

CEL-SCI Corporation (CVM - \$ 0.67)

CEL-SCI: One of Our Top Picks for 2014

We believe that CEL-SCI is a “broken stock” but not a broken company. The company is much better positioned now than it was a year ago, in our opinion, yet the company’s stock was pummeled in 2013. We look for a recovery in 2014.

- Company, Stock Performance Contradictory in 2013.** Despite Phase III trial progression for Multikine in head and neck cancer, co-development and profit sharing agreements with Ergomed (one of the company’s CROs), a cooperative research and development agreement with the U.S. Navy and having successfully raised a combined \$21.1 million in secondary stock offerings in 4Q13, CEL-SCI’s stock fell 78% in 2013. In our opinion, the market is not factoring in the positive developments for the company’s lead product development and improved cash position. The firm also filed an arbitration claim against its former CRO, Inventiv, alleging breach of contract, fraud in the inducement, and common law fraud. CEL-SCI is seeking at least \$50 million in damages.
- Additional Indications.** 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. These indications both represent critical unmet medical needs and we believe any success in treating these diseases with Multikine could translate into significant market opportunities. Of note, the peri-anal warts study is being run with the U.S. Navy, which will incur most of the costs of the study. Ergomed has also signed a co-development agreement to work on this indication in support of the Navy, if required, and it will also assume 50% (up to \$3 million) of the clinical and regulatory costs. Ergomed is going to conduct a Phase II trial to treat cervical dysplasia in HIV/HPV infected patients and it will assume 50% (up to \$3 million) of the clinical and regulatory costs.
- Secondary Equity Offerings.** On October 11, 2013, CVM closed a secondary public offering for gross proceeds of \$17.8 million. On December 26, 2013, the company closed another offering targeting high net worth investors for aggregate gross proceeds of approximately \$3.3 million. The company’s warrants are freely traded on the OTC Bulletin Board. Management intends to use the proceeds of both offerings primarily for its Multikine Phase III trials.
- Maintain BUY Rating.** We are lowering our price target to \$7.00 from \$7.50 due to the increased share count. Our target is based on the NPV of our probability-adjusted forecasts for Multikine and a small value for the company’s manufacturing plant. The company has a market cap of about \$35 million and we estimate will end F1Q14 with \$14.7 million in cash.

Earnings Estimates: (per share)

(Sept.)	1Q	2Q	3Q	4Q	FY	P/E
FY_15E	NA	NA	NA	NA	-0.44	NM
FY_14E	-0.11	-0.11	-0.11	-0.11	-0.44	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:	lower \$ 7.00

Trading Data:

Last Price (01/06/2014)	\$ 0.67
52-Week High (4/25/2013)	\$ 3.09
52-Week Low (12/19/2013)	\$ 0.53
Market Cap. (MM)	\$ 33
Shares Out. (MM)	50

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Figure 1: Impressive News Flow Over the Last 3 Months



Source: Company Reports

Figure 2: Clinical Center Updates

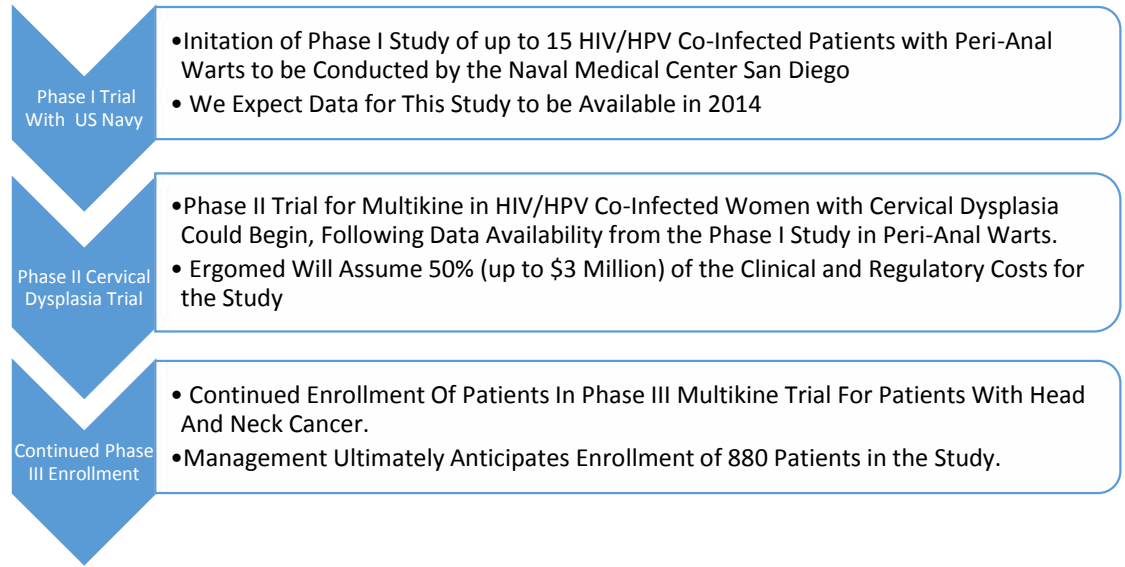
CEL-SCI's lead investigational therapy, Multikine, is currently enrolling patients for a Phase III clinical trial in advanced primary head and neck cancer. As of April 2013, the study had enrolled 117 patients, with 39 centers having conducted trials. All newly added locations are in addition to the Phase III clinical centers run by CVM partners Teva located in Israel and Orient Europharma in Taiwan. The following is a summary of recent clinical center announcements:

