

Fate Therapeutics (FATE : US\$6.31)

Fate Therapeutics continues downtrend, now plummets 47.9% in second quarter ending

Fate Therapeutics Inc, NASDAQ's 20th largest biotechnology company by market cap, plummeted US\$5.79 (or 47.9%) in the quarter ended June 30 to close at US\$6.31. This loss means the stock is amongst the bottom 2% of NASDAQ-listed stocks in quarter ended June 30. The volume in the quarter was 0.7 times the average trading of 38,684 shares. Compared with the NASDAQ-100 Index which rose 191.1 points (or 5.2%), this represents a relative price change of -53.1%. In the second quarter the market cap declined US\$104.5 million.

Introduction

We are currently bearish on this stock, both in the short-term based on technical indicators, as well as in the long-term based on fundamental metrics

What makes us most bearish on the stock is the following:

- The price to 200-day MAP ratio is 0.89, a bearish indicator.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 2.3. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.
- In the last three months the number of falls outnumbered rises 33:28 or 1.18:1.
- It has underperformed 69.83% of the market the past 6 months.

However, there are some reasons why some in the market are more bullish on the stock:

- Amongst stocks that are shorted, it was in the bottom quartile as a percentage of stock shorted, suggesting that there are fewer confident bears of the stock.
- The Price to Book of 2.5 lower than average of 5.8 for the Biotechnology sector and 6.2 for the Total NASDAQ Market.

Stock Summary

Sector	Biotechnology
Market Cap	US\$128.5 million
Shares Outstanding	20,357,158
ISIN	US31189P1021
Relative Strength (3 mo)	1

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USDm)	(1.5)	2.8	1.2
Pretax (USDm)	-	-	(13.4)
Net (USDm)	(20.9)	(14.2)	(13.4)
EPS (USD)	(3.54)	(13.06)	(16.16)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (\$)
Last	6.3	128.5 million

Analysis

Bearish Signals

- Falls to Rises: In the last three months the number of falls outnumbered rises 33:28 or 1.18:1.
- In the last 18 trading sessions there has been a net decline of 9.73%; the stock has retreated ten times and the biggest one day decline was 5.3% on Jun 20.
- In the NASDAQ market of 2,409 stocks traded today, the stock has a 6-month relative strength of 30 which means it has underperformed 70.0% of the market.
- The price to 200-day MAP ratio is 0.89, a bearish indicator. The 200-day MAP has decreased to US\$7.09. A decrease is another bearish indicator.
- The current short volume is 1.4 times its own historical average of 0.03%.

Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 2.3. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.

Other Bearish Signals:

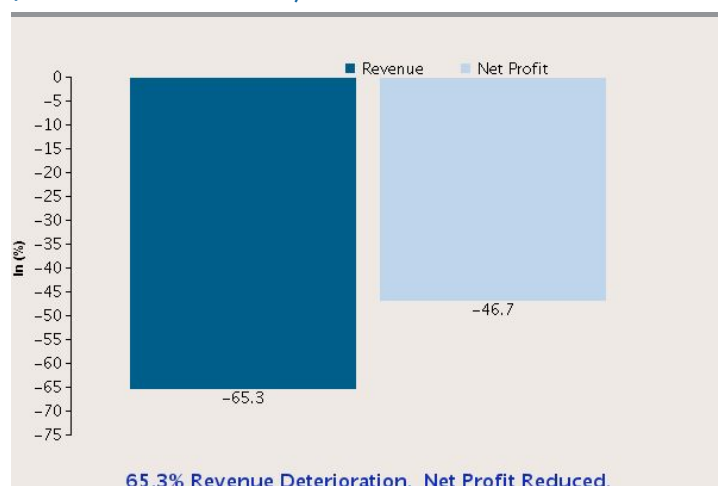
- Net Profit margin has seen consecutive falls and seems to be on a slippery slope in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	Net Profit Margin
Dec 13	-2,151.8
Dec 12	-508.9

