



AEGIS CAPITAL CORP

Biotechnology
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Key Metrics

STML - NASDAQ	\$23.29
Pricing Date	Nov 12 2013
Price Target	\$70.00
52-Week Range	\$47.25 - \$10.33
Shares Outstanding (mm)	12.9
Market Capitalization (\$mm)	\$300.4
3-Mo Average Daily Volume	179,082
Institutional Ownership	11%
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$7.30
Price/Book	3.2x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS (\$) FY: December

	2012A	Prior 2013E	Curr. 2013E	Prior 2014E	Curr. 2014E
1Q-Mar	(0.39)	--	(0.90)A	(0.46)E	(0.52)E
2Q-Jun	(0.50)	--	(0.55)A	(0.43)E	(0.50)E
3Q-Sep	(0.55)	(0.42)E	(0.45)E	(0.41)E	(0.48)E
4Q-Dec	(0.60)	(0.44)E	(0.49)E	(0.42)E	(0.49)E
FY	(1.82)	(2.12)E	(2.20)E	(1.70)E	(1.99)E
P/E	NM		NM		NM



Source: BigCharts.com

Company Description:

Stemline Therapeutics, Inc. (<http://www.stemline.com/>) is a biotechnology firm headquartered in New York, NY.

Company Update / Estimates Change

Stemline Therapeutics, Inc.

Rating: Buy

3Q 2013 Results Reported: Anticipating ASH Data

Investment Highlights:

- Upcoming Data Presentation A Potential Inflection Point.** We would guide investors to focus on the upcoming American Society for Hematology (ASH) Annual Meeting, which is slated to take place December 7-10 in New Orleans, LA. Stemline is slated to present additional clinical data on its lead drug candidate, SL-401, in blastic plasmacytoid dendritic cell neoplasm (BPDCN). Among the most fundamental data points is the potential disclosure for the first time of clinical response in a patient who has undergone retreatment with the drug. SL-401 is hypothesized to gain in efficacy with administration of additional cycles. Like Ontak (denileukin diftitox), SL-401 could also show an improved safety profile upon further patient exposure. In anticipation of favorable data at the ASH meeting and near-term initiation of pivotal clinical development of SL-401 in the BPDCN indication, we reiterate our Buy rating and 12-month price target of \$70.00 per share on Stemline.
- SL-701 Data Presentation Next Week.** Stemline is slated to present clinical data with its second pipeline candidate, SL-701, at the Society for Neuro-Oncology (SNO) meeting next week. The SNO meeting will be held in San Francisco Nov 21-24. The SL-701 cancer vaccine has been administered to 23 patients in the latest study thus far, with data in line with results obtained in higher-grade brain tumor trials. A single case of Grade 3 fever was the sole dose-limiting toxicity event observed. In 12 of 18 evaluable patients, cytokine responses were seen against 75% of the antigen epitopes covered by the vaccine, and a correlation between immune response and progression-free survival (PFS) has been observed. While we ascribe a risk-adjusted NPV of \$65mm to SL-701, we note that the current valuation of Stemline does not ascribe any value to this agent.
- Third Quarter Results - By The Numbers.** The company filed its quarterly statement for the third quarter of 2013 yesterday, and reported a cash balance of \$87.7mm. The loss per share came in at \$0.45 vs. our estimate of \$0.42, with R&D being lower and G&A being higher than our initial estimates. Our FY2013 loss per share has increased marginally from \$2.12 to \$2.20, while our FY2014 loss per share has also worsened from \$1.70 to \$1.99 to reflect higher basal G&A spending levels. We anticipate a rise in R&D costs as the firm moves SL-401 into a pivotal study in BPDCN and pursues additional proof-of-concept studies in other indications.
- Intriguing Valuation.** Stemline currently trades at an enterprise value of just over \$200mm, whereas other firms with mid- to late-stage oncology assets typically trade in the \$500mm - \$1bn range. Thus, we consider the recent weakness a buying opportunity, and note that Stemline is the only publicly-traded firm focusing on cancer stem cells that has an abbreviated path to market entry (via the BPDCN indication for SL-401).

Table 1: Stemline Therapeutics, Inc. (STML) – Historical Income Statements, Financial Projections

