

CEL-SCI Corporation (CVM - \$ 0.28)

Multikine Phase III Trial Update

CEL-SCI hired two new CROs to manage the global Phase III trial for Multikine in head and neck cancer after the number of patients that have been enrolled in the study fell below the level agreed to with the former CRO. We now expect faster enrollment.

- New CROs Leading Phase III Clinical Trial.** Aptiv Solutions and Ergomed, both international leaders in managing oncology trials, were hired to replace the former Phase III trial CRO. The Multikine Phase III study is enrolling patients with advanced primary, not yet treated, head and neck cancer. The objective of the study is to demonstrate a statistically significant 10% improvement in overall survival of enrolled patients who are treated with Multikine plus Standard of Care (SOC) vs. patients who are treated with SOC only. The study will enroll 880 patients. The new CRO's will expand the Phase III trial by 60-80 clinical sites globally. Currently, there are 117 patients enrolled in 39 sites in 8 countries, including three centers in Israel where CEL-SCI's partner Teva Pharmaceuticals has the marketing rights, and nine centers in Taiwan where the CEL-SCI's partner Orient Europharma has the marketing rights. We now expect faster trial enrollment and have more confidence that the drug could reach the market in the 2018 – 2020 timeframe.
- Co-development Agreement With Ergomed.** Ergomed will contribute up to \$10 million towards the study as it will perform clinical services in exchange for a single digit percentage (we estimate about 5%) of milestone and royalty payments, up to a specified maximum amount, from sales for the head and neck cancer indication only. The \$10 million will cover 30% of Ergomed's expected billings. Ergomed will be responsible for the majority of the new patient enrollment since it has a novel model for clinical site management to accelerate patient recruitment and retention. We expect Ergomed will work diligently to quickly complete the study as its interests are aligned with CEL-SCI.
- Maintaining Buy-rating and Price Target.** Our 12-month price target for CEL-SCI is \$0.75, which is based on the NPV of our probability-adjusted forecasts for Multikine and a small value for the company's manufacturing plant. We have assigned no value to the LEAPS program due to its preclinical status. Any success in the LEAPS platform could lead to potential upside to our price target. We note that this recommendation is speculative in nature due to the company's current stock price (under \$1.00 per share) 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.

Earnings Estimates: (per share)

(Sept.)	1Q	2Q	3Q	4Q	FY	P/E
FY_14E	NA	NA	NA	NA	-0.06	NM
FY_13E	-0.01A	-0.02	-0.02	-0.02	-0.07	NM
FY_12A	-0.02	-0.04	0.00	-0.01	-0.07	NM
FY_11A	-0.03	-0.07	-0.01	-0.01	-0.13	NM

Source: Laidlaw & Company estimates

Healthcare / Biotechnology

Ticker: **CVM**
 Rating: **Buy**
 Price Target: **\$ 0.75**

Trading Data:

Last Price (04/23/2013)	\$ 0.28
52-Week High (5/15/2012)	\$ 0.58
52-Week Low (3/27/2013)	\$ 0.21
Market Cap. (MM)	\$ 85
Shares Out. (MM)	309

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FOR ANALYST CERTIFICATION AND DISCLOSURES, PLEASE SEE DISCLOSURES SECTION AT THE END OF THIS REPORT. This report has been prepared by Laidlaw & Co (UK), Ltd. Investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. All prices are those current at the end of the previous trading session unless otherwise indicated. Prices and consensus estimates are sourced from a reliable market source

