Kite Pharma, Inc.

KITE - BUY - Modest Incremental Data on Kite at ASH

TONY BUTLER, PHD, ANALYST
tony.butler@guggenheimpartners.com
212 823 6540

FLASH NOTE

SECTOR: Biopharmaceuticals

December 9, 2014

*Reminder: Be sure to register for the 2014 Guggenheim Securities **Life Sciences Day on Tuesday, December 16 in Boston**, by contacting your Guggenheim institutional sales representative. This event will consist of a full day of one-on-one meetings with senior management from more than 35 large-, mid-, and small-cap life sciences companies.*

We are present at the American Society of Hematology meetings in San Francisco. Yesterday afternoon a presentation by Dr. James Kochenderfer and others from the National Cancer Institute was held. It has application to Kite Pharma (KITE, BUY, $44.39) and may represent part of the design of their multicenter trial in B cell lymphoma, specifically DLBCL or diffuse large B cell lymphoma (20 patients per year). The Kite trial would be in relapsing or refractory DLBCL.

Kochenderfer illustrated previously published data using CD19 CARs (chimeric antigen receptors). In 21 patients treated to date, 11 have complete responses (duration of 6 to 44 months), 5 partial responses, and 2 patients with stable disease. Three patients were not able to be evaluated because two were not compliant and one died.

Importantly when patients are treated with CARs they are given doses of chemotherapy. This includes fludarabine and cyclophosphamide every day for three days. However, this ablation of T cells prior to CAR treatment does have toxicities. One consideration is to reduce the amount of chemotherapy given. Kochenderfer and others took 9 relapse or refractory patients and pretreated with reduced doses of fludarabine and cyclophosphamide. They obtained good responses with 2 complete responses, 5 partial responses, and some patients having stable progressive disease (3). Toxicities were less with no cytokine release syndrome. These results demonstrate that anti CD19 CAR T cells administered after low dose chemotherapy have significant activity against chemo-refractory DLBCL and could potentially become a standard treatment for aggressive lymphoma.

It is critical that additional data be collected from muticenter trials to validate these initial data.

On Sunday in a special scientific session noted above, Dr. Carl June and Dr. Steve Rosenberg discussed the development and amplification of ways to overcome immune tolerance to cancer through genetic engineering. Three methods were discussed including tumor infiltrating cells (TILs), chimeric antigen receptors (CARs), and T cell receptors (TCRs). The reason these technologies are being explored is because prognosis of most patients having relapsed or refractory cancer is poor in that they have tried most all available therapy but the cancer persists. Prognosis is grim. What can be done for those patients? June discussed the evolution of first and second generation CARs providing evidence of potent and durable (>4 years) responses in CLL and ALL and robust activity in DLBCL and folicular lymphoma.

Rosenberg discussed the evolution of curative treatments using adoptive cell transfer. The ideal targets for adoptive cell transfer are the unique mutations that occur in cancers. Using exome sequencing, a technique has been developed to identify any cancer mutation. A peptide is made containing the DNA encoding this tumor mutation. This construct is used to transform a T cell and as a result of the genetic engineering the new peptide having the mutation is now displayed on the T cell MHC or major histocompatability complex. This then gives rise to reactive T cells when introduced back into the patient. This approach is being explored by Kite Pharma to expand the current reach of cancer immunotherapy to common solid tumors.

See pages 2 - 3 for analyst certification and important disclosures.

