

CEL-SCI Corporation (CVM - \$ 0.85)

CVM Signs Third Co-Development Agreement with Ergomed

CVM announced that it has signed a co-development and profit sharing agreement with Ergomed Clinical Research Ltd. for CEL-SCI's investigational immunotherapy drug Multikine in the treatment of HIV/HPV co-infected men and women with peri-anal warts.

- Broadening Co-Development Deal for Additional Potential Indication.** For the second time in two weeks, CVM and Ergomed have announced a co-development and profit sharing agreement for the investigational immunotherapy drug Multikine. Ergomed will assume 50% (up to \$3 million) in clinical and regulatory costs for studies relating to HIV/HPV co-infected men and women with peri-anal warts. This agreement comes in addition to the previously announced Cooperative Research and Development Agreement (CRADA) for this indication between CEL-SCI and the U.S. Navy. CEL-SCI management expects that if the pari-anal wart studies are successful, Multikine could potentially be submitted for a marketing application sooner than possible under its ongoing Phase III clinical trial for head & neck cancer.
- Third Co-Development Deal.** The agreement announced today comes in addition to two existing co-development and profit sharing arrangements with Ergomed. On October 15, 2013, CEL-SCI announced an agreement for the co-development of Multikine as a potential treatment for HIV/HPV co-infected women with cervical dysplasia in which Ergomed agreed to assume 50% (up to \$3 million) of the cost, similar to today's announced program. In April, Ergomed was hired as the primary CRO for the Phase III Multikine study in head and neck cancer. Ergomed agreed to invest up to \$10 million in that study. Ergomed will receive its return on investment based on an agreed single digit percentage (we estimate about 5%) of any net income received by CEL-SCI for Multikine from product sales and/or certain partner milestone payments, up to a specified maximum amount.
- Maintaining Buy-rating and Price Target.** While there will be no new data out from the Phase III Multikine trial in head and neck cancer for several years, we expect nearer-term news flow to come from the new potential indications, HIV/HPV co-infected patients with peri-anal warts and HIV/HPV co-infected women with cervical dysplasia. With the recent capital raise, we believe the company has enough cash to fund their operations for at least another year. With a market cap of \$42 million, an estimated over \$16 million in cash, a \$25 million manufacturing facility, a product in a large Phase III trial and potentially entering two new indications with faster paths to approval in our opinion, we believe CEL-SCI's stock is under-valued. Our 12-month price target for CEL-SCI is \$7.50, which is based on the NPV of our probability-adjusted forecasts for Multikine and a small value for the company's manufacturing plant.

Healthcare / Biotechnology

Ticker:	CVM
Rating:	Buy
Price Target:	\$ 7.50

Trading Data:

Last Price (10/28/2013)	\$ 0.85
52-Week High (11/7/2012)	\$ 3.80
52-Week Low (10/16/2013)	\$ 0.75
Market Cap. (MM)	\$ 42
Shares Out. (MM)	49

Earnings Estimates: (per share)

(Sept.)	1Q	2Q	3Q	4Q	FY	P/E
FY_15E	NA	NA	NA	NA	-0.51	NM
FY_14E	-0.13	-0.13	-0.14	-0.12	-0.52	NM
FY_13E	-0.08A	-0.02A	-0.15A	-0.17	-0.43	NM
FY_12A	-0.18	-0.41	-0.03	-0.09	-0.70	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. 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.

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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

** 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%	42.86%	0.00%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	14.29%	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

ADDITIONAL DISCLOSURES

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