

Fate Therapeutics (FATE : US\$5.12)

Fate Therapeutics tumbles 21.6% in third quarter, underperforming 84% of the market

Fate Therapeutics Inc, NASDAQ's 20th largest biotechnology company by market cap, tumbled US\$1.41 (or 21.6%) in the quarter ended September 30 to close at US\$5.12. This loss means the stock has underperformed 84% of NASDAQ-listed stocks in quarter ended September 30. The volume in the quarter was 0.5 times the average trading of 32,673 shares. Compared with the NASDAQ-100 Index which rose 150.2 points (or 3.8%), this represents a relative price change of -25.4%. In the third quarter the market cap declined US\$27.7 million.

Introduction

We are currently bearish on this stock in the long-term based on fundamental metrics, but are neutral in the short-term based on technical indicators

There are some reasons why we remain neutral on the stock for the short-term:

- The stock is oversold according to the Williams % R indicator of -94.0.
- Its Moving Average Convergence Divergence indicators are falling, with its 12-day EMA lower than its 26-day EMA.
- The price to 200-day MAP ratio is 0.64, a bearish indicator.

Stock Summary

Sector	Biotechnology
Market Cap	US\$104.2 million
Shares Outstanding	20,357,158
ISIN	US31189P1021
Relative Strength (3 mo)	16

Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USD)	(1.452M)	2.798M	1.17M
Pretax (USD)	-	-	(13.43M)
Net (USD)	(20.894M)	(14.239M)	(13.43M)
EPS (USD)	(3.54)	(13.06)	(16.16)

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	5.1	104.2 million

Analysis

Bearish Signals

- Falls to Rises: In the last three months the number of falls outnumbered rises 26:21 or 1.24:1.
- In the last 11 trading sessions there has been a net decline of 2.48%; the stock has retreated twelve times and the biggest one day decline was 7.3% on Sep 10.
- In the NASDAQ market of 2,413 stocks traded today, the stock has a 6-month relative strength of 8 indicating it is trailing 92.0% of the market.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 5.24 minus the 26-day EMA of 5.35 is negative suggesting a bearish signal. Both the 12-day EMA as well as the 26-day EMA are falling, another bearish signal.
- The price to 200-day MAP ratio is 0.64, a bearish indicator. In the past 200 days this ratio has been under 0.64 just once suggesting a support level. The 200-day MAP has decreased to US\$8.06. A decrease is another bearish indicator.

Other Bearish Signals:

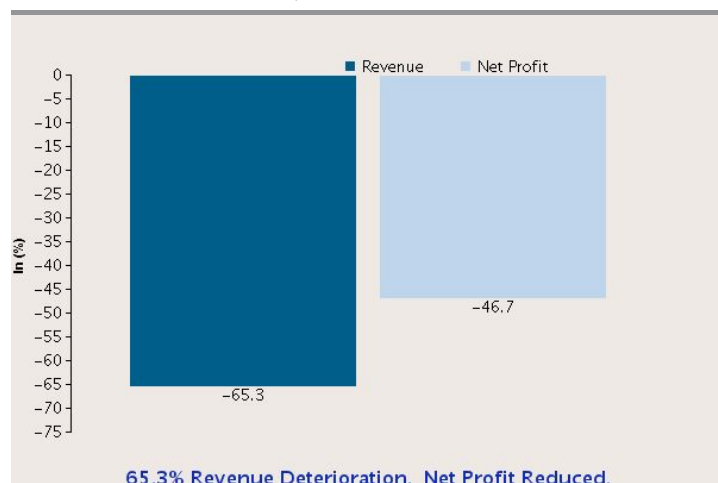
- Net Profit margin has seen consecutive falls and seems to be on a slippery slope in recent years.

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\$6.5 million	In Bottom Quartile
Price Change %	-1.5	In Bottom Quartile
Volatility %	4.9	In Bottom Quartile
Price/MAP200	0.64	In Bottom 8%
Relative Strength (6M)	8	In Bottom 7%
Price/MAP50	0.5	In Bottom 4%
Annual Revenue	US\$971,000	In Bottom 1%

Note

Bullish Signals:

- The price is at a discount of 3.7% to the 1-month volume weighted average price of US\$5.32, which may appeal as a value proposition.
- The stock is oversold according to the Williams % R indicator of -94.0.

Undervaluation:

- The Price to Book of 2 lower than average of 5.9 for the Biotechnology sector and 6.6 for the Total NASDAQ Market.
- The company is cash rich with Cash to Market Capitalisation at 51.8%.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 1.9. Compared with the rest of the market the stock is undervalued.

