

Actinium Pharmaceuticals, Inc. (ATNM - \$ 10.90)

Manufacturing Process Improvements, Management Additions

Actinium has announced its expectation for increased manufacturing yield of Actimab-A by ten times and an expanded management team.

- Actimab-A Manufacturing Process to Increase Yield 10x.** Actinium has a collaboration with IsoTherapeutics Group in Houston, TX to complete studies in support of a new manufacturing process for the company's alpha-pharmaceutical, Actimab-A, which is expected to increase output tenfold. IsoTherapeutics research is expected to generate process documentation necessary for regulatory submissions. Actinium currently has sufficient access to a source of the alpha particle Actinium-225 (Ac-225) from an existing supplier as it explores lower cost, increased efficiency manufacturing sources such as the use a cyclotron. In addition, the company announced the use of a new lot of the monoclonal antibody Lintuzumab, which targets myeloid leukemia cells and is linked to Ac-225. The likelihood of substantial availability of the drug results in lower challenges to commercialization and further de-risks Actimab-A, in our opinion. Actimab-A is in an on-going Phase I/II single arm multicenter trial for newly diagnosed AML patients over the age of 60. Management expects to announce interim results in 2014. We continue to estimate the potential U.S. market for Actimab-A is about \$450 million and the total worldwide market is \$900 million - \$1 billion.
- Expanded Management Team to Perform Key Functions.** Actinium announced the expansion of its senior management team with four new hires on April 28, 2014. The new additions will assume key responsibilities across the firm including clinical operations, regulatory affairs, quality assurance, finance and communications. David Gould, M.D. was appointed Senior Vice President, Finance and Corporate Development with responsibility for managing corporate development, including potential licensing opportunities. Dennis Eale will serve as Senior Vice President of Clinical Operations and will manage new product planning. Gerald Orehostky was appointed Vice President of Quality and Regulatory affairs with oversight of GMP quality policies and compliance with regulatory standards. Evan Smith, CFA joined as Vice President, Investor Relations and Finance and will guide investor relations and corporate communications.
- Maintain BUY Rating and Price Target.** Our price target for Actinium of \$18.00 is based on the NPV of our probability-adjusted forecasts for Iomab-B and Actimab-A plus a small value for the company's preclinical pipeline.

Healthcare / Biotechnology

Ticker: **ATNM**
Rating: **Buy**
Price Target: **\$ 18.00**

Trading Data:

Last Price (05/05/2014)	\$ 10.90
52-Week High (4/3/2014)	\$ 15.00
52-Week Low (6/12/2013)	\$ 3.00
Market Cap. (MM)	\$ 276
Shares Out. (MM)	25

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY_15E	NA	NA	NA	NA	-0.63	NM
FY_14E	-0.08	-0.08	-0.08	-0.09	-0.33	NM
FY_13A	-0.03	-0.13	-0.06	-0.26	-0.47	NM
FY_12A	NM	NM	NM	NM	-7.58	NM

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Source: Laidlaw & Company estimates

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Risks to Owning the Stock

There are many standard risks for development stage biotechnology companies that hold true for the entire industry. There are development risks associated with preclinical and clinical studies, and potential delays in the start of trials. There is regulatory risk that the company will be unable to receive regulatory approvals for drugs or that regulatory approval may be delayed. Manufacturing risks are associated with the upgrading of facilities from clinical study production to commercial production. There is also commercial risk for a company to successfully market and sell its drug or drugs. Other risks include financing risk, currency risk, potential governmental price controls, and IP (generic) risks. The stock of biotechnology companies, like all publically traded companies, is subject to market volatility and liquidity risks if there are small trading floats. Actinium is susceptible to all of these risks.

