

CEL-SCI Corporation (CVM - \$ 1.58)

CVM Announces Record Month for Enrollment in Phase III Trial

This morning, CEL-SCI announced the largest single month of patient enrollment in its Phase III trial of Multikine in patients with head and neck cancer since the trial began by adding 14 patients and 5 new clinical centers.

- Significant Phase III Enrollment in March.** Today, CVM announced that in March, it enrolled 14 patients and added 5 new clinical centers to its Phase III trial of Multikine in patients with head and neck cancer. The company previously reported enrollment of 146 patients in 44 centers on February 27, 2014. This is the largest increase in enrolled patients for a single month since the Phase III trial was launched. We believe this accelerated pace of enrollment compared with the enrollment under the company's former Clinical Research Organization (CRO), inVentiv Health Clinical (now part of PharmaNet), is supportive of the on-going arbitration claim alleging breach of contract, fraud in the inducement, and common law fraud. CEL-SCI is seeking at least \$50 million in damages from inVentiv. Since partnering with Ergomed and Aptiv Solutions in April 2013, CVM has significantly increased enrollment and now projects the study will reach the full enrollment of 880 patients in approximately 100 – 110 clinical centers by the end of 2015.
- First U.S. Clinical Trial Center.** On March 4, 2014, CEL-SCI announced that it activated its first U.S. clinical trial center for the Phase III study of Multikine in patients with head and neck cancer at 21st Century Oncology in Greenville, NC. 21st Century is a provider of integrated cancer care services with 133 centers in 16 states. CEL-SCI continues to project that it will reach 10 - 15 U.S. trial centers by the summer of 2014.
- Maintain BUY Rating and Price Target.** We are maintaining our BUY rating and long term price target of \$7.00. Our target is based on the NPV of our probability-adjusted forecasts for Multikine and a small value for the company's manufacturing plant. In addition to the ongoing Phase III head and neck cancer study, CEL-SCI is exploring two other indications for Multikine including cervical dysplasia in HIV/HPV co-infected women and peri-anal warts in HIV/HPV co-infected patients.

Earnings Estimates: (per share)

(Sept.)	1Q	2Q	3Q	4Q	FY	P/E
FY_15E	NA	NA	NA	NA	-0.49	NM
FY_14E	-0.09A	-0.12	-0.13	-0.13	-0.47	NM
FY_13A	-0.08	-0.02	-0.15	-0.06	-0.30	NM
FY_12A	-0.18	-0.41	-0.03	-0.09	-0.70	NM

Source: Laidlaw & Company estimates

Healthcare / Biotechnology

Ticker:	CVM
Rating:	Buy
Price Target:	\$ 7.00

Trading Data:

Last Price (04/01/2014)	\$ 1.58
52-Week High (4/25/2013)	\$ 3.09
52-Week Low (12/19/2013)	\$ 0.53
Market Cap. (MM)	\$ 88
Shares Out. (MM)	56

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Figure 1: Multikine Phase III Trial Clinical Center Updates

<p>CEL-SCI's lead investigational therapy, Multikine, is currently enrolling patients for a Phase III clinical trial in advanced primary head and neck cancer. As of April 2014, the study has enrolled 160 patients in 49 Centers. The company expects to reach full enrollment of 880 patients at 100 - 110 centers by 2015 as approved centers finalize logistics and approximately 60 centers are added worldwide. The following is a summary of recent clinical center announcements:</p>	
April 1 2014	Announced the addition of 14 patients and 5 new clinical centers in the month of March 2014.
March 4 2014	First U.S. clinical site announced at 21st Century Oncology in Greenville, North Carolina. Management expects to reach 10 - 15 U.S. clinical centers by mid-2014.
January 23 2014	Serbia becomes the 11th country providing approval to participate in the Phase III Mutlikine trial. Management projects 72 of the worldwide total of 880 patients for the study could be enrolled in Serbia.
December 05 2013	Bosnia and Herzegovina, the 10th country in which the Phase III trial received approval, marked expansion into one-half of the target 20 countries conducting the trial. CVM expects to enroll approximately 30 patients in Bosnia and Herzegovina through 3 clinical centers.
November 20 2013	North American meeting including 14 US and Canadian clinical center participants held. Focus, as at the earlier European meeting, was on the critical discussion of protocols, regulatory issues, enrollment criteria, study procedures and safety issues.
November 12 2013	Croatian Republic approves enrollment of patients in Phase III trial, becomes the 9th country into which CVM expects to enroll approximately 40 patients in Croatia through 4 clinical centers.
October 21 2013	Successful clinical investigator meeting held in Europe. CVM will continue to have a focus on European expansion. The Phase III trial will be conducted at 56 clinical centers in 13 European Countries.
February 25 2013	Taiwanese partner, Orient Europharma, announces 2 new centers: China Medical University Hospital which is located in Taichung, Taiwan, and the the Buddhist Tzu Chi General Hospital which is located in Hualian, Taiwan.