Other Bullish Signals:

Also, the following criteria set by Benjamin Graham:

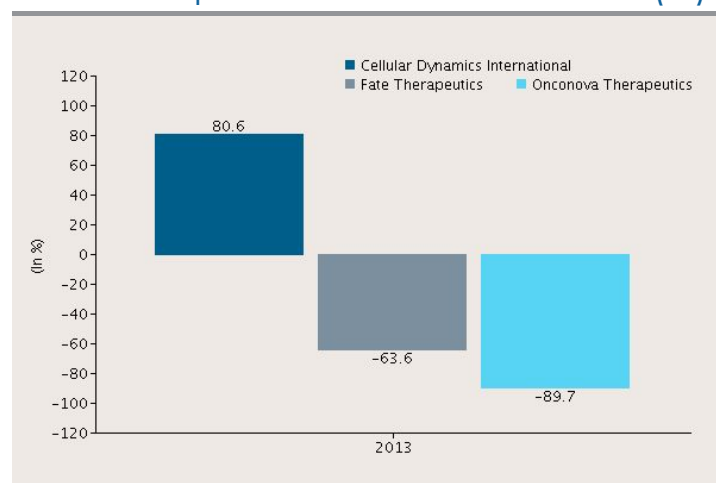
- "A stock price down to at least two-thirds of tangible book value per share"; the price is 0.59 times tangible book value per share of \$US8.62.

Analysis (continued)

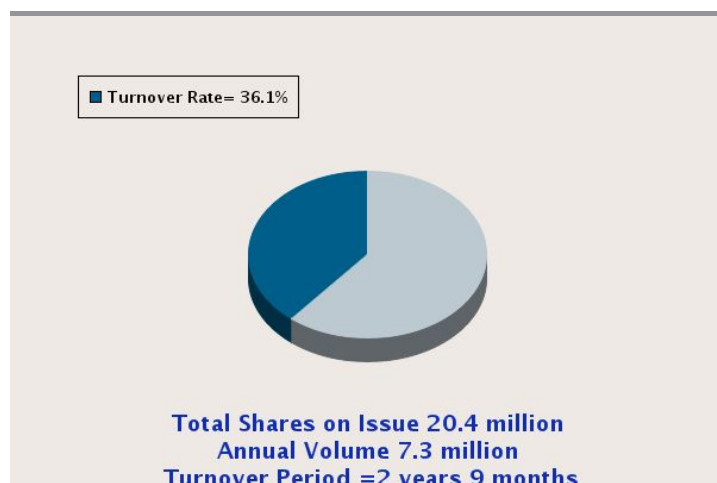
Insider Trades



Peer Comparison Revenue Growth (%)



