

Fate Therapeutics

(FATE-NASDAQ)

Stock Rating: Outperform
Stock Price: \$6.26
Target Price: \$11.00

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Biotechnology

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Favorable T-Cell Effects Further Distinguish PROHEMA

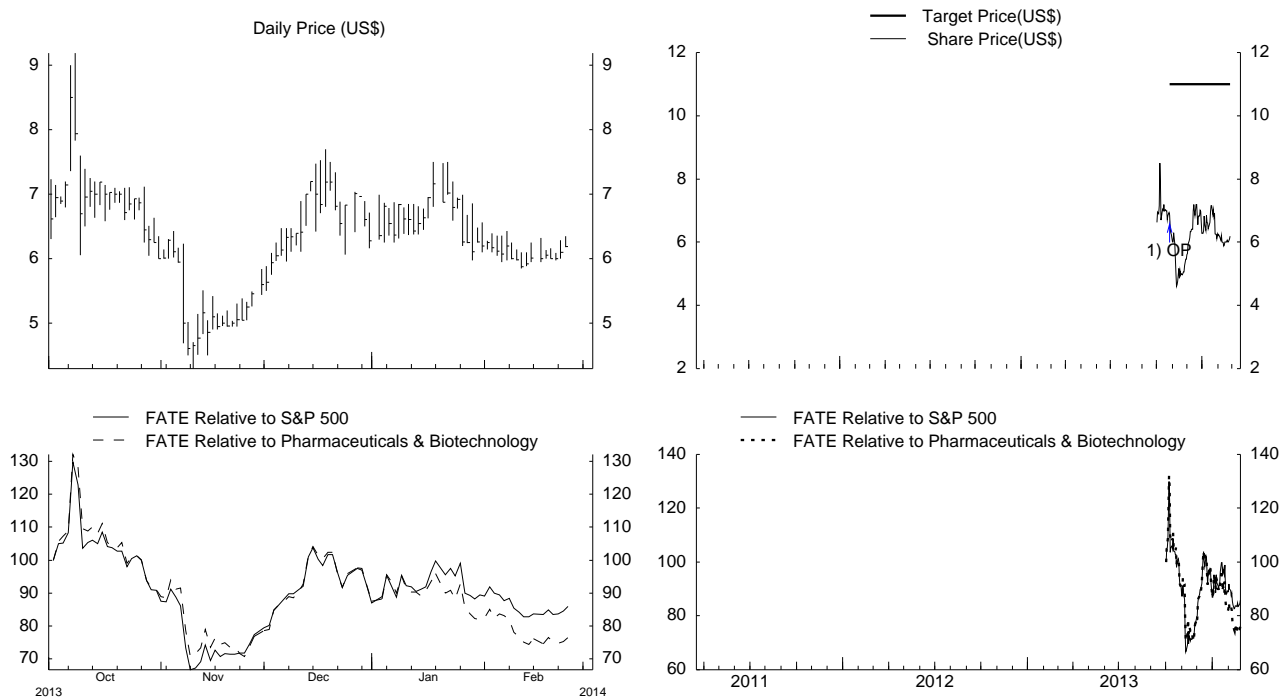
Fate Therapeutics issued a press release earlier today describing beneficial effects on the T cell compartment of patients receiving PROHEMA modulated cord blood allogeneic transplant in the phase 1b hematologic malignancy trial. Specifically, 12 patients who received one PROHEMA-treated cord blood unit and one unmanipulated unit showed a two-fold increase in the percentage of naive and early memory CD8 T cells at day 100 post-transplant compared to 9 subjects in the control group who received two unmanipulated cord blood units. FATE noted that only two patients (17%) developed CMV reactivation in the PROHEMA cohort versus an historical 36-56% and no cases of EBV-associated post-transplant lymphoproliferative disorder were observed versus up to 16% in historical controls.

Our View:

- Beneficial T-cell effects of PROHEMA in allogeneic transplant could further distinguish the role of FATE's modulated stem cells in promoting bone marrow recovery and balancing favorable graft vs. disease effects with unfavorable graft vs. host affects.
- FATE has previously shown accelerated neutrophil recovery with the use of PROHEMA in the setting of allogeneic cord blood transplant, but these data suggest a broader improvement in graft quality by day 100.
- Beyond protection against pathogens, a critical aspect to transplant as a therapy for leukemia is the balance between graft versus disease and graft versus host and we believe that acceleration of T cell recovery may provide a boost to graft versus disease without an increase in graft versus host disease.
- FATE anticipates resuming enrollment to the ongoing registration enabling Pro-Hema 03 trial in 1H14 with a view to completion in mid-15 with a subsequent filing by YE15.

Please refer to pages 2 to 5 for Disclosure Statements, including the Analyst's Certification.

Fate Therapeutics (FATE)



FATE - Rating as of 30-Sep-13 = NR

Date	Rating Change	Share Price
1 25-Oct-13	NR to OP	\$6.93

Last Daily Data Point: February 25, 2014

Important Disclosures

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Methodology: We arrive at our price target by applying a 25x multiple to 2020 EPS estimate of \$1.68 and discounting at 30%.

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Distribution of Ratings (December 31, 2013)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	38.0%	20.4%	49.0%	38.8%	50.4%	52.5%
Hold	Market Perform	56.1%	13.8%	49.0%	54.0%	46.5%	41.8%
Sell	Underperform	5.8%	5.6%	2.0%	7.2%	3.1%	5.7%

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(S) = Speculative investment;

NR = No rating at this time; and

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