Downside risks specific to Actinium include the likelihood of the need to sell more stock to raise capital for the continuation of the company's clinical trials. However, we believe investors already assume that the company will have to raise funds for the continued development of the company's products. We expect the company will have to raise capital in each of the next two years and have included those assumptions in our models. The near-term value of the stock is hinged on binary events, including the success of the Phase I/II trial for Actimab-A in AML and the start of the Phase III trial for Iomab-B HSCT in refractory/relapsed older AML patients in 2014. The longer-term value for the company is based on the timing of regulatory submission and approval, the ultimate market potential and expectations for the company's drugs, and the successful commercialization of these drugs.

Figure 1: Income Statement

Actinium Pharmaceuticals <i>Income Statement (000s, except per share data)</i>	FY 2013				FY 2014E				FY_11 Dec	FY_12 Dec	FY_13 Dec	FY_14E Dec	FY_15E Dec
	Q1_13 Mar	Q2_13 Jun	Q3_13 Sept	Q4_13 Dec	Q1_14E Mar	Q2_14E Jun	Q3_14E Sept	Q4_14E Dec					
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Operating expenses:</i>													
Selling, general and administrative	933.1	966.4	830.7	1,189.1	1,201.0	1,211.0	1,236.0	1,266.0	2,959.2	4,506.2	3,919.4	4,914.0	5,112.3
Research and development	1,085.7	509.3	778.2	293.7	786.0	793.9	851.8	960.3	323.8	3,440.5	2,666.9	3,392.0	12,000.0
Depreciation and amortization	-	-	-	1.6	-	-	-	-	0.6	0.6	1.6	-	-
Loss on disposition of equipment	4.1	-	-	-	-	-	-	-	-	-	4.1	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	2,023.0	1,475.6	1,609.0	1,484.3	1,987.0	2,004.9	2,087.8	2,226.3	3,283.7	7,947.3	6,591.9	8,306.1	17,112.3
Operating Income/(loss)	(2,023.0)	(1,475.6)	(1,609.0)	(1,484.3)	(1,987.0)	(2,004.9)	(2,087.8)	(2,226.3)	(3,283.7)	(7,947.3)	(6,591.9)	(8,306.1)	(17,112.3)
<i>Other Income:</i>													
Interest income (expense)	(0.6)	(0.6)	(1.3)	0.0	0.0	0.0	0.0	0.0	(175.1)	(1,099.3)	(2.5)	0.0	0.0
Gain on change in fair value of derivative liabilities	1,334.5	(1,307.7)	189.3	(4395.5)	-	-	-	-	14.0	685.4	(4,179.4)	-	-
Income (loss) before provision for income taxes	(689.0)	(2,784.0)	(1,420.9)	(5,879.8)	(1,987.0)	(2,004.9)	(2,087.8)	(2,226.3)	(3,444.8)	(8,361.2)	(10,773.8)	(8,306.1)	(17,112.3)
<i>Tax: (%) non-GAAP</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>										
Income tax	-	-	-										
Net income (loss)	(689.0)	(2,784.0)	(1,420.9)	(5,879.8)	(1,987.0)	(2,004.9)	(2,087.8)	(2,226.3)	(3,444.8)	(8,361.2)	(10,773.8)	(8,306.1)	(17,112.3)
Diluted EPS (GAAP)	(0.03)	(0.13)	(0.06)	(0.26)	(0.08)	(0.08)	(0.08)	(0.09)	(4.30)	(7.58)	(0.47)	(0.33)	(0.63)
Weighted Diluted Shares outstanding	21,391.7	22,178.6	23,601.9	22,752.8	25,179.7	25,179.7	25,179.7	26,175.2	801.8	1,103.5	22,752.8	25,428.6	27,095.2
Weighted Diluted Shares YOY change (%)	56.1%	30.3%	NA	NA	17.7%	13.5%	6.7%	15.0%	-	37.6%	NM	11.8%	6.6%