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

Figure 3: 2014 Outlook

2014 Outlook: Anticipated Events



Source: Company Reports

Figure 4: Income Statement

CEL-SCI Corp. <i>Income Statement (millions, except per share data)</i>	FY 2012				FY 2013				FY 2014E				FY_11 Sept	FY_12 Sept	FY_13 Sept	FY_14E Sept	FY_15E Sept
	Q1_12 Dec	Q2_12 Mar	Q3_12 Jun	Q4_12 Sept	Q1_13 Dec	Q2_13 Mar	Q3_13 Jun	Q4_13 Sept	Q1_14E Dec	Q2_14E Mar	Q3_14E Jun	Q4_14E Sept					
Product Sales, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant Income and Other	0.01	0.11	0.04	0.11	0.02	0.02	0.11	0.02	0.02	0.02	0.02	0.02	0.96	0.25	0.16	0.07	0.07
Revenue	0.01	0.11	0.04	0.11	0.02	0.02	0.11	0.02	0.02	0.02	0.02	0.02	0.96	0.25	0.16	0.07	0.07
Cost of sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit	0.01	0.11	0.04	0.11	0.02	0.02	0.11	0.02	0.02	0.02	0.02	0.02	0.96	0.25	0.16	0.07	0.07
<i>Operating expenses:</i>																	
Selling, general and administrative	1.85	1.63	1.67	1.44	2.00	1.65	1.78	1.55	2.05	1.69	1.82	1.59	6.66	6.60	6.98	7.14	7.32
Research and development	2.46	2.59	2.47	2.85	2.92	2.52	3.77	3.47	3.82	4.01	4.21	4.42	11.75	10.37	12.68	16.46	18.60
Depreciation and amortization	0.14	0.14	0.11	0.14	0.13	0.09	0.08	0.06	0.06	0.06	0.06	0.06	0.53	0.53	0.36	0.25	0.25
Total Operating Expenses	4.45	4.37	4.25	4.43	5.06	4.26	5.63	5.09	5.93	5.76	6.09	6.07	18.94	17.50	20.0	23.85	26.16
Total Operating Expenses (non-GAAP)	4.45	4.37	4.25	4.43	5.06	4.26	5.63	5.09	5.93	5.76	6.09	6.07	18.94	17.50	20.03	23.85	26.16
Operating Income/(loss)	(4.44)	(4.26)	(4.21)	(4.32)	(5.04)	(4.24)	(5.51)	(5.07)	(5.91)	(5.74)	(6.07)	(6.05)	(17.99)	(17.24)	(19.87)	(23.78)	(26.09)
Operating Income/(loss) non-GAAP	(4.44)	(4.26)	(4.21)	(4.32)	(5.04)	(4.24)	(5.51)	(5.07)	(5.91)	(5.74)	(6.07)	(6.05)	(17.99)	(17.24)	(19.87)	(23.78)	(26.09)
<i>Other Income:</i>																	
Gain on derivative instruments	0.96	(4.20)	3.39	1.77	2.75	3.54	1.08	3.39	0.00	0.00	0.00	0.00	4.43	1.91	10.75	0.00	0.00