% Growth Y.O.Y, Revenue & Net Profit



Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Turnover in Quarter	US\$12.7 million	In Bottom Quartile
Price Change %	-3.4	In Bottom 5%
Price/MAP50	0.56	In Bottom 5%
Annual Revenue	US\$971,000	In Bottom 1%

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
MCap	US\$128.5 million	In 3rd Quartile

Bullish Signals:

- The price is at a discount of 5.3% to the 1-month volume weighted average price of US\$6.67, which may appeal as a value proposition.
- The Price/MAP of 0.89 for FATE is higher than the Price/MAP for the NASDAQ-100 Index of 0.5.
- In the NASDAQ Short Selling market of 2430 stocks, short selling as a % of issued shares ranked 1839th and within the bottom quartile of stocks. This means it was lower than market average of 0.43%, a bullish indicator.

Undervaluation:

- The Price to Book of 2.5 lower than average of 5.8 for the Biotechnology sector and 6.2 for the Total NASDAQ Market.
- The company is cash rich with Cash to Market Capitalisation at 42.1%.

Other Bullish Signals:

Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 11.9 times current liabilities.

Bullish Indicators and Rank in Market:

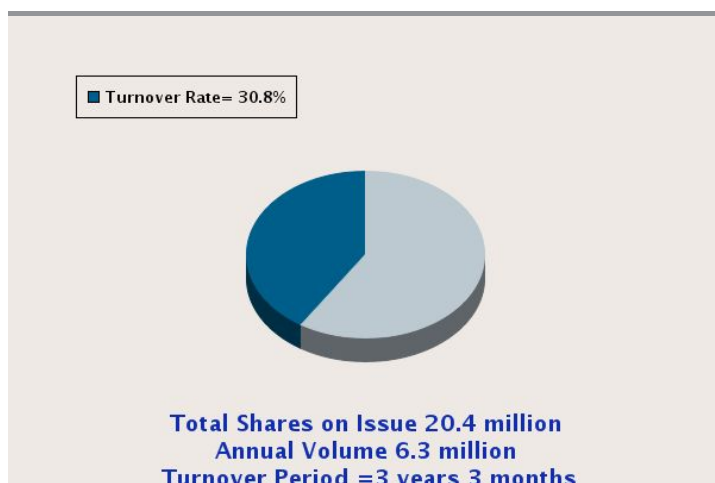
Description	Value	Rank In Market
Cash to MCap %	42.1	In Top 5%

Analysis (continued)

