

Actinium Pharmaceuticals, Inc. (ATNM - \$ 5.74)

Healthcare / Biotechnology

Actimab-A Receives Orphan Drug Designation

- Actimab-A Receives Orphan Drug Designation.** On December 1, 2014, Actinium Pharmaceuticals announced that the FDA granted Actimab-A orphan drug designation. Orphan drug designation is granted to drugs that are expected to provide safe and effective treatment, prevention or diagnosis of diseases that affect less than 200,000 U.S patients. Actimab-A is currently in an on-going Phase I/II study in newly diagnosed AML patients over the age of 60. We expect the orphan drug designation will lead to lower costs to reach commercialization through incentives such as reduced taxes on U.S. clinical trials, the waiver of certain administrative fees, and a faster approval process, as well as additional market exclusivity for Actimab-A, assuming approval. We believe the orphan drug designation could make Actimab-A more attractive from a partnering perspective.
- Abstract at ASH.** Actinium provided an interim analysis from its on-going Phase I/II trial of Actimab-A on November 6, 2014. The initial data included median overall survival (OS) for seven evaluable secondary AML patients of 9.1 months, with a range of 2.3 months – 24 months. Two of the secondary AML patients lived longer than 12 months. These results compare extremely favorably with median OS in similar populations in literature of 2 months – 5 months, in our opinion. A full abstract will be available online during the American Society for Hematology (ASH) meeting taking place December 6th – 9th. We expect further Phase I data in 1H15 and believe Phase II could also start in 1H15. Additional Phase I or Phase II interim data could be released by the ASH conference next year. We believe the company's scientific advisory board will be meeting soon and we expect the company could provide some additional color around the development of Actimab-A and Iomab-B after ASH. Enrollment in the Phase III multicenter, open label, randomized study of Iomab-B for bone marrow transplant conditioning in relapsed and refractory AML patients is expected to begin in 1H15.
- 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 additional pipeline products.

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

Trading Data:

Last Price (11/28/2014)	\$ 5.74
52-Week High (4/3/2014)	\$ 15.00
52-Week Low (12/19/2013)	\$ 4.50
Market Cap. (MM)	\$ 172
Shares Out. (MM)	30

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY_15E	-0.28	-0.26	-0.27	-0.28	-1.09	NM
FY_14E	-0.66A	0.10A	-0.21A	-0.25	-0.90	NM
FY_13A	-0.03	-0.13	-0.06	-0.26	-0.47	NM
FY_12A	NA	NA	NA	NA	-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 2015. 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 2015E				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_14 Mar	Q2_14 Jun	Q3_14 Sept	Q4_14E Dec	Q1_15E Mar	Q2_15E Jun	Q3_15E Sept	Q4_15E Dec					
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Operating expenses:</i>																	
Selling, general and administrative	933.1	966.4	830.7	1,189.1	2,461.0	2,414.6	3,257.1	3,287.1	3,307.1	3,287.1	3,337.1	3,367.1	2,959.2	4,506.2	3,919.4	11,419.9	13,298.6
Research and development	1,085.7	509.3	778.2	293.7	1,676.1	2,001.9	3,773.4	3,961.2	4,659.2	4,717.5	4,801.4	5,024.5	323.8	3,440.5	2,666.9	11,412.6	19,202.6
Depreciation and amortization	-	-	-	1.6	1.4	8.1	14.3	14.3	14.2	14.2	14.1	14.1	0.6	0.6	1.6	38.1	56.7
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	4,138.4	4,424.6	7,044.9	7,262.6	7,980.6	8,018.8	8,152.7	8,405.7	3,283.7	7,947.3	6,591.9	22,870.6	32,557.9
Operating Income/(loss)	(2,023.0)	(1,475.6)	(1,609.0)	(1,484.3)	(4,138.4)	(4,424.6)	(7,044.9)	(7,262.6)	(7,980.6)	(8,018.8)	(8,152.7)	(8,405.7)	(3,283.7)	(7,947.3)	(6,591.9)	(22,870.6)	(32,557.9)
<i>Other Income:</i>																	
Interest income (expense)	(0.6)	(0.6)	(1.3)	-	-	-	-	-	-	-	-	-	(175.1)	(1,099.3)	(2.5)	-	-
Gain on change in fair value of derivative liabilities	1,334.5	(1,307.7)	189.3	(4,395.5)	(12,561.1)	7,939.7	967.9	-	-	-	-	-	14.0	685.4	(4,179.4)	(3,653.5)	-
Income (loss) before provision for income taxes	(689.0)	(2,784.0)	(1,420.9)	(5,879.8)	(16,699.5)	3,515.1	(6,077.0)	(7,262.6)	(7,980.6)	(8,018.8)	(8,152.7)	(8,405.7)	(3,444.8)	(8,361.2)	(10,773.8)	(26,524.0)	(32,557.9)
<i>Tax: (%) non-GAAP</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</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)	(16,699.5)	3,515.1	(6,077.0)	(7,262.6)	(7,980.6)	(8,018.8)	(8,152.7)	(8,405.7)	(3,444.8)	(8,361.2)	(10,773.8)	(26,524.0)	(32,557.9)
Diluted EPS (GAAP)	(0.03)	(0.13)	(0.06)	(0.26)	(0.66)	0.10	(0.21)	(0.25)	(0.28)	(0.26)	(0.27)	(0.28)	(4.30)	(7.58)	(0.47)	(0.90)	(1.09)
Weighted Diluted Shares outstanding	21,391.7	22,178.6	23,601.9	22,752.8	25,228.3	35,862.2	28,496.9	28,496.9	28,496.9	30,315.1	30,315.1	30,315.1	801.8	1,103.5	22,752.8	29,521.1	29,860.5
Weighted Diluted Shares YOY change (%)	56.1%	30.3%	NA	NA	17.9%	61.7%	20.7%	25.2%	13.0%	-15.5%	6.4%	6.4%		37.6%	NM	29.7%	1.1%

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

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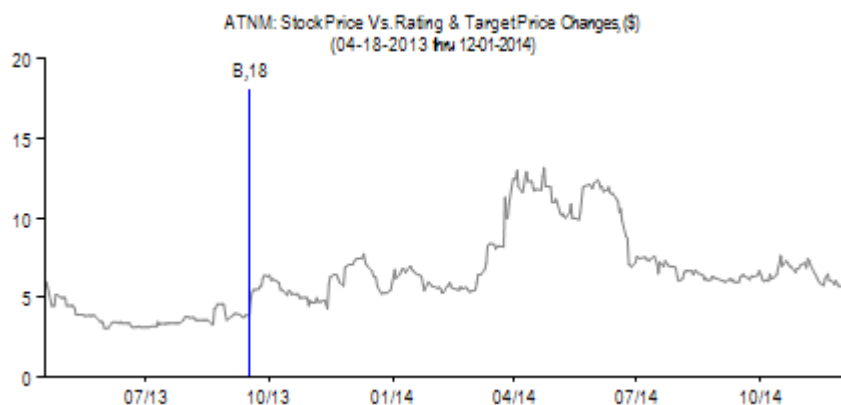
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3 Year Rating Change History

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

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			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.	95.24%	33.33%	14.29%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	4.76%	0.00%	0.00%
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December 1, 2014

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