Figure 1: Income Statement

CEL-SCI Corp.	FY 2011				FY 2012				FY 2013E				FY_11 Sept	FY_12 Sept	FY_13E Sept	FY_14E Sept	FY_15E Sept	
	Q1_11 Dec	Q2_11 Mar	Q3_11 Jun	Q4_11 Sept	Q1_12 Dec	Q2_12 Mar	Q3_12 Jun	Q4_12 Sept	Q1_13 Dec	Q2_13E Mar	Q3_13E Jun	Q4_13E Sept						
<i>Income Statement (millions, except per share data)</i>																		
Product Sales, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Grant Income and Other	0.66	0.04	0.08	0.17	0.01	0.11	0.04	0.11	0.02	0.06	0.06	0.06	0.96	0.25	0.20	0.20	0.20	
Revenue	0.66	0.04	0.08	0.17	0.01	0.11	0.04	0.11	0.02	0.06	0.06	0.06	0.96	0.25	0.20	0.20	0.20	
Cost of sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gross Profit	0.66	0.04	0.08	0.17	0.01	0.11	0.04	0.11	0.02	0.06	0.06	0.06	0.96	0.25	0.20	0.20	0.20	
<i>Operating expenses:</i>																		
Selling, general and administrative	1.57	1.95	1.85	1.29	1.85	1.63	1.67	1.44	2.00	1.67	1.71	1.47	6.66	6.60	6.85	7.02	7.20	
Research and development	3.26	3.04	2.92	2.51	2.46	2.59	2.47	2.85	2.92	3.98	3.78	4.13	11.75	10.37	14.82	15.67	17.24	
Depreciation and amortization	0.14	0.15	0.15	0.10	0.14	0.14	0.11	0.14	0.13	0.13	0.13	0.13	0.53	0.53	0.53	0.53	0.53	
Total Operating Expenses	4.98	5.14	4.92	3.90	4.45	4.37	4.25	4.43	5.06	5.79	5.62	5.74	18.94	17.50	22.21	23.23	24.97	
Total Operating Expenses (non-GAAP)	4.98	5.14	4.92	3.90	4.45	4.37	4.25	4.43	5.06	5.79	5.62	5.74	18.94	17.50	22.21	23.23	24.97	
Operating Income/(loss)	(4.31)	(5.10)	(4.85)	(3.73)	(4.44)	(4.26)	(4.21)	(4.32)	(5.04)	(5.72)	(5.56)	(5.68)	(17.99)	(17.24)	(22.00)	(23.03)	(24.77)	
Operating Income/(loss) non-GAAP	(4.31)	(5.10)	(4.85)	(3.73)	(4.44)	(4.26)	(4.21)	(4.32)	(5.04)	(5.72)	(5.56)	(5.68)	(17.99)	(17.24)	(22.00)	(23.03)	(24.77)	
<i>Other Income:</i>																		
Gain on derivative instruments	(1.95)	3.06	1.76	1.55	0.96	(4.20)	3.39	1.77	2.75	0.00	0.00	0.00	4.43	1.91	2.75	0.00	0.00	
Interest income	0.05	0.05	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.02	0.02	0.16	0.12	0.09	0.09	0.09	
Interest expense	(0.04)	(0.04)	(0.07)	(0.17)	(0.12)	(0.06)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.32)	(0.26)	(0.16)	(0.16)	(0.16)	
Other expenses	0.00	(12.00)	0.00	0.00	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)	(6.25)	(14.03)	(3.11)	(2.32)	(3.58)	(8.49)	(0.84)	(2.57)	(2.31)	(5.74)	(5.58)	(5.70)	-	(25.71)	(15.48)	(19.33)	(23.10)	(24.84)
Income (loss) before provision for income taxes (non-GAAP)	(6.25)	(14.03)	(3.11)	(2.32)	(3.58)	(8.49)	(0.84)	(2.57)	(2.31)	(5.74)	(5.58)	(5.70)	-	(25.71)	(15.48)	(19.33)	(23.10)	(24.84)
<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>	<i>0.0%</i>
Income tax provision GAAP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) GAAP	(6.25)	(14.03)	(3.11)	(2.32)	(3.58)	(8.49)	(0.84)	(2.57)	(2.31)	(5.74)	(5.58)	(5.70)	(25.7)	(15.5)	(19.3)	(23.1)	(24.8)	
Net income (loss) non-GAAP	(6.25)	(14.03)	(3.11)	(2.32)	(3.58)	(8.49)	(0.84)	(2.57)	(2.31)	(5.74)	(5.58)	(5.70)	(25.7)	(15.5)	(19.3)	(23.1)	(24.8)	
Modifications of Warrants/Inducement Warrants	0.0	(1.1)	0.0	0.0	(0.6)	(1.6)	0.0	0.0	0.0	0.0	0.0	0.0	(1.07)	(2.17)	0.00	0.00	0.00	
Net income (loss) available to common shareholders GAAP	(6.25)	(15.10)	(3.11)	(2.32)	(4.16)	(10.09)	(0.84)	(2.57)	(2.31)	(5.74)	(5.58)	(5.70)	(26.78)	(17.65)	(19.33)	(23.10)	(24.84)	
Net income (loss) available to common shareholders non-GAAP	(6.25)	(14.03)	(3.11)	(2.32)	(4.16)	(10.09)	(0.84)	(2.57)	(2.31)	(5.74)	(5.58)	(5.70)	(26.78)	(17.65)	(19.33)	(23.10)	(24.84)	
Diluted EPS (GAAP)	(0.03)	(0.07)	(0.01)	(0.01)	(0.02)	(0.04)	(0.00)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.13)	(0.07)	(0.07)	(0.06)	(0.06)	
Diluted EPS (non-GAAP)	(0.03)	(0.07)	(0.01)	(0.01)	(0.02)	(0.04)	(0.00)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.13)	(0.07)	(0.07)	(0.06)	(0.06)	
Weighted Diluted Shares outstanding (000s)	205.1	207.1	208.4	213.35	228.6	247.4	258.5	272.9	283.1	283.4	283.7	320.1	208.5	251.8	292.6	360.3	402.3	
Weighted Diluted Shares outstanding YOY change (%)					11.4%	19.5%	24.0%	27.9%	23.9%	14.6%	9.8%	17.3%	321.2%	20.8%	16.2%	23.1%	11.7%	

