/5/14 in SD.** Given observation of high FGF2 amplification/expression levels in mesothelioma, partner GlaxoSmithKline (GSK LN, Hold) initiated Arm C of the Ph1b trial (FP-1039 + permethrex/cisplatin in previously untreated mesothelioma) in February 2014. This is an addition to currently ongoing Ph1b study (begun in 07/13) with two arms A+B (FP-1039+paclitaxel and carboplatin in first-line FGFR1-amplified NSCLC and FP-1039+docetaxel in 2nd-line FGFR1-amplified NSCLC), with top-line data (Arms A+B) by YE14.

**Proprietary FPA008 (anti-CSF1R mAb) progressing in Ph1, with data in healthy volunteers potentially at American College of Rheumatology (ACR) on Nov. 14-19 in Boston.** With single ascending dosing (SAD) cohorts complete/multiple ascending dosing (MAD) in healthy volunteers begun this month, data (safety and biomarkers such as CD16+ monocytes, macrophage, bone turnover, CSF, IL-34) in healthy volunteers is expected by YE14, potentially at ACR. 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 \$28 PT is based on ~\$8/sh for FP-1039 in FGFR1-amplified cancers, ~\$2.50/sh for FPA008 in RA, ~\$1.50/sh for FPA144 in FGFR2-amplified gastric cancer, and ~\$16/sh for technology value at a 12% annual discount rate. Risks include: (1) early-clinical stage & distant profitability; and (2) inherent uncertainty in drug development.

USD	Prev.	2013A	Prev.	2014E	Prev.	2015E	Prev.	2016E
Rev. (MM)	11.5	13.8	17.5	20.6	--	28.0	--	37.2
Cons. EPS	--	--	(1.58)	(1.35)	(1.37)	(1.26)	--	(0.09)
<b>EPS</b>								
Mar	--	NA	(0.44)	(0.37)	--	--	--	--
Jun	--	NA	(0.35)	(0.33)	--	--	--	--
Sep	--	(2.74)	(0.37)	(0.35)	--	--	--	--
Dec	(0.60)	(0.43)	(0.40)	(0.36)	--	--	--	--
FY Dec	(5.79)	(5.23)	(1.56)	(1.42)	(1.39)	(1.38)	--	(1.30)

EPS: FPRX completed its IPO in 3Q13

**BUY**

Price target \$28.00

Price \$18.11

### Financial Summary

Book Value (MM):	\$58.0
Book Value/Share:	\$2.86
Net Debt (MM):	(\$123.9)
Long-Term Debt (MM):	\$0.0
Cash/Share:	\$6.10
Cash (MM):	\$123.9

### Market Data

52 Week Range:	\$23.33 - \$8.02
Total Entprs. Value (MM):	\$243.7
Market Cap. (MM):	\$367.6
Shares Out. (MM):	20.3
Float (MM):	10.5
Avg. Daily Vol.:	141,217

**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

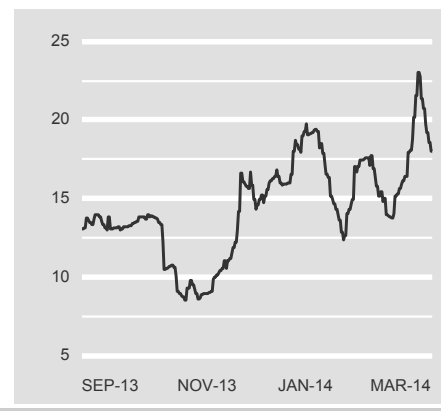
**Eileen Flowers, Ph.D. \***

Equity Associate

(212) 284-2192 eflowers@jefferies.com

\* Jefferies LLC

### Price Performance



**Phase 1 trial for proprietary FPA144 (anti-FGFR2b mAb) in FGFR2b amplified/overexpressed gastric cancer to start by YE14, with two companion diagnostic tests to be developed concomitantly.**

