US Equity Research
24 June 2015

BUY
unchanged

PRICE TARGET US$90.00
unchanged
Price (23-Jun) US$62.72
Ticker KITE-NASDAQ

52-Week Range (US$):	21.00 - 89.21
Avg Daily Vol (M) :	895.3
Shares Out. (M) :	38.3
Market Cap (US$M):	2,404

FYE Dec	2014A	2015E	2016E
Revenue (US$M)	0.0	2,881.0	0.0
EPS Adj&Dil (US$)	(1.91)	(0.95)	(1.02)

Quarterly Revenue	Q1	Q2	Q3	Q4
2014A	0.0	0.0	0.0	0.0
2015E	2,881.0	0.0	0.0	0.0
2016E	-	-	-	-

Quarterly EPS Adj&Dil	Q1	Q2	Q3	Q4
2014A	(0.66)	(2.27)	(0.24)	(0.33)
2015E	(0.20)	(0.25)	(0.25)	(0.25)
2016E	-	-	-	-

Kite Pharma is focused on development of novel cancer immunotherapy using engineered autologous cell therapy (eACT).

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Company Update

TCRs center stage at R&D day, KRAS, HPV-16 E7 enter clinic in 2015

KRAS and HPV-16 E7 TCRs to enter clinic in 2015

TCR constructs targeting HPV-16 E7 and KRAs will enter human testing during 2015, broadening KITE's push into solid tumors. Mutated KRAS is present in colorectal, lung, and pancreatic cancer, three very large commercial markets. We note that prior investor disappointment with mesothelin studies is not necessarily indicative of other antigens. In addition, dose escalation for TCR constructs usually proceeds slowly, with early data not necessarily indicative of the final result at higher doses.

Phase 1 pivotal DLBCL data expected at ASH, Dec 2015

Kite gave details on its pivotal Phase 1/2 DLBCL program, with pivotal Phase 1 data expected at ASH in December 2015. Importantly, patients will be treated in the hospital setting during Phase 1 and observed for toxicity. Assuming the rate of severe toxicity is acceptable, the trial will proceed to Phase 2. Interestingly, the conditioning regimen intensity has been established as a range of "low" to "high." We look to understand additional detail regarding any potential differences in conditioning intensity versus the NCI Phase 1 pilot study going forward.

Next-generation manufacturing and CAR fidelity interesting

We suspect Kite will utilize akt inhibitors in next-gen manufacturing of Chimeric Antigen Receptor constructs, which may mitigate terminal differentiation and preserve central memory phenotype, and result in enhanced T-cell persistence. Dr. Steven Rosenberg mentioned the akt inhibition technique and has previously published on this topic, and the idea was mentioned at the R&D day. We also believe that Kite's "CAR fidelity" approach may mitigate off-target toxicity by adding a second inhibitory receptor towards targets on healthy cells but not tumor cells.

TCR melanoma data previously established solid tumor viability

As previously discussed, we firmly believe that TCR efficacy has been demonstrated in solid tumors based on previously published melanoma data. NCI data in melanoma targeting NY-ESO-1 (n=19) have previously shown a 53% ORR (32% PR, 21% CR). We believe that both the existing NCI study in melanoma and the upcoming TCR studies against KRAS and HPV will provide additional proof-of-concept data in solid tumors, holding meaningful upside.

Appendix: Important Disclosures

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Target Price / Valuation Methodology:

Kite Pharma - KITE

Our target price is $90, based on a probability adjusted NPV valuation.

Risks to achieving Target Price / Valuation:

Kite Pharma - KITE

Although NCI is conducting a phase 1-2a trial of anti-CD19 CAR T-cell therapy, KITE's KTE-C19 trial has not begun. Any delays or significant negative results from NCI's clinical trials could negatively affect Kite's IND application and delay the timing to start their own phase 1-2 clinical trial. KITE is highly dependent on the third parties for R&D and early clinical testing of CAR and TCR product candidates. These collaborations related to the intellectual property licensed from the NIH relating to product candidates targeting the EGFRvIII antigen, the SSX2 antigen and the NY-ESO-1 antigen and from Cabaret for intellectual property relating to KTE-C19. The differences in manufacturing compared to NCI may render the product incomparable, particularly with respect to clinical trials, which could negatively affect our valuation. Although plans for manufacturing and processing is based on current approach undertaken by the NCI, the company cannot ensure that even minor changes in the product process will not result in significantly different T-cells that may not have similar efficacy or toxicity. KTE-C19 could fail in clinical studies, resulting in significant downside to our price target and shares of the stock. Kite faces significant competition from other biotechnology and pharmaceutical companies in the space of immunotherapy, including Novartis, Juno, Bluebird, Cellectis and Adaptimmune, as well as companies developing novel targeted therapies for cancer.

Distribution of Ratings:

Global Stock Ratings (as of 06/24/15)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	590	59.24%	33.05%
Hold	320	32.13%	15.62%
Sell	38	3.82%	2.63%
Speculative Buy	48	4.82%	54.17%
	996*	100.0%	

*Total includes stocks that are Under Review

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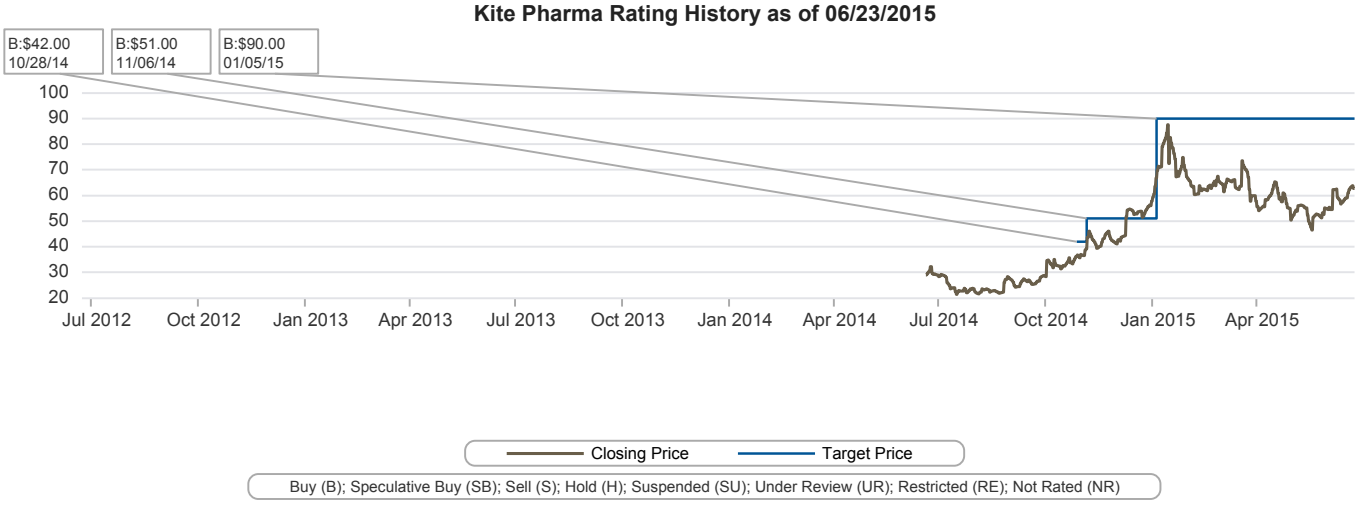
Kite Pharma Rating History as of 06/23/2015



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