Source: Company reports

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. CEL-SCI is susceptible to all of these risks.

Other downside risks specific to CEL-SCI include the likelihood of the need to sell more stock to raise capital for the continuation for the Multikine Phase III trial, the timing of Multikine regulatory submission and approval, and the ultimate market potential and expectations for Multikine.

We note that this recommendation is speculative in nature due to the company's market cap, cash position and our opinion that the large majority of the value of the stock is hinged on a binary event, the approval of Multikine for the treatment of head and neck cancer.

Figure 2: Income Statement

CEL-SCI Corp. <i>Income Statement (millions, except per share data)</i>	FY 2013				FY 2014E				FY_11 Sept	FY_12 Sept	FY_13 Sept	FY_14E Sept	FY_15E Sept
	Q1_13 Dec	Q2_13 Mar	Q3_13 Jun	Q4_13 Sept	Q1_14 Dec	Q2_14E Mar	Q3_14E Jun	Q4_14E Sept					
Product Sales, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant Income and Other	0.02	0.02	0.11	0.02	0.11	0.02	0.11	0.02	0.96	0.25	0.16	0.26	0.26
Revenue	0.02	0.02	0.11	0.02	0.11	0.02	0.11	0.02	0.96	0.25	0.16	0.26	0.26
Cost of sales	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit	0.02	0.02	0.11	0.02	0.11	0.02	0.11	0.02	0.96	0.25	0.16	0.26	0.26
<i>Operating expenses:</i>													
Selling, general and administrative	2.00	1.65	1.78	1.55	1.97	1.69	1.82	1.59	6.66	6.60	6.98	7.07	7.24
Research and development	2.92	2.52	3.77	3.47	4.02	4.22	4.43	4.76	11.75	10.37	12.68	17.44	19.70
Depreciation and amortization	0.13	0.09	0.08	0.06	0.06	0.06	0.06	0.06	0.53	0.53	0.36	0.23	0.23
Total Operating Expenses	5.06	4.26	5.63	5.09	6.05	5.96	6.31	6.41	18.94	17.50	20.0	24.73	27.17
Total Operating Expenses (non-GAAP)	5.06	4.26	5.63	5.09	6.05	5.96	6.31	6.41	18.94	17.50	20.03	24.73	27.17
Operating Income/(loss)	(5.04)	(4.24)	(5.51)	(5.07)	(5.93)	(5.95)	(6.20)	(6.39)	(17.99)	(17.24)	(19.87)	(24.47)	(26.91)
Operating Income/(loss) non-GAAP	(5.04)	(4.24)	(5.51)	(5.07)	(5.93)	(5.95)	(6.20)	(6.39)	(17.99)	(17.24)	(19.87)	(24.47)	(26.91)
<i>Other Income:</i>													
Gain on derivative instruments	2.75	3.54	1.08	3.39	1.61	0.00	0.00	0.00	4.43	1.91	10.75	1.61	0.00
Interest income	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.16	0.12	0.12	0.13	0.13
Interest expense	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.32)	(0.26)	(0.17)	(0.17)	(0.17)
Other expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(12.00)	0.00	0.00	0.00	0.00
Income (loss) before provision for income taxes (GAAP)	(2.31)	(0.71)	(4.45)	(1.70)	(4.33)	(5.96)	(6.21)	(6.40)	(25.71)	(15.48)	(9.17)	(22.90)	(26.95)
Income (loss) before provision for income taxes (non-GAAP)	(2.31)	(0.71)	(4.45)	(1.70)	(4.33)	(5.96)	(6.21)	(6.40)	(25.71)	(15.48)	(9.17)	(22.90)	(26.95)
<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 provision GAAP	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) GAAP	(2.31)	(0.71)	(4.45)	(1.70)	(4.33)	(5.96)	(6.21)	(6.40)	(25.71)	(15.48)	(9.17)	(22.90)	(26.95)
Net income (loss) non-GAAP	(2.31)	(0.71)	(4.45)	(1.70)	(4.33)	(5.96)	(6.21)	(6.40)	(25.71)	(15.48)	(9.17)	(22.90)	(26.95)
Modifications of Warrants/Inducement Warrants	0.0	0.0	(0.1)	0.0	0.00	0.00	0.00	0.00	(1.07)	(2.17)	(0.06)	0.00	0.00
Net income (loss) available to common shareholders GAAP	(2.31)	(0.71)	(4.51)	(1.70)	(4.33)	(5.96)	(6.21)	(6.40)	(26.78)	(17.65)	(9.23)	(22.90)	(26.95)
Net income (loss) available to common shareholders non-GAAP	(2.31)	(0.71)	(4.51)	(1.70)	(4.33)	(5.96)	(6.21)	(6.40)	(26.78)	(17.65)	(9.23)	(22.90)	(26.95)
Diluted EPS (GAAP)	(0.08)	(0.02)	(0.15)	(0.06)	(0.09)	(0.12)	(0.13)	(0.13)	(1.28)	(0.70)	(0.30)	(0.47)	(0.49)
Diluted EPS (non-GAAP)	(0.08)	(0.02)	(0.15)	(0.06)	(0.09)	(0.12)	(0.13)	(0.13)	(1.28)	(0.70)	(0.30)	(0.47)	(0.49)
Weighted Diluted Shares outstanding (000s)	28.3	30.9	30.9	30.3	48.2	48.2	48.2	50.9	20.8	25.2	30.3	48.9	54.9
Weighted Diluted Shares outstanding YOY change (%)	23.9%	24.9%	19.7%	10.9%	70.3%	56.0%	55.9%	68.0%	-57.9%	20.8%	20.2%	61.4%	12.3%

