

## Actinium Pharmaceuticals, Inc. (ATNM - \$ 6.03)

### Actinium Files Orphan Drug Application for Actimab-A

This morning, Actinium Pharmaceuticals announced that it has filed an Orphan Drug Application for Actimab-A which is being studied in an on-going Phase I/II trial for the treatment of Acute Myeloid Leukemia (AML).

- **Orphan Drug Application Could Bode Well for Approval Process.**

Actinium announced the filing of an orphan drug application for its second pipeline product, Actimab-A, today. 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. A designation as an orphan drug could lead to lower costs to bring the product to market 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 have not factored any of these potential benefits into our models but would be encouraged by an FDA approval of the Orphan Drug Application.

- **The Next Step, Second Generation Actimab-A Data Expected.**

Yesterday, we provided an update on upcoming interim data expected for the Actimab-A Phase I/II trial. We expect data to be available by the annual meeting of the American Society of Hematology (ASH), which is scheduled for December 6-9, 2014. We believe the company could submit an abstract for presentation at ASH. We estimate the company will have data based on a population of 10-15 patients. Safety and efficacy data previously released for the first generation Bismab-A Phase I/II trial suggest that Actimab-A interim results could show positive results, in our opinion. Actimab-A focuses on previously untreated newly diagnosed AML patients, a patient population that has better outcomes than relapsed and refractory patients in prior Actinium trials. This provides us with further confidence in the Actimab-A trial and we believe the release of the interim data could be a potential positive catalyst for the stock.

- **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.

#### Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
<b>FY_15E</b>	-0.14	-0.14	-0.14	-0.15	-0.56	NM
<b>FY_14E</b>	-0.66A	0.10A	-0.12	-0.13	-0.66	NM
<b>FY_13A</b>	-0.03	-0.13	-0.06	-0.26	-0.47	NM
<b>FY_12A</b>	-0.07	-0.09	NA	NA	-7.58	NM

Source: Laidlaw & Company estimates

Healthcare / Biotechnology

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

#### Trading Data:

Last Price (09/03/2014)	\$ 6.03
52-Week High (4/3/2014)	\$ 15.00
52-Week Low (9/3/2013)	\$ 3.60
Market Cap. (MM)	\$ 170
Shares Out. (MM)	28

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## Risks to Owning the Stock