Interest income	0.03	0.03	0.03	0.03	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	(0.12)	(0.06)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.32)	(0.26)	(0.17)	(0.16)	(0.16)
Other expenses	0.00	0.00	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)	(3.58)	(8.49)	(0.84)	(2.57)	(2.31)	(0.71)	(4.45)	(1.70)	(5.92)	(5.75)	(6.08)	(6.06)	(25.71)	(15.48)	(9.17)	(23.81)	(26.13)
Income (loss) before provision for income taxes (non-GAAP)	(3.58)	(8.49)	(0.84)	(2.57)	(2.31)	(0.71)	(4.45)	(1.70)	(5.92)	(5.75)	(6.08)	(6.06)	(25.71)	(15.48)	(9.17)	(23.81)	(26.13)
<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>
Income tax provision GAAP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) GAAP	(3.58)	(8.49)	(0.84)	(2.57)	(2.31)	(0.71)	(4.45)	(1.70)	(5.92)	(5.75)	(6.08)	(6.06)	(25.71)	(15.48)	(9.17)	(23.81)	(26.13)
Net income (loss) non-GAAP	(3.58)	(8.49)	(0.84)	(2.57)	(2.31)	(0.71)	(4.45)	(1.70)	(5.92)	(5.75)	(6.08)	(6.06)	(25.71)	(15.48)	(9.17)	(23.81)	(26.13)
Modifications of Warrants/Inducement Warrants	(0.6)	(1.6)	0.0	0.0	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	(4.16)	(10.09)	(0.84)	(2.57)	(2.31)	(0.71)	(4.51)	(1.70)	(5.92)	(5.75)	(6.08)	(6.06)	(26.78)	(17.65)	(9.23)	(23.81)	(26.13)
Net income (loss) available to common shareholders non-GAAP	(4.16)	(10.09)	(0.84)	(2.57)	(2.31)	(0.71)	(4.51)	(1.70)	(5.92)	(5.75)	(6.08)	(6.06)	(26.78)	(17.65)	(9.23)	(23.81)	(26.13)
Diluted EPS (GAAP)	(0.18)	(0.41)	(0.03)	(0.09)	(0.08)	(0.02)	(0.15)	(0.06)	(0.11)	(0.11)	(0.11)	(0.11)	(1.28)	(0.70)	(0.30)	(0.44)	(0.44)
Diluted EPS (non-GAAP)	(0.18)	(0.41)	(0.03)	(0.09)	(0.08)	(0.02)	(0.15)	(0.06)	(0.11)	(0.11)	(0.11)	(0.11)	(1.28)	(0.70)	(0.30)	(0.44)	(0.44)
Weighted Diluted Shares outstanding (000s)	22.9	24.7	25.8	27.3	28.3	30.9	30.9	30.3	53.3	53.3	53.3	56.0	20.8	25.2	30.3	54.0	60.1
Weighted Diluted Shares outstanding YOY change (%)	11.4%	19.5%	24.0%	27.9%	23.9%	24.9%	19.7%	10.9%	88.3%	72.5%	72.4%	84.9%	-57.9%	20.8%	20.2%	78.3%	11.3%