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

Figure 2: Balance Sheet

CEL-SCI Corp.	FY 2012				FY 2013E				FY_10 Sept	FY_11 Sept	FY_12 Sept	FY_13E Sept	FY_14E Sept	FY_15E Sept
	Q1_12 Dec	Q2_12 Mar	Q3_12 Jun	Q4_12 Sept	Q1_13 Dec	Q2_13E Mar	Q3_13E Jun	Q4_13E Sept						
Balance Sheet (\$ millions, except per share data)														
Assets:														
Cash and cash equivalents	3.5	5.3	7.2	3.9	10.7	4.5	(0.3)	6.8	26.6	4.3	3.9	6.8	4.1	1.5
Receivables	0.0	0.1	0.0	0.2	0.0	0.1	0.1	0.1	-	0.5	0.2	0.1	0.1	0.1
Prepaid expenses	1.8	1.9	1.8	1.3	1.1	1.1	1.1	1.1	0.3	2.0	1.3	1.1	1.1	1.1
Inventories used for R&D and manufacturing	1.4	1.4	1.4	1.4	1.1	1.1	1.1	1.1	1.5	1.6	1.4	1.1	1.3	1.6
Deferred rent- current portion	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.8	0.7	0.7	0.6	0.6	0.6
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	7.3	9.3	11.0	7.4	13.6	7.4	2.6	9.7	29.1	9.0	7.4	9.7	7.2	4.9
Research and Office equipment and leasehold improvements	0.9	0.8	0.7	0.6	0.6	0.5	0.4	0.3	1.3	1.0	0.6	0.3	0.3	0.3
Patent costs	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Deferred Rent	6.3	6.2	6.1	5.9	5.8	5.7	5.6	5.5	7.1	6.5	5.9	5.5	5.1	4.7
Deposits	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	-	1.7	1.7	1.7	1.7	1.7
Other assets	-	-	-	-	-	-	-	-	0.0	-	-	-	-	-
Total Assets	16.7	18.4	19.9	16.1	22.0	15.6	10.6	17.5	37.8	18.6	16.1	17.5	14.7	12.0
Liabilities & Shareholders' Equity:														
Accounts payable	0.6	0.7	0.7	0.6	0.4	1.7	1.7	1.7	1.5	0.7	0.6	1.7	1.7	1.7
Accrued expenses	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Due to employees	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
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
Lease obligations - current portion	-	-	-	-	0.0	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
Convertible note	3.0	-	-	-	-	-	-	-	-	5.0	-	-	-	-
Derivative instruments - current portion	0.0	-	-	-	-	-	-	-	0.4	0.1	-	-	-	-
Total Current Liabilities	4.9	2.0	2.0	1.9	1.8	3.0	3.0	3.0	3.3	7.2	1.9	3.0	3.0	3.0
Derivative instruments - net of current portino	3.5	10.0	8.8	7.0	8.4	7.0	7.0	7.0	6.5	2.2	7.0	7.0	7.0	7.0
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	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
Other long-term obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	8.6	12.1	10.9	9.0	10.4	10.2	10.2	10.2	10.0	9.5	9.0	10.2	10.2	10.2
Stockholders' Equity	8.1	6.2	9.0	7.0	11.6	5.4	0.4	7.3	27.9	9.1	7.0	7.3	4.5	1.8
Total Liabilities & Equity	16.7	18.4	19.9	16.1	22.0	15.6	10.6	17.5	37.8	18.6	16.1	17.5	14.7	12.0