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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_14E Sept	Q4_14E Dec	Q1_15E Mar	Q2_15E Jun	Q3_15E Sept	Q4_15E Dec					
<b>Revenue</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cost of sales</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Profit</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Operating expenses:</i>																	
Selling, general and administrative	933.1	966.4	830.7	1,189.1	2,461.0	2,414.6	2,439.6	2,469.6	2,489.6	2,469.6	2,519.6	2,549.6	2,959.2	4,506.2	3,919.4	9,784.8	10,028.5
Research and development	1,085.7	509.3	778.2	293.7	1,676.1	2,001.9	2,097.0	2,267.9	2,881.3	2,917.3	2,978.8	3,183.6	323.8	3,440.5	2,666.9	8,042.9	11,961.1
Depreciation and amortization	-	-	-	1.6	1.4	8.1	8.1	8.0	8.0	7.9	7.9	7.8	0.6	0.6	1.6	25.5	31.6
Loss on disposition of equipment	4.1	-	-	-	-	-	-	-	-	-	-	-	-	-	4.1	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>2,023.0</b>	<b>1,475.6</b>	<b>1,609.0</b>	<b>1,484.3</b>	<b>4,138.4</b>	<b>4,424.6</b>	<b>4,544.6</b>	<b>4,745.6</b>	<b>5,378.9</b>	<b>5,394.9</b>	<b>5,506.3</b>	<b>5,741.0</b>	<b>3,283.7</b>	<b>7,947.3</b>	<b>6,591.9</b>	<b>17,853.2</b>	<b>22,021.1</b>
<b>Operating Income/(loss)</b>	<b>(2,023.0)</b>	<b>(1,475.6)</b>	<b>(1,609.0)</b>	<b>(1,484.3)</b>	<b>(4,138.4)</b>	<b>(4,424.6)</b>	<b>(4,544.6)</b>	<b>(4,745.6)</b>	<b>(5,378.9)</b>	<b>(5,394.9)</b>	<b>(5,506.3)</b>	<b>(5,741.0)</b>	<b>(3,283.7)</b>	<b>(7,947.3)</b>	<b>(6,591.9)</b>	<b>(17,853.2)</b>	<b>(22,021.1)</b>
<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	-	-	-	-	-	-	14.0	685.4	(4,179.4)	(4,621.4)	-
<b>Income (loss) before provision for income taxes</b>	<b>(689.0)</b>	<b>(2,784.0)</b>	<b>(1,420.9)</b>	<b>(5,879.8)</b>	<b>(16,699.5)</b>	<b>3,515.1</b>	<b>(4,544.6)</b>	<b>(4,745.6)</b>	<b>(5,378.9)</b>	<b>(5,394.9)</b>	<b>(5,506.3)</b>	<b>(5,741.0)</b>	<b>(3,444.8)</b>	<b>(8,361.2)</b>	<b>(10,773.8)</b>	<b>(22,474.6)</b>	<b>(22,021.1)</b>
<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>
<b>Income tax</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(689.0)	(2,784.0)	(1,420.9)	(5,879.8)	(16,699.5)	3,515.1	(4,544.6)	(4,745.6)	(5,378.9)	(5,394.9)	(5,506.3)	(5,741.0)	(3,444.8)	(8,361.2)	(10,773.8)	(22,474.6)	(22,021.1)
<b>Diluted EPS (GAAP)</b>	<b>(0.03)</b>	<b>(0.13)</b>	<b>(0.06)</b>	<b>(0.26)</b>	<b>(0.66)</b>	<b>0.10</b>	<b>(0.12)</b>	<b>(0.13)</b>	<b>(0.14)</b>	<b>(0.14)</b>	<b>(0.14)</b>	<b>(0.15)</b>	<b>(4.30)</b>	<b>(7.58)</b>	<b>(0.47)</b>	<b>(0.66)</b>	<b>(0.56)</b>
Weighted Diluted Shares outstanding	21,391.7	22,178.6	23,601.9	22,752.8	25,228.3	35,862.2	37,689.3	37,689.3	37,689.3	39,507.5	39,507.5	39,507.5	801.8	1,103.5	22,752.8	34,117.3	39,052.9
Weighted Diluted Shares YOY change (%)	56.1%	30.3%	NA	NA	17.9%	61.7%	59.7%	65.6%	49.4%	10.2%	4.8%	4.8%		37.6%	NM	49.9%	14.5%

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

## DISCLOSURES:

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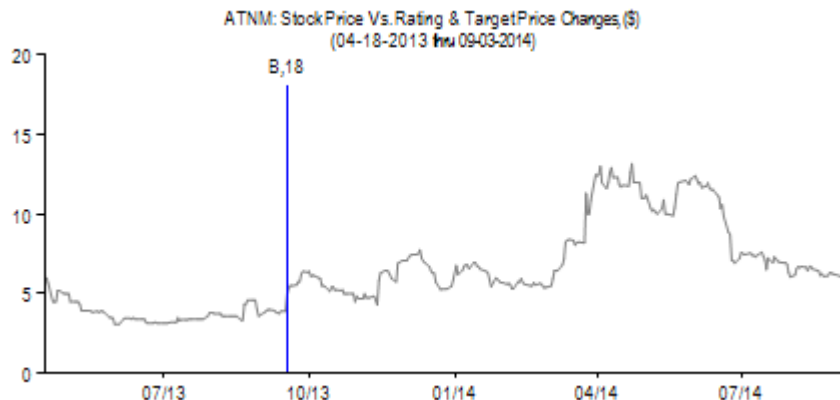
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#### Rating and Price Target Change History



#### 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
<b>Strong Buy (SB)</b>	Expected to significantly outperform the sector over 12 months.	0.00%	0.00%	0.00%
<b>Buy (B)</b>	Expected to outperform the sector average over 12 months.	94.74%	31.58%	10.53%
<b>Hold (H)</b>	Expected returns to be in line with the sector average over 12 months.	5.26%	0.00%	0.00%
<b>Sell (S)</b>	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

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