

December 11, 2013

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Fate Therapeutics (FATE - OUTPERFORM): Phase II ProHema Trial on Track to Resume

Price: \$6.11

12-Month Price Target: \$14

- **We met with FATE management at the ASH meeting in New Orleans, and they reiterated their confidence in manufacturing and clinical sites for ProHema to be online and ready for the resumption of the Phase II ProHema-03 trial in H1:14.** Recall that enrollment in the trial was paused in order to incorporate a new improved formulation of ProHema, which are cord blood-derived hematopoietic stem cells modified to improve outcomes in allogeneic hematopoietic stem cell transplants (HSCT).
- **Our view is that the pediatric formulation for both childhood hematologic malignancies and lysosomal storage diseases should also be ready for the clinic in the mid-14 timeframe.** In speaking with physicians at ASH, we note that HSCT is the only curative option at the moment for many ultra-rare metabolic diseases, and of course, remains the goal of treatment for hematologic malignancies in eligible patients.
- **Reiterate OUTPERFORM rating and \$14 price target.** We arrive at our \$14 price target by applying a 6x multiple to an estimated \$380M in revenues in 2019, discounted by 35% annually.

Risks to the achievement of our price target include failure to gain approval for ProHema, failure to achieve sales estimates for ProHema and failure to achieve earnings estimates.

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Neutral: 41%	Neutral: 2%
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Company	Disclosure
Fate Therapeutics	1,3,5,7

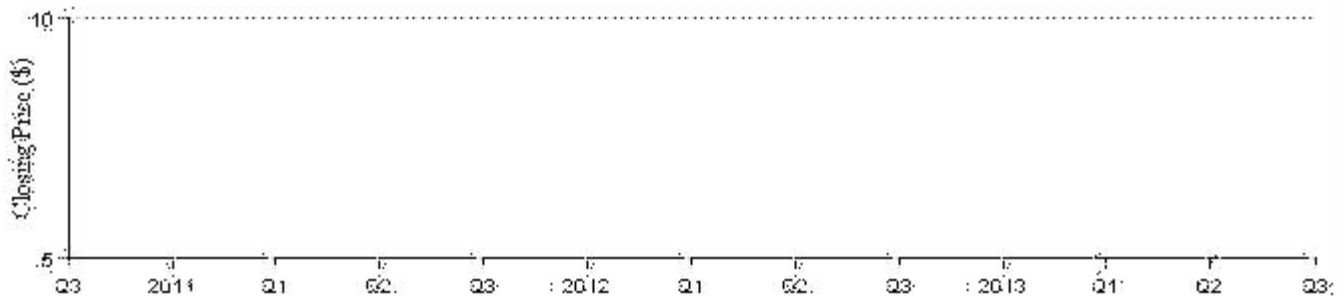
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FATE



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