Though details are not finalized, with completion of GLP toxicology studies, FPRX expects to file an IND for FPA144 in 4Q14 and initiate Phase 1 trial by YE14 (initially in unselected gastric cancer pts, then progressing to FGFR2b amplified/overexpressed pts). To better identify subsets of gastric cancer pts who would potentially benefit from FPA144, FPRX will develop separate diagnostic tests for FGFR2b amplification (FISH, fluorescent in-situ hybridization) and overexpression (IHC, immunohistochemistry); with additional details potentially next month at American Association for Cancer Research (AACR) annual meeting on April 5<sup>th</sup>-9<sup>th</sup>, 2014 in San Diego. In the planned Phase 1 trial, these two diagnostic tests will be used to enroll FGFR2b amplified/overexpressed gastric cancer pts in two separate arms, examining response rates according to FGFR2b amplification and overexpression.

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

**Chart 1: Five Prime's Product Portfolio**

Product	Description	Indication	Status	Marketing Rights	Patent Expiry
<b>FP-1039</b> (GSK3052230)	Fibroblast growth factor (FGF) ligand trap	FGFR1 gene-amplified solid tumors (e.g., squamous non-small cell lung cancer)	<p>Phase 1b open-label, non-randomized, 3-arm study (n=up to 120) 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 +); &amp; FP-1039 + perimetrex/cisplatin (Arm C: 1st-line mesothelioma) started in 07/13 (Arms A + B; Arm C started in 02/14), with data by YE14</p> <p>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</p>	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)
<b>FPA008</b>	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 volunteers to be completed in 2H14 (on 4Q13 earnings call on 3/25/14, SAD dosing complete; with MAD dosing underway), 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)
<b>FPA144</b>	Anti-FGFR2b humanized monoclonal antibody	FGFR2-amplified gastric cancer	Phase 1 trial for safety and early clinical activity in gastric cancer pts (FGFR2b amplification/overexpression +) to potentially start by YE14 (IND submission in 4Q13), 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