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

Figure 3: Balance Sheet

CEL-SCI Corp.	FY 2013				FY 2014E				FY_10 Sept	FY_11 Sept	FY_12 Sept	FY_13 Sept	FY_14E Sept	FY_15E Sept
	Q1_13 Dec	Q2_13 Mar	Q3_13 Jun	Q4_13 Sept	Q1_14 Dec	Q2_14E Mar	Q3_14E Jun	Q4_14E Sept						
<i>Balance Sheet (\$ millions, except per share data)</i>														
Assets:														
Cash and cash equivalents	10.7	7.0	3.5	0.0	13.5	9.7	2.8	8.4	26.6	4.3	3.9	0.0	8.4	9.0
Receivables	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.0	-	0.5	0.2	0.1	0.0	0.0
Prepaid expenses	1.1	1.3	0.8	0.8	1.0	1.0	1.0	1.0	0.3	2.0	1.3	0.8	1.0	1.0
Deposits - Current Portion	-	-	-	-	0.2	-	-	-	-	-	-	-	-	-
Inventories used for R&D and manufacturing	1.1	1.3	1.1	1.0	1.3	1.3	1.3	1.4	1.5	1.6	1.4	1.0	1.4	1.7
Deferred rent- current portion	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.8	0.7	0.7	0.6	0.6	0.6
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	13.6	10.2	6.2	2.5	16.6	12.7	5.8	11.4	29.1	9.0	7.4	2.5	11.4	12.2
Research and Office equipment and leasehold improvements	0.6	0.6	0.5	0.5	0.5	0.4	0.3	0.2	1.3	1.0	0.6	0.5	0.2	0.2
Patent costs	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.3	0.3	0.3
Deferred Rent	5.8	5.7	5.6	5.4	5.3	5.2	5.1	5.0	7.1	6.5	5.9	5.4	5.0	4.6
Deposits - Net of Current Portion	1.7	1.7	2.1	2.1	2.1	2.1	2.1	2.1	-	1.7	1.7	2.1	2.1	2.1
Other assets	-	-	-	-	-	-	-	-	0.0	-	-	-	-	-
Total Assets	22.0	18.5	14.8	10.8	24.8	20.7	13.6	18.9	37.8	18.6	16.1	10.8	18.9	19.4
Liabilities & Shareholders' Equity:														
Accounts payable	0.4	0.5	1.2	1.9	1.6	0.2	1.6	0.3	1.5	0.7	0.6	1.9	0.3	0.3
Accrued expenses	0.2	0.2	0.6	0.1	0.3	0.3	0.3	0.3	0.2	0.3	0.2	0.1	0.3	0.3
Due to employees	0.0	0.1	0.1	0.4	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.4	0.3	0.3
Related party loan	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Deferred rent - current portion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	0.0	0.0	0.0	0.0
Lease obligations - current portion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
Convertible note	-	-	-	-	-	-	-	-	-	5.0	-	-	-	-
Derivative instruments - current portion	-	-	-	-	-	-	-	-	0.4	0.1	-	-	-	-
Total Current Liabilities	1.8	1.9	3.0	3.5	3.4	2.0	3.3	2.0	3.3	7.2	1.9	3.5	2.0	2.0
Derivative instruments - net of current portino	8.4	4.9	3.8	0.4	6.1	6.1	6.1	6.1	6.5	2.2	7.0	0.4	6.1	6.1
Deferred revenue	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Deposits held	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	0.0	0.0	0.0	0.0
Deferred rent - net of current portion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lease obligations - net of current portion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
Other long-term obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	10.4	6.9	7.0	4.1	9.7	8.3	9.6	8.3	10.0	9.5	9.0	4.1	8.3	8.3
Stockholders' Equity	11.6	11.5	7.8	6.7	15.1	12.4	3.9	10.6	27.9	9.1	7.0	6.7	10.6	11.1
Total Liabilities & Equity	22.0	18.5	14.8	10.8	24.8	20.7	13.6	18.9	37.8	18.6	16.1	10.8	18.9	19.4