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

Figure 3: 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_13E Sept	FY_14E Sept	FY_15E Sept
Cash flows from operating activities:						
Net income	10.5	(25.7)	(15.5)	(19.3)	(23.1)	(24.8)
<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	0.5	0.5
Issuance of convertible notes and preferred stock in legal settlement	1.2	0.2	-	-	0.8	1.7
Issuance of common stock, warrants and options for services	-	9.0	0.5	0.1	1.1	2.1
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	2.5	-	-
Common stock contributed to 401 (k) plan	0.1	0.2	0.2	0.0	-	-
Impairment loss on abandonment of patents	0.0	0.0	0.0	0.0	-	-
Loss on retired equipment	0.0	0.0	0.0	0.0	-	-
Deferred rent	(0.0)	(0.0)	-	0.3	0.4	0.4
Gain on derivative instruments	(28.8)	(4.4)	(1.9)	(2.7)	-	-
Other				-	-	-
Changes in assets and liabilities:						
Decrease (increase) in deposits	1.6	(1.7)	-	-	-	-
Decrease (increase) in receivables	-	(0.5)	0.3	0.1	-	-
Decrease in deferred rent asset	1.0	0.6	0.6	0.4	0.4	0.4
Decrease (increase) in prepaid expenses	(0.3)	(1.7)	0.8	0.5	-	-
Decrease (increase) in inventory for R&D and manufacturing	(1.1)	(0.1)	0.2	0.2	(0.2)	(0.3)
Decrease in accounts payable	0.7	(0.8)	(0.2)	(1.5)	-	-
(Decrease) increase in accrued expenses	0.1	0.1	(0.1)	0.0	-	-
Increase in deferred revenue	0.1	-	0.0	-	-	-
Increase (decrease) in due to employees	(0.0)	(0.0)	(0.0)	0.0	-	-
Increase in deposits held	-	-	0.0	-	-	-
Decrease in deferred rent liability	(0.0)	-	0.0	(0.0)	-	-
Net cash provided by (used in) operating activities	(12.8)	(22.6)	(12.2)	(18.9)	(20.2)	(20.1)
Operating Cash Flow per share	(\$0.26)	(\$0.11)	(\$0.05)	(\$0.06)	(\$0.06)	(\$0.05)
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)	-	-
Expenditures for patent costs	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	(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	21.8	17.5	17.5
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	21.8	17.5	17.5
Net (decrease) increase in cash and cash equivalents	-	(7.0)	(22.3)	(0.3)	(2.7)	(2.6)
Cash and cash equivalents at beginning of the period	33.6	26.6	4.3	3.9	6.8	4.1
Cash and cash equivalents at end of period	-	26.6	4.3	3.9	4.1	1.5

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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Additional information available upon request.

RATINGS INFORMATION

Rating and Price Target Change History



3 Year Rating Change History

Date	Rating	Closing Price (\$)
01/15/2013	Buy (B)	0.28

3 Year Price Change History

Date	Target Price (\$)	Closing Price, (\$)
01/15/2013	0.75	0.28

Source: Laidlaw & Company

Created by: <http://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.	75.00%	0.00%	0.00%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	25.00%	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

Orient Europharma Co. Ltd. (4120 TT, Not Rated)
Teva Pharmaceutical-SP ADR (TEVA, Not Rated)

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