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

	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14E	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
<b>Royalty Revenues</b>																						
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	3,785	13,791	3,800	5,590	5,590	5,590	20,570	27,960	37,160	14,790	64,000	106,000	20,000	20,000	20,000	20,000	20,000	20,000
Others																						
<b>Total Revenues</b>	<b>9,983</b>	<b>2,975</b>	<b>3,549</b>	<b>3,482</b>	<b>3,785</b>	<b>13,791</b>	<b>3,800</b>	<b>5,590</b>	<b>5,590</b>	<b>5,590</b>	<b>20,570</b>	<b>27,960</b>	<b>37,160</b>	<b>14,790</b>	<b>64,000</b>	<b>106,631</b>	<b>41,845</b>	<b>100,439</b>	<b>176,373</b>	<b>277,878</b>	<b>388,444</b>	<b>490,235</b>
% growth y/y						38.1%					49.2%	35.9%	32.9%	-60.2%	332.7%	66.6%	-60.8%	140.0%	75.6%	57.6%	39.8%	26.2%
<b>Expenses</b>																						
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross margin</b>																						
R&D	28,778	7,930	8,585	8,193	8,077	32,785	8,300	9,500	9,700	9,875	37,375	42,607	48,572	54,887	61,473	68,235	75,741	84,073	93,321	103,586	113,945	124,200
% growth y/y	-15.5%					17.0%					14.0%	14.0%	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	3,042	10,427	3,100	3,200	3,300	3,434	13,034	14,989	16,937	18,970	21,057	23,162	25,478	28,026	30,829	33,912	37,303	41,033
% growth y/y	-19.7%					12.0%					25.0%	15.0%	13.0%	12.0%	11.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
<b>Total Expenses</b>	<b>37,787</b>	<b>10,322</b>	<b>10,971</b>	<b>10,800</b>	<b>11,119</b>	<b>43,212</b>	<b>11,400</b>	<b>12,700</b>	<b>13,000</b>	<b>13,309</b>	<b>50,409</b>	<b>57,596</b>	<b>65,510</b>	<b>73,857</b>	<b>82,530</b>	<b>91,397</b>	<b>101,220</b>	<b>112,099</b>	<b>124,150</b>	<b>137,498</b>	<b>151,248</b>	<b>165,233</b>
<b>Income (loss) from Operations (EBIT)</b>	<b>(27,804)</b>	<b>(7,347)</b>	<b>(7,422)</b>	<b>(7,318)</b>	<b>(7,334)</b>	<b>(29,421)</b>	<b>(7,600)</b>	<b>(7,110)</b>	<b>(7,410)</b>	<b>(7,719)</b>	<b>(29,839)</b>	<b>(29,636)</b>	<b>(28,350)</b>	<b>(59,067)</b>	<b>(18,530)</b>	<b>15,233</b>	<b>(59,375)</b>	<b>(11,660)</b>	<b>52,224</b>	<b>140,381</b>	<b>237,197</b>	<b>325,003</b>
% growth y/y																						
Interest and other income, net	88	300	148	84	17	549	25	25	25	25	100	100	100	100	100	100	100	100	200	1,000	2,000	2,000
Earnings (Loss) Before Taxes	(27,595)	(7,047)	(7,274)	(7,234)	(7,317)	(28,872)	(7,575)	(7,085)	(7,385)	(7,694)	(29,739)	(29,536)	(28,250)	(58,967)	(18,430)	15,333	(59,275)	(11,560)	52,424	141,381	239,197	327,003
Income taxes (benefits)															-	-	-	-	5,242	21,207	47,839	81,751
Tax rate															0.0%	0.0%	0.0%	0.0%	10.0%	15.0%	20.0%	25.0%
<b>Net Income (loss)</b>	<b>(27,595)</b>	<b>(7,047)</b>	<b>(7,274)</b>	<b>(7,234)</b>	<b>(7,317)</b>	<b>(28,872)</b>	<b>(7,575)</b>	<b>(7,085)</b>	<b>(7,385)</b>	<b>(7,694)</b>	<b>(29,739)</b>	<b>(29,536)</b>	<b>(28,250)</b>	<b>(58,967)</b>	<b>(18,430)</b>	<b>15,333</b>	<b>(59,275)</b>	<b>(11,560)</b>	<b>47,181</b>	<b>120,173</b>	<b>191,357</b>	<b>245,252</b>
<b>GAAP EPS (LPS) - Basic</b>	<b>(23.05)</b>	<b>(5.73)</b>	<b>(5.87)</b>	<b>(2.74)</b>	<b>(0.43)</b>	<b>(5.23)</b>	<b>(0.37)</b>	<b>(0.33)</b>	<b>(0.35)</b>	<b>(0.36)</b>	<b>(1.42)</b>	<b>(1.38)</b>	<b>(1.30)</b>	<b>(2.28)</b>	<b>(0.70)</b>	<b>0.58</b>	<b>(2.07)</b>	<b>(0.40)</b>	<b>1.61</b>	<b>4.06</b>	<b>6.41</b>	<b>8.13</b>
<b>GAAP EPS (LPS) - Diluted</b>	<b>(23.05)</b>	<b>(5.73)</b>	<b>(5.87)</b>	<b>(2.74)</b>	<b>(0.43)</b>	<b>(5.23)</b>	<b>(0.37)</b>	<b>(0.33)</b>	<b>(0.35)</b>	<b>(0.36)</b>	<b>(1.42)</b>	<b>(1.38)</b>	<b>(1.30)</b>	<b>(2.28)</b>	<b>(0.70)</b>	<b>0.52</b>	<b>(2.07)</b>	<b>(0.36)</b>	<b>1.46</b>	<b>3.69</b>	<b>5.82</b>	<b>7.40</b>
Pro Forma EPS (LPS)																						
% growth y/y																						
Shares - Basic	1,197	1,229	1,240	2,637	16,835	5,523	20,302	21,222	21,243	21,265	21,008	21,477	21,692	25,909	26,168	26,430	28,694	28,981	29,271	29,563	29,859	30,158
Shares - Diluted	1,197	1,229	1,240	2,637	16,835	5,523	20,302	21,222	21,243	21,265	21,008	21,477	21,692	25,909	26,168	29,430	28,694	31,981	32,271	32,563	32,859	33,158
Cash, cash equivalents & investments	38,015	37,509	28,196	86,637	75,722	75,722	123,947	136,862	129,477	121,783	121,783	92,247	63,997	80,031	61,601	76,934	64,659	53,100	100,281	220,454	411,812	657,064