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

Figure 4: Cash flow Statement

CEL-SCI Corp. <i>Non-GAAP Cash Flow Cont. Ops. (\$ millions, except per share data)</i>	FY_10 Sept	FY_11 Sept	FY_12 Sept	FY_13 Sept	FY_14E Sept	FY_15E Sept
Cash flows from operating activities:						
Net income (loss)	10.5	(25.7)	(15.5)	(9.2)	(22.9)	(27.0)
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>						
Depreciation and amortization	0.5	0.5	0.5	0.4	0.4	0.4
Issuance of convertible notes and preferred stock in legal settlement	1.2	0.2	-	-	-	-
Issuance of common stock, warrants and options for services	-	9.0	0.5	0.5	0.1	-
Modification of warrants issued for services	-	-	-	-	0.1	-
Amortization of loan premium	(0.0)	-	-	-	-	-
Extension of options issued to consultants	0.0	0.0	0.1	-	-	-
Extension of options issued to employees	0.2	0.1	0.0	-	-	-
Employee option cost	1.3	1.5	2.2	2.6	2.0	2.0
Common stock contributed to 401 (k) plan	0.1	0.2	0.2	0.2	0.0	-
Impairment loss on abandonment of patents	0.0	0.0	0.0	0.0	0.0	-
Loss on retired equipment	0.0	0.0	0.0	0.0	-	-
Gain on derivative instruments	(28.8)	(4.4)	(1.9)	(10.8)	(1.6)	-
Other	-	-	-	-	-	-
Changes in assets and liabilities:						
Decrease (increase) in deposits	1.6	(1.7)	-	(0.4)	(0.2)	-
Decrease (increase) in receivables	-	(0.5)	0.3	0.1	0.1	-
Decrease in deferred rent asset	1.0	0.6	0.6	0.5	0.5	0.4
Decrease (increase) in prepaid expenses	(0.3)	(1.7)	0.8	0.5	(0.2)	-
Decrease (increase) in inventory for R&D and manufacturing	(1.1)	(0.1)	0.2	0.4	(0.3)	(0.3)
Decrease in accounts payable	0.7	(0.8)	(0.2)	1.3	1.0	-
(Decrease) increase in accrued expenses	0.1	0.1	(0.1)	0.1	0.2	-
Increase in deferred revenue	0.1	-	0.0	0.0	-	-
Increase (decrease) in due to employees	(0.0)	(0.0)	(0.0)	0.2	(0.1)	-
Increase in deposits held	-	0.0	0.0	-	-	-
Decrease in deferred rent liability	(0.0)	(0.0)	0.0	(0.0)	(0.0)	-
Net cash provided by (used in) operating activities	(12.8)	(22.6)	(12.2)	(13.5)	(20.9)	(24.4)
Operating Cash Flow per share	(\$0.26)	(\$1.08)	(\$0.48)	(\$0.45)	(\$0.43)	(\$0.44)
Cash flow from investing activities:						
Additional investment in manufacturing facility	(0.0)	-	-	-	-	-
Decrease in restricted cash	0.0	0.0	-	-	-	-
Purchases of equipment	(0.5)	(0.2)	(0.1)	(0.1)	(0.0)	(0.0)
Expenditures for patent costs	(0.0)	(0.1)	(0.1)	(0.0)	-	-
Cash provided by investing activities	(0.5)	(0.3)	(0.1)	(0.1)	(0.0)	(0.0)
Cash flows from financing activities:						
Proceeds from issuance of common stock	-	3.9	14.3	9.8	29.4	25.0
Payments on obligations under capital leases	-	-	-	(0.0)	(0.0)	(0.0)
Proceeds from exercise of warrants and stock options	6.3	0.7	2.7	-	-	-
Payments for repurchase of preferred stock	-	(4.1)	-	-	-	-
Payments on convertible debt	-	-	(5.0)	-	-	-
Cash (used in) provided by financing activities	6.3	0.6	12.0	9.8	29.4	25.0
