

Actinium Pharmaceuticals, Inc. (ATNM - \$ 6.55)

Healthcare / Biotechnology

Highlights from Management Meeting: Well Positioned for 2014

- Successful Private Placement, Strong Capital Position.** ATNM announced the close of a private placement of common stock and warrants for aggregate gross proceeds of \$6.6 million on January 13, 2014. The company issued approximately 1,106,120 common shares at \$6.00 per share and 276,529 five year warrants with an exercise price of \$9.00. The capital raised will be used for the company's ongoing drug trials. Management is confident that the current cash position is sufficient to fund operations for the next 12 months without the need for additional equity raises. Focus for 1H14 will be on up-listing Actinium common stock to either the NASDAQ or the NYSE and executing on planned studies.
- Iomab-B Pivotal Phase III Trial Updates.** The planned Iomab-B pivotal Phase III trial is a two-arm (randomized 1:1 for Iomab-B and currently used re-induction chemotherapy) multicenter, open label, randomized study of Iomab-B for bone marrow transplant conditioning in relapsed and refractory AML patients with the primary endpoint of complete response lasting six months and a secondary endpoint of overall survival at one year. Management expects to enroll the first of 150 patients in late 2014. Trial endpoints are unchanged from Phase II in which all patients achieved Complete Response and one year survival was 30% (compared to a current therapy outcome analysis rate of 10%) in advanced active AML patients. The trial will be limited to U.S. sites which, in our opinion, will reduce the potential for unanticipated costs and trial variables. We have reduced our Iomab-B R&D expenditure assumptions for FY14 due to enrollment timing and continue to expect BLA submission in 2H16.
- Actimab-A Phase II Interim Analysis Targeted for 4Q14.** Actinium is targeting interim data from its Phase II clinical trial for Actimab-A for the treatment of newly diagnosed AML patients by the end of FY14. The 53 patient trial is projected to take 12 – 18 months from the completion of the Phase I safety study, which we believe will occur within the next 6 months. As with Iomab-B, the studies will be conducted in the U.S.
- 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.

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

Trading Data:

Last Price (01/17/2014)	\$ 6.55
52-Week High (12/9/2013)	\$ 7.91
52-Week Low (3/18/2013)	\$ 2.00
Market Cap. (MM)	\$ 155
Shares Out. (MM)	24

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY_15E	NA	NA	NA	NA	-0.60	NM
FY_14E	-0.07	-0.07	-0.07	-0.08	-0.29	NM
FY_13E	-0.03A	-0.13A	-0.06A	-0.07	-0.29	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 2013E				FY 2014E				FY_11 Dec	FY_12 Dec	FY_13E Dec	FY_14E Dec	FY_15E Dec
	Q1_13 Mar	Q2_13 Jun	Q3_13 Sept	Q4_13E 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	880.7	889.5	899.5	924.5	954.5	2,959.2	4,506.2	3,611.0	3,668.1	3,841.5
Research and development	1,085.7	509.3	778.2	728.2	786.0	793.9	851.8	960.3	323.8	3,440.5	3,101.4	3,392.0	12,000.0
Depreciation and amortization	-	-	-	-	-	-	-	-	0.6	0.6	-	-	-
Loss on disposition of equipment	4.1	-	-	-	-	-	-	-	-	-	4.1	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	2,023.0	1,475.6	1,609.0	1,609.0	1,675.6	1,693.4	1,776.4	1,914.9	3,283.7	7,947.3	6,712.4	7,060.2	15,841.5
Operating Income/(loss)	(2,023.0)	(1,475.6)	(1,609.0)	(1,609.0)	(1,675.6)	(1,693.4)	(1,776.4)	(1,914.9)	(3,283.7)	(7,947.3)	(6,712.4)	(7,060.2)	(15,841.5)
<i>Other Income:</i>													
Interest income (expense)	(0.6)	(0.6)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(175.1)	(1,099.3)	(3.8)	(5.2)	(5.2)
Gain on change in fair value of derivative liabilities	1,334.5	(1,307.7)	189.3	-	-	-	-	-	14.0	685.4	216.1	-	-
Income (loss) before provision for income taxes	(689.0)	(2,784.0)	(1,420.9)	(1,610.3)	(1,676.9)	(1,694.7)	(1,777.6)	(1,916.2)	(3,444.8)	(8,361.2)	(6,500.1)	(7,065.4)	(15,846.7)
<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>
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(689.0)	(2,784.0)	(1,420.9)	(1,610.3)	(1,676.9)	(1,694.7)	(1,777.6)	(1,916.2)	(3,444.8)	(8,361.2)	(6,500.1)	(7,065.4)	(15,846.7)
Diluted EPS (GAAP)	(0.03)	(0.13)	(0.06)	(0.07)	(0.07)	(0.07)	(0.07)	(0.08)	(4.30)	(7.58)	(0.29)	(0.29)	(0.60)
Weighted Diluted Shares outstanding	21,391.7	22,178.6	23,601.9	23,656.6	24,762.7	24,762.7	24,762.7	24,762.7	801.8	1,103.5	22,707.2	24,762.7	26,429.4
Weighted Diluted Shares YOY change (%)	56.1%	30.3%	NA	NA	15.8%	11.7%	4.9%	4.7%		37.6%	NM	9.1%	6.7%