Source: Company reports and Jefferies

## 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.

## 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 is advising Bristol Myers Squibb on its business combination with Reckitt Benckiser Group Plc regarding Latin American licenses

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

Within the past twelve months, Five Prime Therapeutics, Inc. 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 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 Bristol-Myers Squibb.

## 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.

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.

### Jefferies Franchise Picks

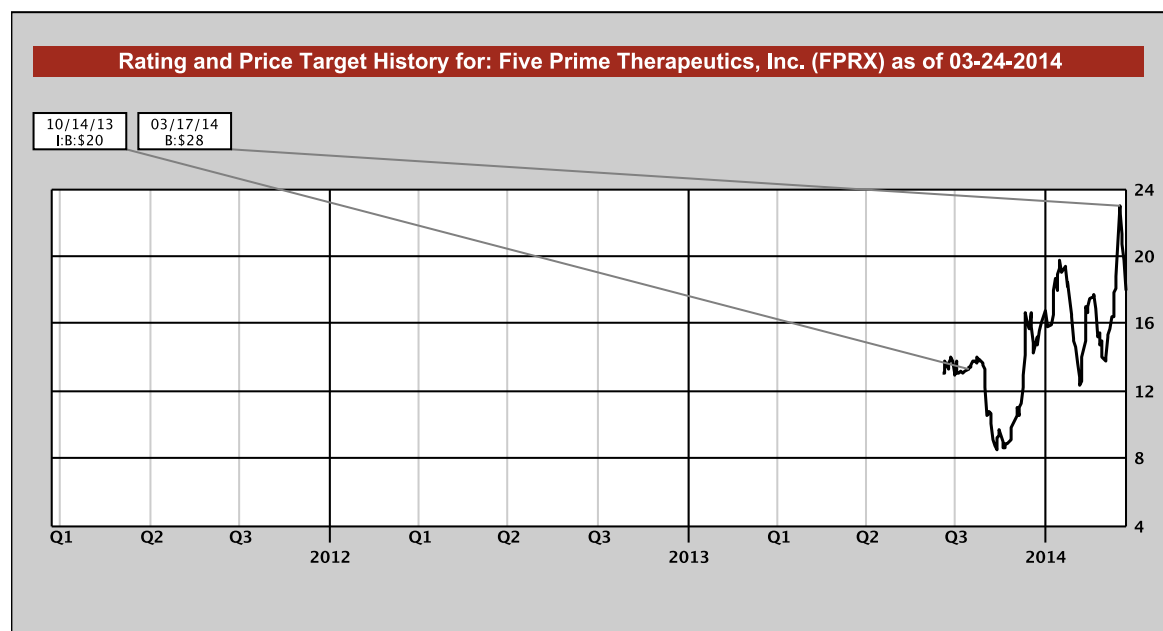
Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it underperforms the S&P by 15% or more since inclusion. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