SECTOR: **BIOPHARMACEUTICALS** **December 9, 2014**

ANALYST CERTIFICATION

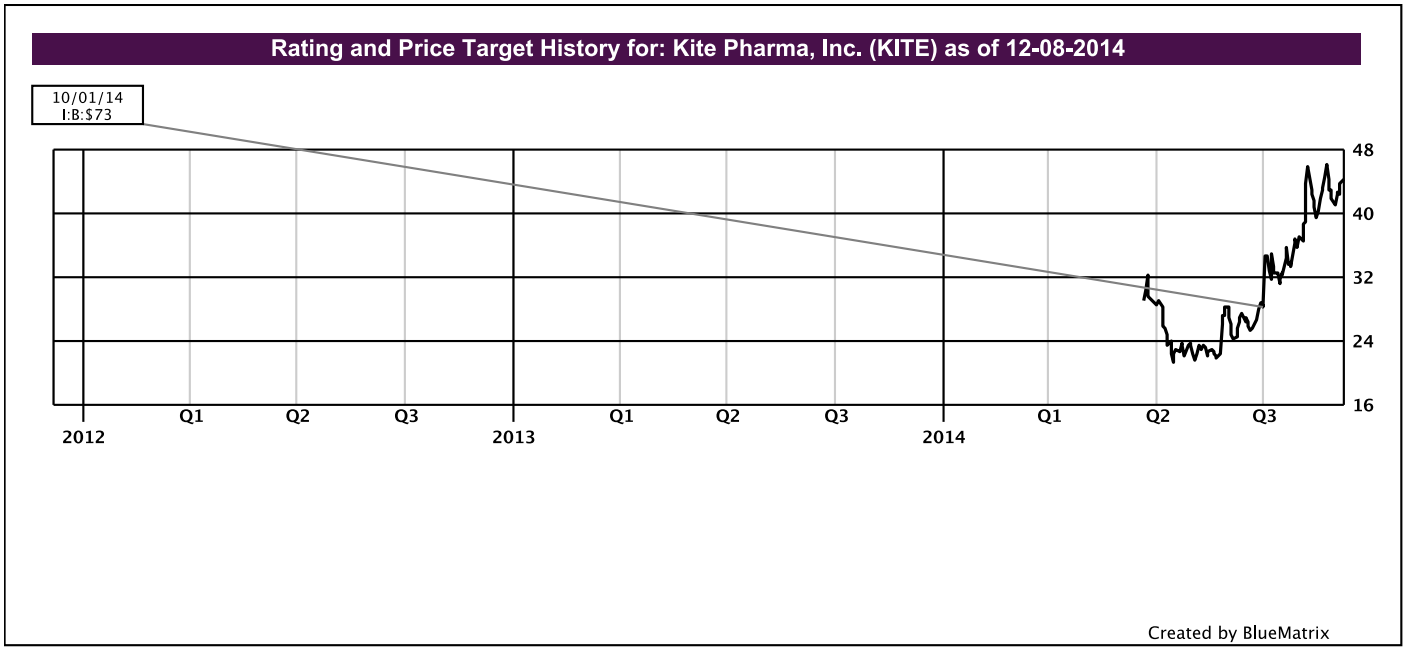
By issuing this research report, each Guggenheim Securities, LLC ("Guggenheim Securities") research analyst whose name appears in this report hereby certifies that (i) all of the views expressed in this report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst.

IMPORTANT DISCLOSURES

The research analyst(s) and research associate(s) have received compensation based upon various factors, including quality of research, investor client feedback, and Guggenheim Securities, LLC's overall revenues, which includes investment banking revenues.

Guggenheim Securities, LLC or its affiliates expect(s) to receive or intend(s) to seek compensation for investment banking services from Kite Pharma, Inc. in the next 3 months.

Please refer to this website for company-specific disclosures referenced in this report: https://guggenheimsecurities.bluematrix.com/sellside/Disclosures.action. Disclosure information is also available from Compliance, 330 Madison Avenue, New York, NY 10017.



RATING DEFINITIONS

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

NEUTRAL (N) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of plus 10% or minus 10% within a 12-month period. No price target is assigned.

SELL (S) - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more 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 Guggenheim Securities, LLC policies.

CS - Coverage Suspended. Guggenheim Securities, LLC has suspended coverage of this company.

NC - Not covered. Guggenheim Securities, LLC does not cover this company.

Restricted - Describes issuers where, in conjunction with Guggenheim Securities, LLC 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.

Guggenheim Securities, LLC 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.