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

Figure 2: Balance Sheet

Actinium Pharmaceuticals	FY 2013E				FY_11	FY_12	FY_13E	FY_14E	FY_15E
	Q1_13	Q2_13	Q3_13	Q4_13E					
<i>Balance Sheet (\$ 000s. except per share data)</i>	Mar	Jun	Sept	Dec	Dec	Dec	Dec	Dec	Dec
Assets:									
Cash and cash equivalents	3,239.9	5,650.3	3,990.1	1,825.6	5,703.8	5,618.7	1,825.6	1,359.3	6,153.5
R&D reimbursement receivable	-	-	-	-	237.8	-	-	-	-
Prepaid expenses and other current assets	117.1	84.3	53.0	53.0	5.4	167.1	53.0	55.7	125.1
Deferred financing costs, net of accumulated amortization	-	-	-	-	252.2	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total Current Assets	3,357.0	5,734.6	4,043.1	1,878.6	6,199.3	5,785.8	1,878.6	1,415.0	6,278.6
Property and equipment, net	-	-	6.9	7.9	1.2	3.0	7.9	17.4	27.4
	-	-	-	-	-	-	-	-	-
Total Assets	3,357.0	5,734.6	4,050.0	1,886.5	6,200.5	5,788.8	1,886.5	1,432.4	6,305.9
Liabilities & Shareholders' Equity:									
Accounts payable and accrued expenses	459.9	793.6	312.0	200.0	644.5	897.0	200.0	210.4	472.0
Accounts payable and accrued expenses - related party	31.2	31.2	375.7	30.0	-	31.2	30.0	31.6	70.8
Note payable	74.7	37.0	-	-	-	140.0	-	-	-
Derivative liabilities	2,240.4	2,958.0	2,758.0	1,558.0	124.4	3,575.0	1,558.0	958.0	958.0
Other current liabilities	-	-	-	-	4,439.6	-	-	-	-
Total Current Liabilities	2,806.2	3,819.7	3,445.7	1,788.0	5,208.5	4,643.2	1,788.0	1,199.9	1,500.8
Total Liabilities	2,806.2	3,819.7	3,445.7	1,788.0	5,208.5	4,643.2	1,788.0	1,199.9	1,500.8
Stockholders' Equity	550.8	1,914.9	604.3	98.5	992.0	1,145.6	98.5	232.5	4,805.1
Total Liabilities & Equity	3,357.0	5,734.6	4,050.0	1,886.5	6,200.5	5,788.8	1,886.5	1,432.4	6,305.9

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

Figure 3: Cash flow Statement

Actinium Pharmaceuticals	FY_11	FY_12	FY_13E	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)	(6,504.2)	(7,065.4)	(15,846.7)
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>					
Stock-based compensation expense	2,173.4	2,223.9	380.3	399.4	419.3
Depreciation expense	0.6	0.6	-	-	-
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)	(405.5)	-	-
Other	-	-	-	-	-
Changes in assets and liabilities:					
R&D reimbursement receivable	41.6	234.1	(2.1)	-	-
Prepaid expenses and other current assets	4.8	(18.0)	114.1	(2.7)	(69.3)
Accounts payable and accrued expenses	556.0	334.3	(697.0)	10.4	261.6
Accounts payable and accrued expenses - related parties	-	31.2	(1.2)	1.6	39.2
Net cash provided by (used in) operating activities	(517.6)	(5,212.7)	(7,111.4)	(6,656.8)	(15,195.8)
Cash flow from investing activities:					
Payment made for patent rights	-	-	-	-	-
Purchases of property and equipment	-	(2.4)	(9.0)	(9.5)	(10.0)
Cash provided by investing activities	-	(2.4)	(9.0)	(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	-	6,200.0	20,000.0
Payments on note payable	-	-	(140.0)	-	-
Proceeds from the exercise of warrant for cash	-	-	3,467.4	-	-
Cash (used in) provided by financing activities	6,025.3	5,129.9	3,327.4	6,200.0	20,000.0
Effect of exchange rates on cash	-	-	-	-	-
Net (decrease) increase in cash and cash equivalents	5,507.7	(85.1)	(3,793.1)	(466.3)	4,794.2
Cash and cash equivalents at beginning of the period	196.1	5,703.8	5,618.7	1,825.6	1,359.3
Cash and cash equivalents at end of period	-	5,703.8	1,825.6	1,359.3	6,153.5

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

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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.	83.33%	33.33%	16.67%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	16.67%	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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