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

Figure 2: Balance Sheet

Actinium Pharmaceuticals <i>Balance Sheet (\$ 000s, except per share data)</i>	FY 2013				FY 2014E				FY_11 Dec	FY_12 Dec	FY_13 Dec	FY_14E Dec	FY_15E Dec
	Q1_13 Mar	Q2_13 Jun	Q3_13 Sept	Q4_13 Dec	Q1_14E Mar	Q2_14E Jun	Q3_14E Sept	Q4_14E Dec					
Assets:													
Cash and cash equivalents	3,239.9	5,650.3	3,990.1	5,533.4	9,973.9	8,344.5	6,642.8	4,811.7	5,703.8	5,618.7	5,533.4	4,811.7	9,319.4
R&D reimbursement receivable	-	-	-	-	-	-	-	-	237.8	-	-	-	-
Prepaid expenses and other current assets	117.1	84.3	53.0	218.4	292.3	295.0	307.2	327.6	5.4	167.1	218.4	327.6	599.8
Deferred financing costs, net of accumulated amortization	-	-	-	-	-	-	-	-	252.2	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	3,357.0	5,734.6	4,043.1	5,751.8	10,266.2	8,639.5	6,950.0	5,139.2	6,199.3	5,785.8	5,751.8	5,139.2	9,919.2
Property and equipment, net	-	-	6.9	13.9	16.3	18.7	21.0	23.4	1.2	3.0	13.9	23.4	33.4
Total Assets	3,357.0	5,734.6	4,050.0	5,765.7	10,282.5	8,658.2	6,971.1	5,162.7	6,200.5	5,788.8	5,765.7	5,162.7	9,952.6
Liabilities & Shareholders' Equity:													
Accounts payable and accrued expenses	459.9	793.6	312.0	379.0	507.3	511.9	533.0	568.4	644.5	897.0	379.0	568.4	896.0
Accounts payable and accrued expenses - related party	31.2	31.2	375.7	81.2	108.7	109.7	114.2	121.8	-	31.2	81.2	121.8	121.8
Note payable	74.7	37.0	-	157.8	157.8	157.8	157.8	157.8	-	140.0	157.8	157.8	157.8
Derivative liabilities	2,240.4	2,958.0	2,758.0	6,707.3	6,557.3	6,407.3	6,257.3	6,107.3	124.4	3,575.0	6,707.3	6,107.3	6,107.3
Other current liabilities	-	-	-	-	-	-	-	-	4,439.6	-	-	-	-
Total Current Liabilities	2,806.2	3,819.7	3,445.7	7,325.2	7,331.1	7,186.6	7,062.3	6,955.2	5,208.5	4,643.2	7,325.2	6,955.2	7,282.9
Total Liabilities	2,806.2	3,819.7	3,445.7	7,325.2	7,331.1	7,186.6	7,062.3	6,955.2	5,208.5	4,643.2	7,325.2	6,955.2	7,282.9
Stockholders' Equity	550.8	1,914.9	604.3	(1,559.5)	2,951.5	1,471.6	(91.2)	(1,792.6)	992.0	1,145.6	(1,559.5)	(1,792.6)	2,669.8
Total Liabilities & Equity	3,357.0	5,734.6	4,050.0	5,765.7	10,282.5	8,658.2	6,971.1	5,162.7	6,200.5	5,788.8	5,765.7	5,162.7	9,952.6