Turnover Rate & Turnover Period



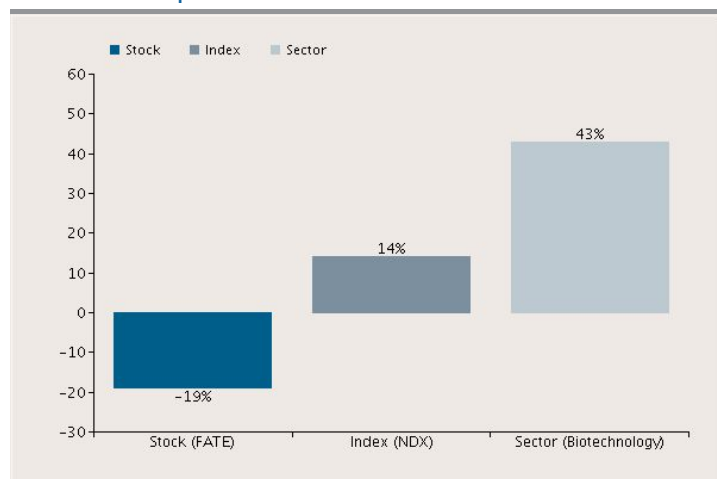
Trailing 3 months

Turnover US\$6.5 million

Volume 1,078,369

Volume Index (1 is avg) 0.5

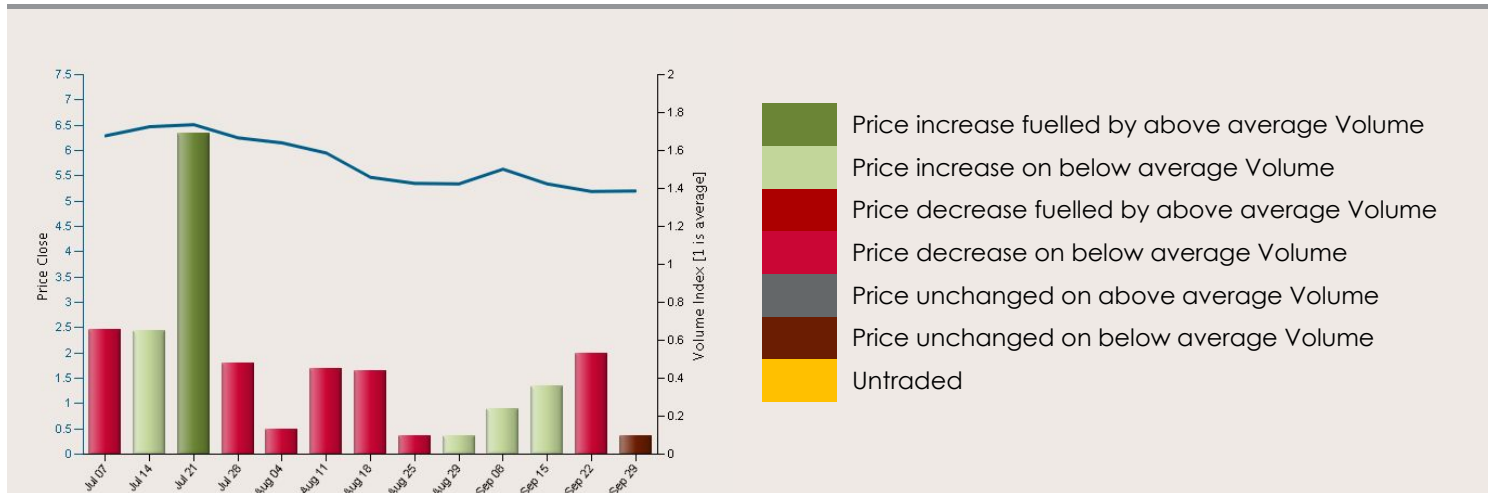
YTD Comparison Stock Sector Index



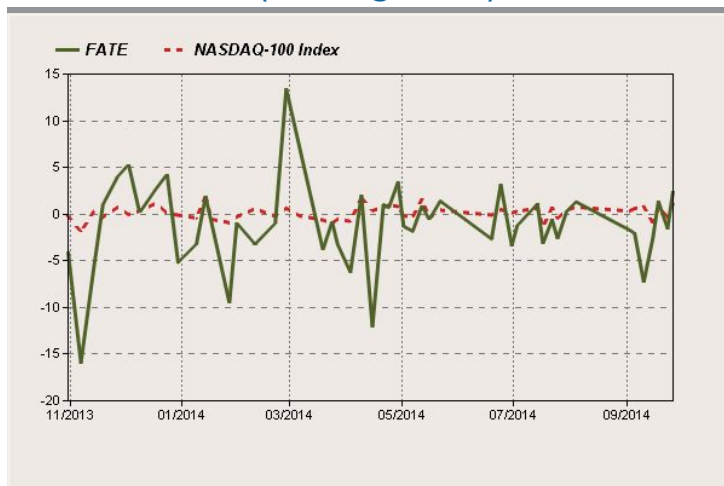
Price Volume Trend: Trailing Quarter



Weekly Price Volume Dynamics (Last 12 Weeks)



Stock v Index (Trailing Year)



Price/Moving Average Price [P/MAP]





Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
08-Sep-2014	HC Wainwright	Initiated Coverage	-	Buy	-	9

Company Overview

Regulatory Announcements

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

September 03: Fate Therapeutics to Present at Rodman & Renshaw 16th Annual Global Investment Conference

August 05: Fate Therapeutics to Webcast Conference Call Reporting Second Quarter 2014 Financial Results on August 12, 2014

July 31: Fate Therapeutics Secures Up to \$20 Million in Debt Financing

July 29: Fate Therapeutics Announces FDA Clearance of IND for Clinical Development of PROHEMA in Inherited Metabolic Disorders

June 30: Fate Therapeutics Submits IND Application for the Clinical Development of PROHEMA(R) in Inherited Metabolic Disorders

June 12: Fate Therapeutics insider sells; shares at a seven-day low

June 12: Fate Therapeutics insider sells; shares at a six-day low

To view 8-K other news for Fate-Therapeutics, [click here](#)