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

Figure 5: Balance Sheet

CEL-SCI Corp.	FY 2012				FY 2013				FY 2014E				FY_10 Sept	FY_11 Sept	FY_12 Sept	FY_13 Sept	FY_14E Sept	FY_15E Sept
	Q1_12 Dec	Q2_12 Mar	Q3_12 Jun	Q4_12 Sept	Q1_13 Dec	Q2_13 Mar	Q3_13 Jun	Q4_13 Sept	Q1_14E Dec	Q2_14E Mar	Q3_14E Jun	Q4_14E Sept						
<i>Balance Sheet (\$ millions, except per share data)</i>																		
Assets:																		
Cash and cash equivalents	3.5	5.3	7.2	3.9	10.7	7.0	3.5	0.0	14.7	9.8	3.9	8.7	26.6	4.3	3.9	0.0	8.7	10.7
Receivables	0.0	0.1	0.0	0.2	0.0	0.0	0.2	0.1	0.1	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	1.3	0.8	0.8	0.8	0.8	0.8	0.8	0.3	2.0	1.3	0.8	0.8	0.8
Inventories used for R&D and manufacturing	1.4	1.4	1.4	1.4	1.1	1.3	1.1	1.0	1.0	1.0	1.0	1.0	1.5	1.6	1.4	1.0	1.0	1.3
Deferred rent- current portion	0.7	0.7	0.7	0.7	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	7.3	9.3	11.0	7.4	13.6	10.2	6.2	2.5	17.2	12.2	6.4	11.2	29.1	9.0	7.4	2.5	11.2	13.4
Research and Office equipment and leasehold improvements	0.9	0.8	0.7	0.6	0.6	0.6	0.5	0.5	0.4	0.3	0.2	0.1	1.3	1.0	0.6	0.5	0.1	0.1
Patent costs	0.4	0.4	0.4	0.4	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	6.3	6.2	6.1	5.9	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	1.7	1.7	1.7	1.7	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	16.7	18.4	19.9	16.1	22.0	18.5	14.8	10.8	25.3	20.2	14.1	18.7	37.8	18.6	16.1	10.8	18.7	20.5
Liabilities & Shareholders' Equity:																		
Accounts payable	0.6	0.7	0.7	0.6	0.4	0.5	1.2	1.9	1.9	1.9	2.5	2.5	1.5	0.7	0.6	1.9	2.5	2.5
Accrued expenses	0.2	0.2	0.2	0.2	0.2	0.2	0.6	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.2	0.1	0.1	0.1
Due to employees	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.4	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.4	0.4	0.4
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	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	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	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	1.9	3.0	3.5	3.5	3.5	4.1	4.1	3.3	7.2	1.9	3.5	4.1	4.1
Derivative instruments - net of current portion	3.5	10.0	8.8	7.0	8.4	4.9	3.8	0.4	0.4	0.4	0.4	0.4	6.5	2.2	7.0	0.4	0.4	0.4
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	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	-	-	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	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	8.6	12.1	10.9	9.0	10.4	6.9	7.0	4.1	4.1	4.1	4.7	4.7	10.0	9.5	9.0	4.1	4.7	4.7
Stockholders' Equity	8.1	6.2	9.0	7.0	11.6	11.5	7.8	6.7	21.3	16.0	9.4	14.0	27.9	9.1	7.0	6.7	14.0	15.8
Total Liabilities & Equity	16.7	18.4	19.9	16.1	22.0	18.5	14.8	10.8	25.3	20.2	14.1	18.7	37.8	18.6	16.1	10.8	18.7	20.5

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

Figure 6: 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)	(23.8)	(26.1)
<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	-	-
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	2.2	2.2
Common stock contributed to 401 (k) plan	0.1	0.2	0.2	0.2	-	-
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)	-	-	0.4	0.4
Gain on derivative instruments	(28.8)	(4.4)	(1.9)	(10.8)	-	-
Other	-	-	-	-	-	-
Changes in assets and liabilities:						
Decrease (increase) in deposits	1.6	(1.7)	-	(0.4)	-	-
Decrease (increase) in receivables	-	(0.5)	0.3	0.1	(0.0)	-
Decrease in deferred rent asset	1.0	0.6	0.6	0.5	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	0.4	(0.0)	(0.3)
Decrease in accounts payable	0.7	(0.8)	(0.2)	1.3	(0.6)	-
(Decrease) increase in accrued expenses	0.1	0.1	(0.1)	0.1	-	-
Increase in deferred revenue	0.1	-	0.0	0.0	-	-
Increase (decrease) in due to employees	(0.0)	(0.0)	(0.0)	0.2	-	-
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)	(13.5)	(21.0)	(23.0)
Operating Cash Flow per share	(\$0.26)	(\$1.08)	(\$0.48)	(\$0.45)	(\$0.39)	(\$0.38)
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)	(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	9.8	29.7	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	29.7	25.0
Net (decrease) increase in cash and cash equivalents	-	(7.0)	(0.3)	(3.9)	8.6	2.0
Cash and cash equivalents at beginning of the period	33.6	26.6	4.3	3.9	0.0	8.7
Cash and cash equivalents at end of period	26.6	4.3	3.9	0.0	8.7	10.7

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

DISCLOSURES:

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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
01/06/2014	7.00	0.65*

* Previous Close 1/3/2014

** 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.	81.82%	36.36%	18.18%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	18.18%	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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