Insider Trades



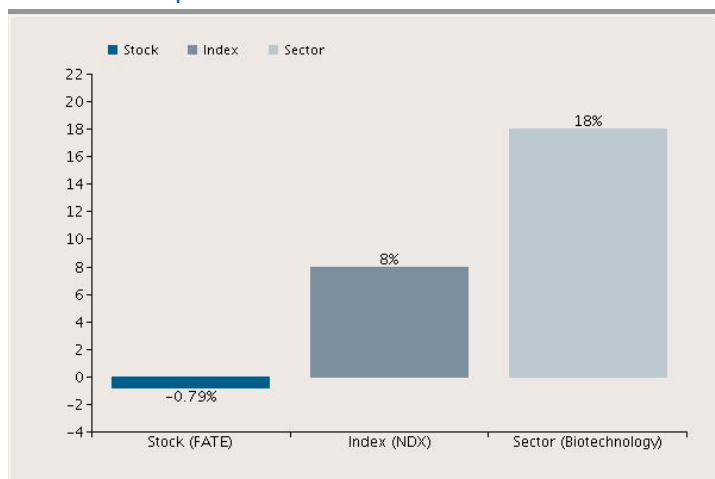
Turnover Rate & Turnover Period



Trailing 3 months

Turnover	US\$12.7 million
Volume	1,690,856
Volume Index (1 is avg)	0.7

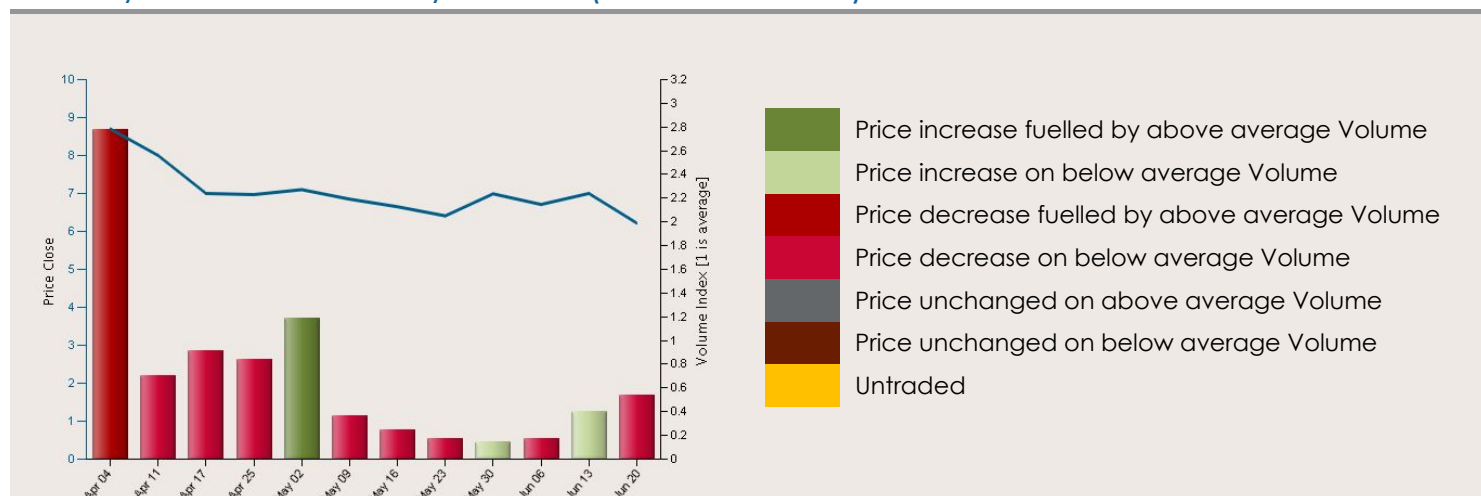
YTD Comparison Stock Sector Index



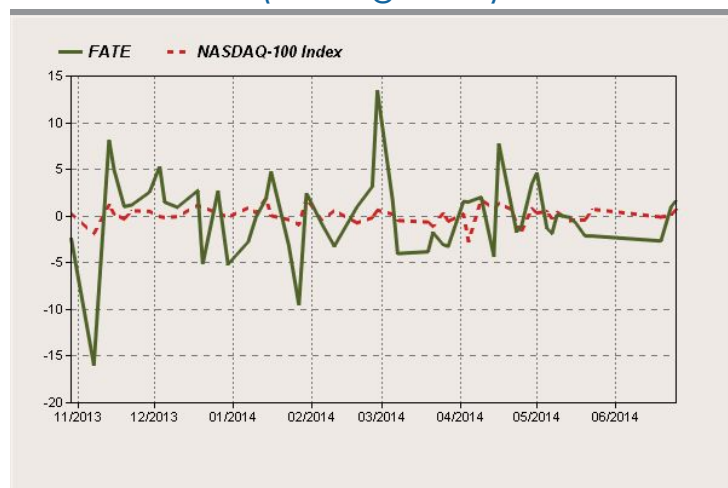
Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Stock v Index (Trailing Year)



Price/Moving Average Price [P/MAP]



