

Kite Pharma, Inc.

KITE - BUY - Amgen Shows Interest in CAR Technology in Deal with KITE

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FLASH NOTE

SECTOR: Biopharmaceuticals

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Kite (KITE, BUY, \$69.75) and Amgen (AMGN, NEUTRAL, \$157.99) announced a worldwide exclusive research collaboration to develop new targets involving CARs (Chimeric Antigen Receptors) in oncology. This is a very interesting collaboration because for Kite it provides a broader and richer portfolio, yet for Amgen it provides access to the CAR technology. In our view, the collaboration acknowledges that there is value in the Kite patents.

Amgen and Kite will each provide potential cancer targets. From this pool of targets a Steering Committee of representatives from both companies will select appropriate targets – essentially half from one organization and the other half from the remaining company. The collaboration and the functionality of the Steering Committee will be balanced and represent each organization equally. Kite will be responsible for preclinical development and manufacturing of all selected targets through IND. Amgen will provide research funding for projects originated by them. Kite will continue to provide manufacturing capabilities through Phase II development. Kite will receive \$60 million in an upfront payment and milestones up to \$525 million for targets identified by Amgen. Kite would also receive single and tiered double-digit royalty on potential revenues. Likewise for projects originated from targets identified by Kite, Amgen will be eligible for milestones up to \$525 million per program as well as royalties.

This collaboration does not include CD19 CAR for which Kite has already filed an IND to treat aggressive forms of NHL (non-Hodgkins lymphoma) and 4 additional trials in relapsing or refractory B-cell malignancies. Kite will continue with development of these hematological malignancies.

Finally this agreement does not provide for a standstill should Amgen at some point wish to acquire Kite.

In summary we believe this collaboration is unique in structure. Kite, despite not naming any potential targets, believes Amgen has a rich number of targets – of cell surface antigens – novel to cancer cells that are not common to normal cells, which might be useful for CAR technology. These are primarily targets in solid tumors but also include hematological targets. While we do not yet know any of the programs and it would be difficult to provide a true value of the collaboration, it does create potentially the largest portfolio of clinical opportunity for CARs available. Further, it helps with funding.

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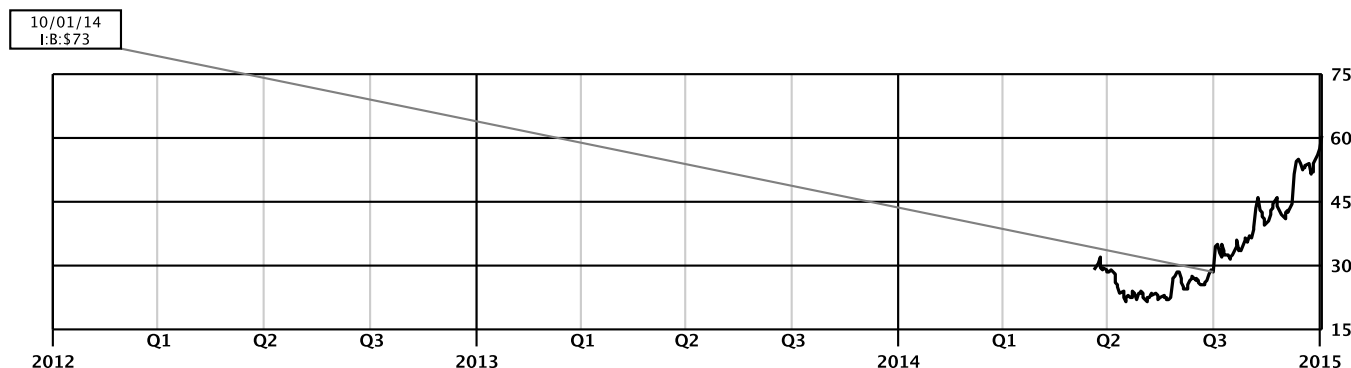
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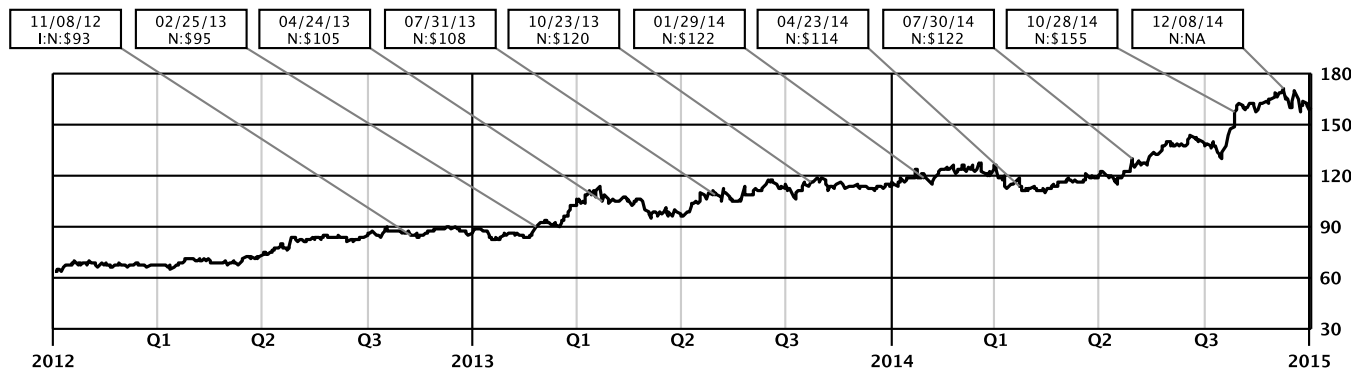
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Rating and Price Target History for: Kite Pharma, Inc. (KITE) as of 01-02-2015



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