Prior to 12/8/14, Guggenheim Securities, LLC's BUY, NEUTRAL, and SELL ratings definitions were as follows (no other ratings definitions were changed):

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

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

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

RATINGS DISTRIBUTIONS FOR GUGGENHEIM SECURITIES:

			IB Serv./ Past 12Mos.	
Rating Category	Count	Percent	Count	Percent
Buy	87	52.10%	19	21.84%
Neutral	80	47.90%	3	3.75%
Sell	0	0.00%	0	0.00%

OTHER DISCLOSURES

This research is for our clients and prospective clients only. Other than disclosures relating to Guggenheim Securities and its affiliates, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the research analyst's judgment. Guggenheim Securities conducts a full-service, integrated investment banking and brokerage business, and one or more of its affiliates conduct an investment management business. Guggenheim Securities is a member of SIPC (http://www.sipc.org). Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our employees trading for our own account that reflect opinions that are contrary to the opinions expressed in this research. Guggenheim Securities or certain of its affiliates conducts an investment management business, trades for its own account, and conducts an investment business, and may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

We and our affiliates, officers, directors, and employees, excluding equity and credit analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives, if any, referred to in this research. We and our affiliates also may sell to or buy from customers on a principal basis the securities described herein. We and our affiliates also do business with, or that relates to, companies covered in Guggenheim Securities' research, and may have a position in the debt of the company or companies discussed herein.

This research is not an offer to sell or the solicitation of an offer to buy any security. It 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 research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research 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.

TACTICAL TRADING IDEA DISCLAIMER

Guggenheim Securities, LLC produces "Tactical Trade Ideas" that identify short-term, catalyst-driven trading opportunities impacting companies within the Firm's coverage universe. Tactical Trade Ideas may exist on companies in this report and may be contrary to the analyst's published rating.

Contact Information

NEW YORK SALES & TRADING DESK
212 292 4700

EQUITY TRADING DESK
212 292 4701

MEDIA INQUIRIES
310 367 6567

EMAIL
general@guggenheimcm.com

Locations

NEW YORK
330 Madison Avenue
New York, NY 10017

WASHINGTON, DC
1055 Thomas Jefferson Street, NW
Suite 450
Washington, DC 20007

BOSTON
500 Boylston Street, 13th Floor
Boston, MA 02116

LOS ANGELES
601 South Figueroa Street
Suite 4005
Los Angeles, CA 90017

DALLAS
1717 McKinney Avenue
Suite 870
Dallas, TX 75202

SAN FRANCISCO
50 California Street
Suite 1515
San Francisco, CA 94111

NASHVILLE
104 Woodmont Blvd
Suite 203
Nashville, TN 37205

RICHMOND
919 East Main Street
Suite 1605
Richmond, VA 23219

Guggenheim Equity Research

ENERGY: OIL SERVICES & EQUIPMENT
Darren Gacicia, Analyst
darren.gacicia@guggenheimpartners.com
212 293 3054
Michael LaMotte, Analyst
michael.lamotte@guggenheimpartners.com
972 638 5502

FINANCIAL SERVICES: BUSINESS DEVELOPMENT COMPANIES, COMMUNITY AND REGIONAL BANKS
Taylor Brodarick, Analyst
taylor.brodarick@guggenheimpartners.com
615 208 1222

FINANCIAL SERVICES: CARD NETWORKS, COMMUNITY AND REGIONAL BANKS
David Darst, Analyst
david.darst@guggenheimpartners.com
615 208 1224
Ryan Strain, Associate
ryan.strain@guggenheimpartners.com
615 208 1226

HEALTHCARE: BIOPHARMA
Tony Butler, Analyst
tony.butler@guggenheimpartners.com
212 823 6540

HEALTHCARE: BIOTECH
Bret Holley, Analyst
bret.holley@guggenheimpartners.com
212 293 2820

HEALTHCARE: PHARMACEUTICALS
Louise Chen, Analyst
louise.chen@guggenheimpartners.com
212 381 4195
Swati Kumar, Analyst
swati.kumar@guggenheimpartners.com
212 918 8754
Brandon Folkes, Associate
brandon.folkes@guggenheimpartners.com
212 518 9976

RETAIL & CONSUMER
John Heinbockel, Analyst
john.heinbockel@guggenheimpartners.com
212 381 4135
Steven Forbes, Associate
steven.forbes@guggenheimpartners.com
212 381 4188

TMT: MEDIA & ENTERTAINMENT, CABLE & SATELLITE TV
Michael Morris, Analyst
michael.morris@guggenheimpartners.com
804 253 8025
Curry Baker, Associate
curry.baker@guggenheimpartners.com
804 253 8029