Peer Group Analysis

Sector sorting

Name	Last Price	Relative strength (6-months)	MCap (Millions)	PV \$1000 (1 yr)	Revenue (Millions)	Net Profit (Millions)	Total Assets (Millions)
Cellular Dynamics International	14.57	17	230	-	12	-27	83
GlycoMimetics	8.43	-	157	-	4	-11	5
TetraLogic Pharmaceuticals	5.89	8	131	-	-	-23	56
Fate Therapeutics	6.31	30	128	-	1	-24	56
Ambit Biosciences	6.91	10	124	971	21	-13	74
Onconova Therapeutics	5.35	1	116	-	4	-68	105
Aquinox Pharmaceuticals	9.43	-	101	-	-	-15	16

Reported Buying Selling by Insiders

Insider	Date	Transaction Type	No. of Shares	Price, US\$	Value, US\$
Flynn Peter D	Jun 12, 2014	Sold	5,471	7	38,297
Flynn Peter D	Jun 11, 2014	Sold	1,017	7	7,119
Flynn Peter D	Jun 09, 2014	Sold	1,955	7	13,685
Flynn Peter D	Jun 10, 2014	Sold	1,350	7	9,450
Flynn Peter D	Apr 04, 2014	Sold	5,889	8.34	49,114
Christian Weyer "Chris"	Apr 02, 2014	Sold	2,262	9.02	20,403
Christian Weyer "Chris"	Apr 01, 2014	Sold	7,738	9.02	69,797

Company Overview

Activities

Fate Therapeutics, Inc. provides biotechnology services. The Company researches and develops therapies to repair and regenerate body tissues with the help of stem cells. Fate Therapeutics conducts business in the United States.

Further details can be found at
www.fatetherapeutics.com.

Regulatory Announcements

To view Recent Company Headlines, [click here](#)

June 12: Fate Therapeutics insider sells; shares at a seven-day low
June 12: Fate Therapeutics insider sells; shares at a six-day low
June 11: Fate Therapeutics insider sells; shares at a ten-day high
June 05: Fate Therapeutics to Highlight Potential Clinical Applications of Ex Vivo Hematopoietic Cell Modulation at 12th International Cord Blood Symposium
May 28: Fate Therapeutics to Present at Jefferies 2014 Global Healthcare Conference
May 13: Fate Therapeutics Reports First Quarter 2014 Financial Results
May 06: Fate Therapeutics to Webcast Conference Call Reporting First Quarter 2014 Financial Results on May 13, 2014

To view 8-K other news for Fate-Therapeutics, [click here](#)
March 17: Fate Therapeutics: Results of Operations and Financial Condition

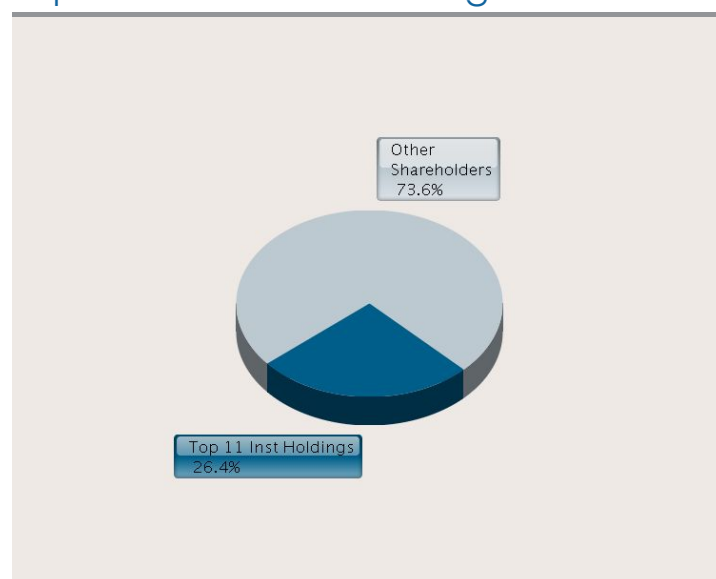
Issued Capital

Based on 20,357,158 issued equity shares the market capitalisation is US\$128.5 million. It is NASDAQ's 17th largest Biotechnology company by assets.
The top eleven shareholders hold 26.4% of the issued capital leaving a float of 73.6%.

