

March 12, 2014

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Fate Therapeutics (FATE - OUTPERFORM): First Patient Enrolled in New Phase II Trial of ProHema, Reiterate OUTPERFORM

Price: \$8.85

12-Month Price Target: \$14

- **Fate resumed Phase II testing of ProHema in the newly announced PUMA study in patients with hematologic malignancies undergoing hematopoietic stem cell transplantation (HSCT).** The company had halted the Phase II ProHema-03 study last year in order to incorporate its improved formulation of ProHema made with nutrient-rich media.
- **We expect clinical outcomes in PUMA to be better than results seen in prior clinical studies of ProHema, given that in preclinical testing, the new formulation demonstrated improved levels of homing and engraftment of transplanted stem cells in mouse models.**
- **Recall that in a Phase Ib trial the original ProHema formulation produced a statistically significant improvement in time to neutrophil engraftment (median 17.5 days vs. 20.5 days for historical control), with no ProHema patients having secondary graft failure and 100% alive at 100 days (compared to 87% for historical control).** A survival benefit was also observed in the prior Phase II study, with 63% (5/8) of ProHema patients alive at 156 days compared to 33% (1/3) of control patients.
- **PUMA will seek to enroll 60 patients (randomized 2:1 for ProHema to control) at ten high-volume HSCT centers in the US.** The first patient has been enrolled in PUMA, and we expect an interim update on the initial six and 12 patients treated with ProHema in H2:14. The primary endpoint of the study is median time to neutrophil engraftment, with full data expected in mid-2015.
- **Reiterate OUTPERFORM 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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Wedbush Equity Research Disclosures as of March 12, 2014

Company	Disclosure
Fate Therapeutics	1,3,4,5

Research Disclosure Legend

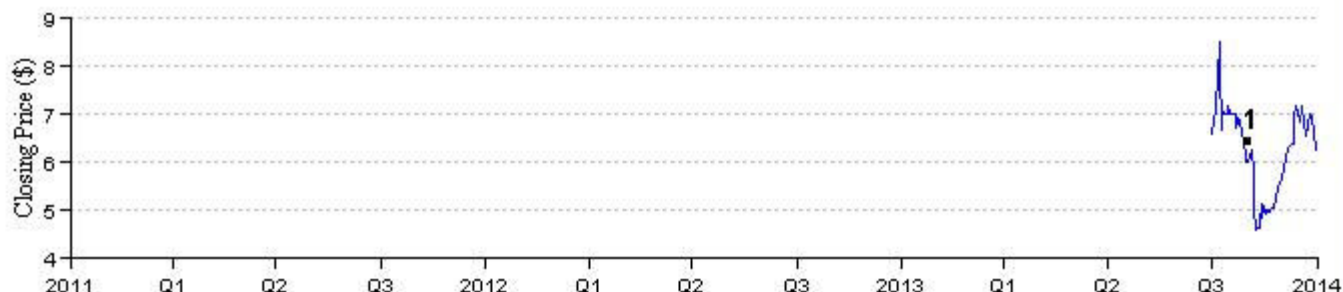
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FATE

1) 10/28/13
OUTPERFORM \$14



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