Source: Bloomberg LP; Company reports; Laidlaw & Company estimate

Figure 3: Cash Flow Statement

Actinium Pharmaceuticals	FY_11	FY_12	FY_13	FY_14E	FY_15E
<i>Non-GAAP Cash Flow Cont. Ops. (\$ 000s, except per share data)</i>	Dec	Dec	Dec	Dec	Dec
Cash flows from operating activities:					
Net income (loss)	(3,444.8)	(8,361.2)	(10,773.8)	(8,306.1)	(17,112.3)
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>					
Stock-based compensation expense	2,173.4	2,223.9	657.8	1,493.8	1,568.5
Depreciation expense	0.6	0.6	1.6	6.2	6.2
Loss on disposition of equipment	-	-	4.1	-	-
Amortization of debt discount	124.4	775.6	-	-	-
Amortization of deferred financing costs	40.4	252.2	-	-	-
Gain on extinguishment of liability	-	-	-	-	-
Gain on change in fair value of derivative liabilities	(14.0)	(685.4)	4,179.4	-	-
Other	-	-	-	-	-
Changes in assets and liabilities:					
R&D reimbursement receivable	41.6	234.1	-	-	-
Prepaid expenses and other current assets	4.8	(18.0)	106.6	(109.2)	(272.3)
Accounts payable and accrued expenses	556.0	334.3	(518.1)	189.4	327.6
Accounts payable and accrued expenses - related parties	-	31.2	50.0	40.6	-
Net cash provided by (used in) operating activities	(517.6)	(5,212.7)	(6,292.4)	(6,685.2)	(15,482.3)
Cash flow from investing activities:					
Payment made for patent rights	-	-	-	-	-
Purchases of property and equipment	-	(2.4)	(16.6)	(9.5)	(10.0)
Cash provided by investing activities	-	(2.4)	(16.6)	(9.5)	(10.0)
Cash flows from financing activities:					
Borrowings on convertible debt, net of offering costs	645.9	-	-	-	-
Sales of stock, net of offering costs	5,379.4	5,129.9	2,883.3	5,973.0	20,000.0
Payments on note payable	-	-	(140.0)	-	-
Proceeds from exercise of options	-	-	13.1	-	-
Proceeds from the exercise of warrant for cash	-	-	3,467.4	-	-
Cash (used in) provided by financing activities	6,025.3	5,129.9	6,223.7	5,973.0	20,000.0
Effect of exchange rates on cash	-	-	-	-	-
Net (decrease) increase in cash and cash equivalents	5,507.7	(85.1)	(85.3)	(721.7)	4,507.7
Cash and cash equivalents at beginning of the period	196.1	5,703.8	5,618.7	5,533.4	4,811.7
Cash and cash equivalents at end of period	-	5,703.8	5,533.4	4,811.7	9,319.4

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

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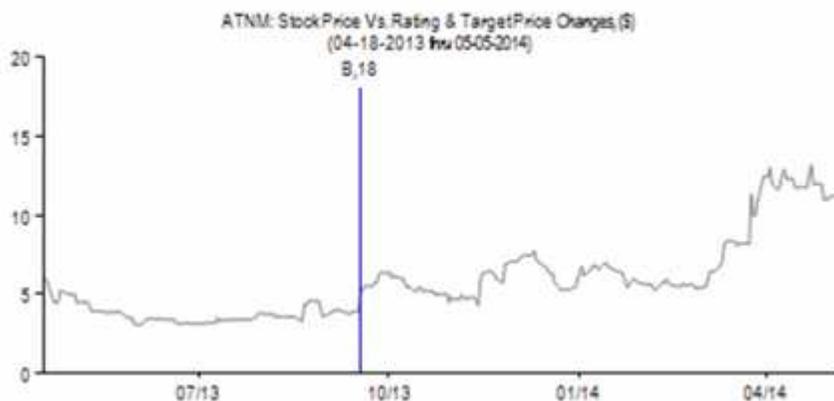
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Rating and Price Target Change History



3 Year Rating Change History

Date	Rating	Closing Price (\$)
09/17/2013	Buy (B)	4.90

3 Year Price Change History

Date	Target Price (\$)	Closing Price, (\$)
09/17/2013	18.00	4.90

Source: Laidlaw & Company

Created by: Blue-Compass.net

Laidlaw & Company Rating System*		% of Companies Under Coverage With This Rating	% of Companies for which Laidlaw & Company has performed services for in the last 12 months	
			Investment Banking	Brokerage
Strong Buy (SB)	Expected to significantly outperform the sector over 12 months.	0.00%	0.00%	0.00%
Buy (B)	Expected to outperform the sector average over 12 months.	81.25%	31.25%	12.50%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	6.25%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

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