



AEGIS CAPITAL CORP

November 14, 2013

Key Metrics

STML - NASDAQ	\$23.23
Pricing Date	Nov 14 2013
Price Target	\$70.00
52-Week Range	\$47.25 - \$10.33
Shares Outstanding (mm)	12.9
Market Capitalization (\$mm)	\$299.7
3-Mo Average Daily Volume	177,095
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	--	(0.52)E
2Q-Jun	(0.50)	--	(0.55)A	--	(0.50)E
3Q-Sep	(0.55)	--	(0.45)A	--	(0.48)E
4Q-Dec	(0.60)	--	(0.49)E	--	(0.49)E
FY	(1.82)	--	(2.20)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.

Biotechnology
Raghuram Selvaraju
Ph.D.
(646) 502-2464
rselvaraju@aegiscap.com

Yi Chen
Ph.D.
(646) 502-2463
ychen@aegiscap.com

Company Update

Stemline Therapeutics, Inc.

Rating: Buy

ASH Data - Significant Value-Driving Catalysts

Investment Highlights:

- Five ASH Presentations.** This morning, Stemline Therapeutics issued a press release describing the data presentations that are slated to be made at the upcoming American Society for Hematology (ASH) Annual Meeting, which is slated to take place December 7-10 in New Orleans, LA. We note that these presentations include the results of the first retreatment of a patient with blastic plasmacytoid dendritic cell neoplasm (BPDCN) using the firm's lead drug, SL-401. The molecule 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. Other key value drivers in the data being presented at ASH include encouraging results with Stemline's preclinical pipeline and the news that another complete response (CR) was seen in another patient with BPDCN. In the wake of all these encouraging developments, we reiterate our Buy rating and 12-month price target of \$70.00 per share on Stemline.
- BPDCN Clinical Data Summary.** Two recently-enrolled BPDCN patients have received a single 5-day cycle of SL-401, and there has been one new CR. Thus far, 8 (7 evaluable) BPDCN patients have been treated with a single 5-day cycle of SL-401; there have been 5 CRs and 1 PR (86% overall response rate). One patient has been retreated, several months after relapsing (initially, the patient was in remission for three months). In our view, the fact that the patient who underwent retreatment only received one more cycle of the drug and indeed was only retreated several months after actually relapsing (as opposed to the real world setting, in which the drug would most likely be given either continuously or immediately upon relapse) shows that the treatment paradigm was suboptimal. Nevertheless, the drug still showed signs of efficacy in the retreated patient, with skin lesion clearance observed. We continue to expect Stemline to move SL-401 into a pivotal BPDCN trial early next year. Given the recent approval of Pharmacyclics' (PCYC/NASDAQ, Not Rated) ibrutinib ahead of schedule, we believe that SL-401 could be advanced very rapidly if it continues to show solid efficacy.
- New Indications: Pipeline Advances.** Preclinical data on SL-401 in models of additional indications, including multiple myeloma and chronic eosinophilic leukemia, a rare hematologic cancer, are also slated to be presented at the ASH conference. In addition, the firm is positioned to present preclinical data on SL-101, a novel antibody-drug conjugate (ADC) directed to tumor bulk and CSCs, in FLT3-ITD acute myeloid leukemia (AML).
- Intriguing Valuation.** Stemline currently trades at an enterprise value of just over \$200mm, whereas comparable firms typically trade in the \$500mm - \$1bn range. 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.

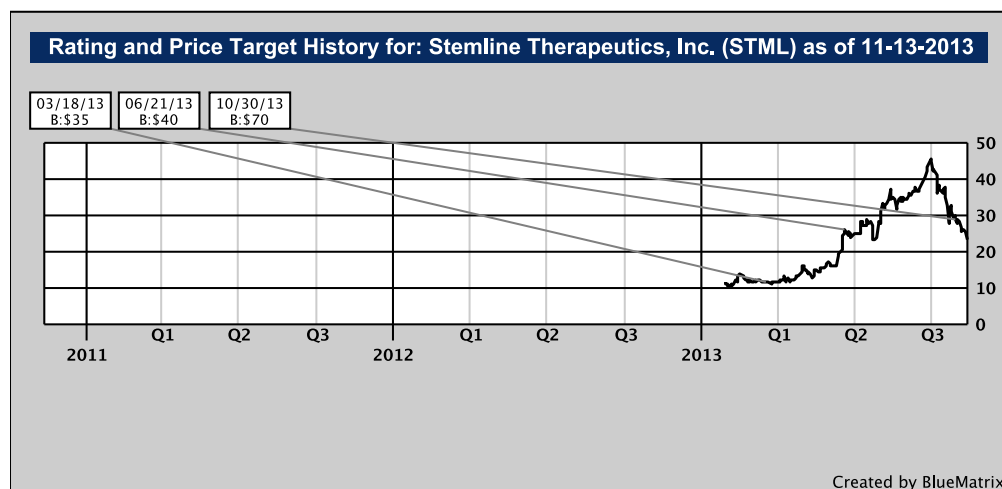
Risk Factors

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.

For important disclosures go to www.aegiscap.com.

Research analyst compensation is dependent, in part, upon investment banking revenues received by Aegis Capital Corp.

Aegis Capital Corp. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.



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

The information contained herein is based upon sources believed to be reliable but is not guaranteed by us and is not considered to be all inclusive. It is not to be construed as an offer or the solicitation of an offer to sell or buy the securities mentioned herein. Aegis Capital Corp., its affiliates, shareholders, officers, staff, and/or members of their families, may have a position in the securities mentioned herein, and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the Firm from time to time in the open market or otherwise. Opinions expressed are our present opinions only and are subject to change without notice. Aegis Capital is under no obligation to provide updates to the opinions or information provided herein. Additional information is available upon request.

© Copyright 2012 by Aegis Capital

Aegis Capital Corp.
(212) 813-1010
810 Seventh Avenue, 18th Floor
New York, New York 10019