## Risk which may impede the achievement of our Price Target

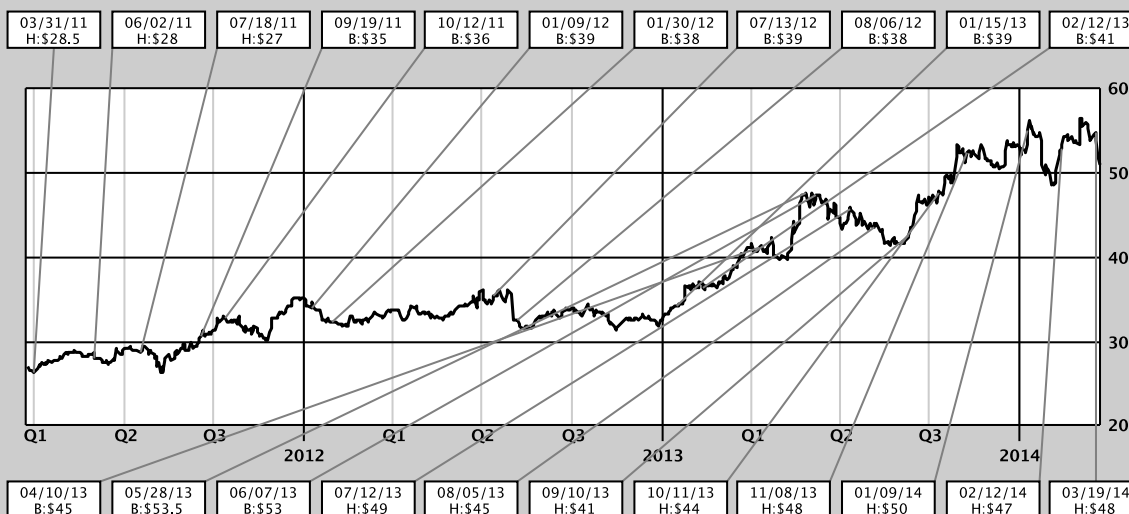
This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their 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

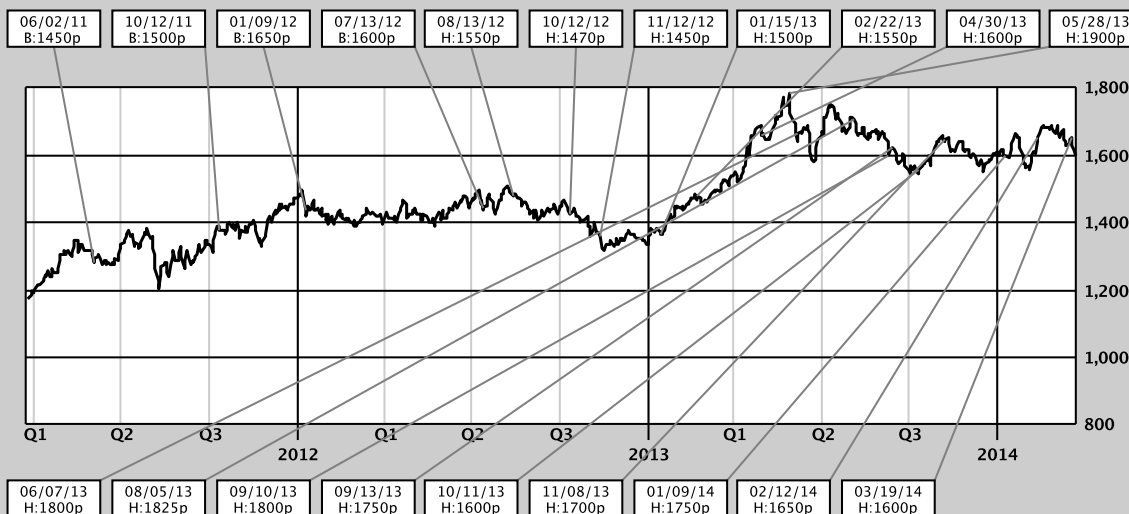
- Bristol-Myers Squibb (BMY: \$51.04, HOLD)
- GlaxoSmithKline Plc (GSK LN: p1,622.00, HOLD)



## Rating and Price Target History for: Bristol-Myers Squibb (BMY) as of 03-24-2014



## Rating and Price Target History for: GlaxoSmithKline Plc (GSK LN) as of 03-24-2014



## Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY	883	48.97%	224	25.37%
HOLD	768	42.60%	137	17.84%
UNDERPERFORM	152	8.43%	5	3.29%



## 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 AT5546; 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 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

© 2014 Jefferies Group LLC