August 12: Fate Therapeutics: Results of Operations and Financial Condition

August 05: Fate Therapeutics: Entry into a Material Definitive Agreement

March 17: Fate Therapeutics: Results of Operations and Financial Condition

Issued Capital

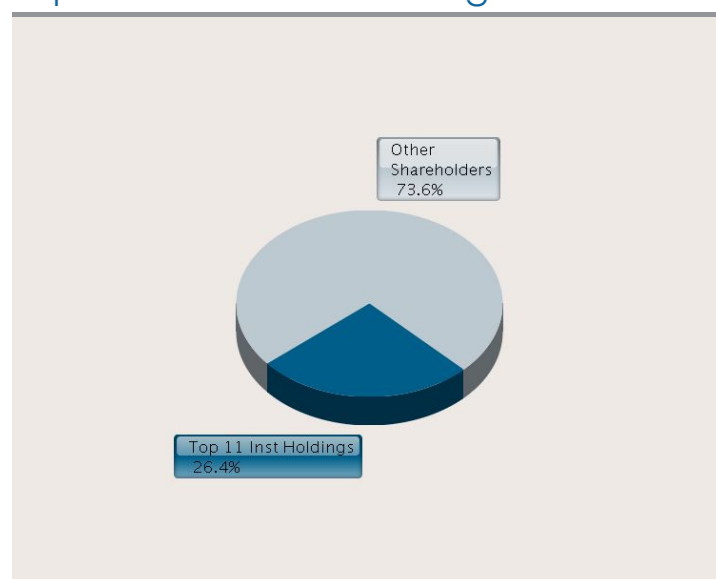
Based on 20,357,158 issued equity shares the market capitalisation is US\$104.2 million. It is NASDAQ's 18th largest Biotechnology company by assets.

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\$475, for a capital loss of US\$525.

Timothy P. Coughlin
Independent Director

Mark J. Enyedy
Independent Director

Financial Results (Quarterly)

30 June, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
Revenues:			
Collaboration revenue		208	
Grant revenue		82	
Total revenue		290	
Operating expenses:			
Research and development	3,968	3,067	Up 29.4
General and administrative	2,072	1,492	Up 38.9
Total operating expenses	6,040	4,559	Up 32.5
Loss from operations	-6,040	-4,269	Deterioration 41.5
Other income (expense):			
Interest income	1		
Interest expense	28	88	Down 68.2
Change in fair value of exchangeable shares		-1,155	
Change in fair value of warrant liability		-22	
Total other expense, net	-27	-1,265	Reduced 97.9
Net loss and comprehensive loss	-6,067	-5,534	Deterioration 9.6
Net loss per common share, basic and diluted	-30.0c	-446.0c	Reduced 93.3
Weighted-average common shares used to compute basic and diluted net loss per share	20,467,782	1,239,524	Up 1,551.3

BALANCE SHEET

Currency in Thousand of USD	2014-06-30	2013-12-31	Change %
Assets			
Current assets:			
Cash and cash equivalents	42,012	54,036	Down 22.3
Prepaid expenses and other current assets	233	615	Down 62.1
Total current assets	42,245	54,651	Down 22.7
Property and equipment, net	1,159	810	Up 43.1
Restricted cash	122	122	Steady
Other assets	25		
Total assets	43,551	55,583	Down 21.6
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	980	682	Up 43.7
Accrued expenses	1,948	2,039	Down 4.5
Current portion of deferred rent	69	53	Up 30.2
Repurchase liability for unvested equity awards	69	94	Down 26.6
Long-term debt, current portion	746	1,732	Down 56.9
Total current liabilities	3,812	4,600	Down 17.1
Deferred rent	101	135	Down 25.2
Commitments and contingencies			
Stockholders' equity:			

Financial Results (Quarterly) (continued)

30 June, 2014

Preferred stock, 0.001 par value; authorized shares-5,000,000 at June 30, 2014 and December 31, 2013; no shares issued or outstanding

Common stock, 0.001 par value; authorized shares - 150,000,000 at June 30, 2014 and December 31, 2013; issued and outstanding shares - 20,561,477 at June 30, 2014 and 20,434,080 at December 31, 2013

Additional paid-in capital	139,173	137,337	Up 1.3
Accumulated deficit	-99,556	-86,509	Deterioration 15.1
Total stockholders' equity	39,638	50,848	Down 22.0
Total liabilities and stockholder's equity	43,551	55,583	Down 21.6

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	-32.92	-17.86	Deterioration 84.3
Return on Assets(%)	-29.96	-16.34	Deterioration 83.3

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	-64.0c	-741.0c	Reduced 91.4

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