Net (decrease) increase in cash and cash equivalents	-	(7.0)	(0.3)	(3.9)	8.4	0.6
Cash and cash equivalents at beginning of the period	-	33.6	4.3	3.9	0.0	8.4
Cash and cash equivalents at end of period	-	26.6	4.3	3.9	8.4	9.0

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

DISCLOSURES:

ANALYST CERTIFICATION

The analyst responsible for the content of this report hereby certifies that the views expressed regarding the company or companies and their securities accurately represent his personal views and that no direct or indirect compensation is to be received by the analyst for any specific recommendation or views contained in this report. Neither the author of this report nor any member of his immediate family or household maintains a position in the securities mentioned in this report.

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For the purpose of ratings distributions, regulatory rules require the firm to assign ratings to one of three rating categories (i.e. Strong Buy/Buy-Overweight, Hold, or Underweight/Sell) regardless of a firm's own rating categories. Although the firm's ratings of Buy/Overweight, Hold, or Underweight/Sell most closely correspond to Buy, Hold and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis against the analyst sector universe of stocks. An analyst's coverage sector is comprised of companies that are engaged in similar business or share similar operating characteristics as the subject company. The analysis sector universe is a sub-sector to the analyst's coverage sector, and is compiled to assist the analyst in determining relative valuations of subject companies. The composition of an analyst's sector universe is subject to change over time as various factors, including changing market conditions occur. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12-months relative to the analyst's sector universe.

Additional information available upon request.

‡ Laidlaw & Company has received compensation from the subject company for investment banking services in the past 12 months and expects to receive or intends to seek compensation for investment banking services from the company in the next three months.

RATINGS INFORMATION

Rating and Price Target Change History



3 Year Rating Change History

Date	Rating	Closing Price (\$)
01/15/2013	Buy (B)	2.82

3 Year Price Change History

Date	Target Price (\$)	Closing Price, (\$)
01/15/2013	7.50**	2.82
01/06/2014	7.00	0.69

** Split Adjusted

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.	85.71%	28.57%	14.29%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	7.14%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

ADDITIONAL COMPANIES MENTIONED

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