Top 10 Shareholders

Name of Shareholder	No. of Shares	% Held
Fmr Llc	3,053,673	15
Wellington Management Co Llp	1,121,180	5.51
Orbimed Advisors Llc	692,900	3.4
Farallon Capital Management Llc	275,000	1.35
Vanguard Group Inc	148,606	0.73
Goldman Sachs Group Inc	26,310	0.13
Geode Capital Management Llc	23,728	0.12
Deutsche Bank Ag\	16,905	0.08
Jane Street Group Llc	11,900	0.06
Pnc Financial Services Group Inc.	1,000	0
Total	5,371,202	26.38

Top 11 Institutional Holdings



Board and Management

Christian Weyer "Chris"
CEO & President & Director

William H Rastetter "Bill"
Chairman

Scott Wolchko
CFO & Chief Operating
Officer

Robert S. Epstein
Director

Creation of shareholder value in Fate Therapeutics:

Since appointment as Director: The present value of USD1,000 invested on the appointment date of March 17, 2014 at close price of US\$10.77 is US\$586, for a capital loss of US\$414.

Timothy P. Coughlin
Independent Director

Mark J. Enyedy
Independent Director

Financial Results (Quarterly)

31 March, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-03-31	2013-03-31	Change %
Revenues:			
Collaboration revenue		209	
Grant revenue		263	
Total revenue		472	
Operating expenses:			
Research and development	4,522	2,531	Up 78.7
General and administrative	2,415	1,297	Up 86.2
Total operating expenses	6,937	3,828	Up 81.2
Loss from operations	-6,937	-3,356	Deterioration 106.7
Other income (expense):			
Interest income		1	
Interest expense	43	100	Down 57.0
Income from 48D tax credit			
Loss on extinguishment of debt			
Change in fair value of warrant liability		12	
Change in fair value of exchangeable shares		-105	
Total other expense, net	-43	-192	Reduced 77.6
Net loss and comprehensive loss	-6,980	-3,548	Deterioration 96.7
Net loss per common share, basic and diluted	-34.0c	-292.0c	Reduced 88.4
Weighted-average common shares used to compute basic and diluted net loss per share	20,346,856	1,213,286	Up 1,577.0

BALANCE SHEET

Currency in Thousand of USD	2014-03-31	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	47,881	54,036	Down 11.4
Prepaid expenses and other current assets	382	615	Down 37.9
Total current assets	48,263	54,651	Down 11.7
Property and equipment, net	1,264	810	Up 56.0
Restricted cash	122	122	Steady
Total assets	49,649	55,583	Down 10.7
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	1,330	682	Up 95.0
Accrued expenses	1,641	2,039	Down 19.5
Current portion of deferred rent	61	53	Up 15.1
Repurchase liability for unvested equity awards	82	94	Down 12.8
Long-term debt, current portion	1,240	1,732	Down 28.4
Total current liabilities	4,354	4,600	Down 5.3
Deferred rent	118	135	Down 12.6

Financial Results (Quarterly) (continued)

31 March, 2014

Commitments and contingencies

Stockholders' equity:

Preferred stock, 0,001 par value; authorized shares-5,000,000 at March 31, 2014 and December 31, 2013; no shares issued or outstanding

Common stock, 0,001 par value; authorized shares- 150,000,000 at March 31, 2014 and December 31, 2013; issued and outstanding shares - 20,463,849 at March 31, 2014 and 20,434,080 at December 31, 2013	20	20	Steady
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Additional paid-in capital	138,646	137,337	Up 1.0
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Deficit accumulated during the development stage	-93,489	-86,509	Deterioration 8.1
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Total stockholders' equity	45,177	50,848	Down 11.2
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Total liabilities and stockholders' equity	49,649	55,583	Down 10.7
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