

FATE THERAPEUTICS INC
Form 10-Q
August 14, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934

From the transition period from _____ to _____.

Commission File Number 001-36076

FATE THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction

65-1311552
(IRS Employer

of incorporation or organization)

Identification No.)

3535 General Atomics Court, Suite 200, San Diego, CA
(Address of principal executive offices)

92121
(Zip Code)

(858) 875-1800

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 14, 2017, 41,415,796 shares of the registrant’s common stock, par value \$0.001 per share, were issued and outstanding.

FATE THERAPEUTICS, INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Fate Therapeutics, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

	June 30, 2017 (unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 31,063	\$ 88,609
Short-term investments	39,950	3,503
Prepaid expenses and other current assets	848	1,211
Total current assets	71,861	93,323
Property and equipment, net	1,945	1,579
Restricted cash	122	122
Other assets	24	24
Total assets	\$ 73,952	\$ 95,048
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,177	\$ 934
Accrued expenses	4,769	3,957
Current portion of deferred rent	1	4
Current portion of deferred revenue	2,105	2,105
Long-term debt, current portion	—	8,187
Total current liabilities	8,052	15,187
Deferred rent	821	101
Deferred revenue	1,776	2,829
Accrued expenses	1,414	1,276
Long-term debt, net of current portion	6,676	2,501
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; authorized shares—5,000,000		
at June 30, 2017 and December 31, 2016; 2,819,549		
Class A Convertible Preferred shares issued and outstanding		
at June 30, 2017 and December 31, 2016	3	3
Common stock, \$0.001 par value; authorized shares—150,000,000 at	41	41
June 30, 2017 and December 31, 2016; issued and		

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outstanding—41,415,796 at June 30, 2017 and 41,386,506 at

December 31, 2016

Additional paid-in capital	250,825	248,957
Accumulated other comprehensive loss	(39)	(1)
Accumulated deficit	(195,617)	(175,846)
Total stockholders' equity	55,213	73,154
Total liabilities and stockholders' equity	\$ 73,952	\$ 95,048

See accompanying notes.

Fate Therapeutics, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(in thousands, except share and per share data)

	Three Months Ended		Six Months Ended June 30,	
	June 30,	2016	2017	2016
	(unaudited)			
Collaboration revenue	\$ 1,026	\$ 1,027	\$ 2,053	\$ 2,349
Operating expenses:				
Research and development	7,927	6,782	15,893	13,418
General and administrative	2,669	2,249	5,701	4,851
Total operating expenses	10,596	9,031	21,594	18,269
Loss from operations	(9,570)	(8,004)	(19,541)	(15,920)
Other income (expense):				
Interest income	137	31	248	58
Interest expense	(212)	(435)	(478)	(923)
Total other expense, net	(75)	(404)	(230)	(865)
Net loss	\$ (9,645)	\$ (8,408)	\$ (19,771)	\$ (16,785)
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities, net	(5)	(3)	(38)	11
Comprehensive loss	\$ (9,650)	\$ (8,411)	\$ (19,809)	\$ (16,774)
Net loss per common share, basic and diluted	\$ (0.23)	\$ (0.29)	\$ (0.48)	\$ (0.58)
Weighted-average common shares used to compute basic and diluted net loss per share	41,406,367	28,868,464	41,397,398	28,823,127

See accompanying notes.

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Fate Therapeutics, Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

	Six Months Ended June 30,	
	2017	2016
	(unaudited)	
Operating activities		
Net loss	\$(19,771)	\$(16,785)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	437	460
Stock-based compensation	1,840	1,583
Amortization of debt discounts and debt issuance costs	43	78
Amortization of premiums and discounts on investments, net	(14)	117
Noncash interest expense	138	284
Deferred rent	548	(10)
Deferred revenue	(1,053)	(1,349)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	364	(302)
Accounts payable and accrued expenses	1,141	1,168
Net cash used in operating activities	(16,327)	(14,756)
Investing activities		
Purchase of property and equipment	(566)	(384)
Purchases of short-term investments	(39,971)	(16,166)
Maturities of short-term investments	3,500	6,000
Net cash used in investing activities	(37,037)	(10,550)
Financing activities		
Issuance of common stock from equity incentive plans, net of issuance costs		
	66	143
Issuance costs from private placement of common stock	(65)	—
Issuance costs from private placement of preferred stock	(128)	—
Payments on long-term debt	(4,055)	(3,776)
Net cash used in financing activities	(4,182)	(3,633)
Net change in cash, cash equivalents and restricted cash	(57,546)	(28,939)