FY end December 31

\$ in thousands, except per share data

	2011A	2012A	2013E				2013E	2014E				
			1QA	2QA	3QA	4QE		1QE	2QE	3QE	4QE	2014E
Revenue												
Product revenue	-	-	-	-	-	-	-	-	-	-	-	-
Contract research	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-	-	-	-	-	-	-
Expenses												
Research & development	1,629	3,377	3,162	4,085	3,324	3,800	14,370	4,200	4,500	4,700	4,800	18,200
General and administrative	1,088	3,091	2,167	1,071	2,254	2,500	7,993	2,600	2,700	2,800	2,900	11,000
Total expenses	2,717	6,468	5,329	5,156	5,577	6,300	22,362	6,800	7,200	7,500	7,700	29,200
Gain (loss) from operations	(2,717)	(6,468)	(5,329)	(5,156)	(5,577)	(6,300)	(22,362)	(6,800)	(7,200)	(7,500)	(7,700)	(29,200)
Other income/expense												
Interest income	24	10	-	3	4	18	25	15	10	35	24	84
Interest expense	(99)	(119)	(82)	(298)	-	-	(380)	-	-	-	-	-
Other income	47	302	31	-	-	-	31	-	-	-	-	-
Other expense	(10)	(0)	(125)	-	-	-	(125)	-	-	-	-	-
Total investment income and other	(38)	193	(176)	(295)	4	18	(449)	15	10	35	24	84
Loss before provision for income taxes	(2,755)	(6,275)	(5,506)	(5,451)	(5,574)	(6,282)	(22,812)	(6,785)	(7,190)	(7,465)	(7,676)	(29,116)
Income tax benefit (loss)	-	-	-	-	-	-	-	-	-	-	-	-
Net loss/income	(2,755)	(6,275)	(5,506)	(5,451)	(5,574)	(6,282)	(22,812)	(6,785)	(7,190)	(7,465)	(7,676)	(29,116)
Net loss per share (basic)	(0.80)	(1.82)	(0.90)	(0.55)	(0.45)	(0.49)	(2.20)	(0.52)	(0.50)	(0.48)	(0.49)	(1.99)
Net loss per share (diluted)	(0.80)	(1.82)	(0.90)	(0.55)	(0.45)	(0.49)	(2.20)	(0.52)	(0.50)	(0.48)	(0.49)	(1.99)
Weighted average number of shares outstanding (basic)	3,442	3,442	6,148	9,837	12,471	12,931	10,347	12,981	14,281	15,581	15,631	14,619
Weighted average number of shares outstanding (diluted)	3,442	3,442	6,148	9,837	12,471	12,931	10,347	12,981	14,281	15,581	15,631	14,619

Source: Company Reports and Aegis Capital Corp. estimates

Required Disclosures

Price Target

Our 12-month price target is \$70.00 per share.

Valuation Methodology

We derive our price target using a discounted cash flow-based sum-of-the-parts analysis approach, which derives a \$1.04 billion total enterprise value for the company's clinical-stage assets, SL-401 and SL-701, as well as the early-stage pipeline and the proprietary cancer stem cell-targeting drug discovery platform. Our total firm valuation of \$1.2 billion assumes ~\$140 million in cash as of the end of 2014; this translates into a price target of \$70.00 per share based on approximately 17 million shares (fully-diluted) and no debt as of the end of 2014.

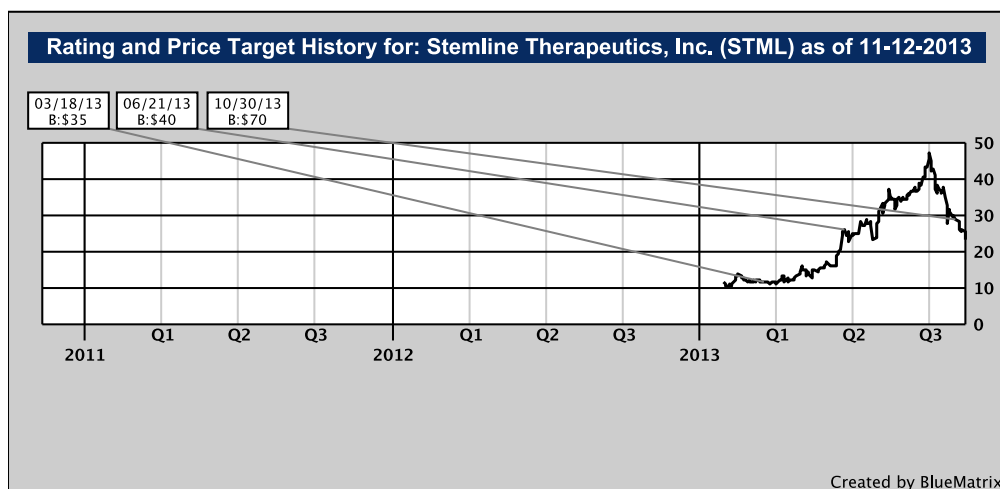
Risk Factors

Various factors may impede or prevent achievement of the price target by the company's shares. Such risk factors may include, but are not limited to, clinical, regulatory, competitive, financial, and reimbursement issues. Products that have yet to be submitted to regulatory agencies for review may not reach the market due to regulatory concerns, which could preclude approval. The company may require financing to sustain and grow its pipeline, which could be dilutive to current shareholders. We expect competition from existing entities against the company's products.

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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	81.08	26.67
HOLD [HOLD]	18.92	14.29
SELL [SELL]	0.00	0.00

Meaning of Ratings

- A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.
- B) A Hold rating is assigned when we believe the stock price adequately reflects a company's prospects over 12-18 months.
- C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

Other Disclosures

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