

November 14, 2013

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Stemline Therapeutics (STML - OUTPERFORM): SL-401 Update--Another Complete Response in a BPDCN Patient After a Single Cycle, Reiterate OUTPERFORM

Price: \$23.29

12-Month Price Target: \$49

- **STML reported that one of two additional BPDCN patients treated with a single cycle of SL-401 experienced a complete response.** There are now 5/7 evaluable BPDCN patients who have experienced complete responses (and one patient with a partial response) after just a single cycle of SL-401.
- **Our view is that SL-401 is clearly an active agent in BPDCN, and will likely also show meaningful activity in other high IL3-R expressing hematological malignancies.** We remind investors that BPDCN represents a route to relatively early potential commercialization (end of 2015).
- **In that regard, we note that STML is presenting two abstracts (#3170, #4104) at this year's American Society of Hematology (ASH) meeting in New Orleans (December 7-10) showing SL-401's activity in pre-clinical models of a rare leukemia (chronic eosinophilic leukemia) and in multiple myeloma, in addition to the clinical update (#2682) for patients with BPDCN.** Interestingly, research presented abstract #3170 indicates that plasmacytoid dendritic cells (that express high levels of IL3-R) support the growth and proliferation of multiple myeloma cells, providing a rationale to study SL-401 in combination with other agents approved for multiple myeloma.
- **Additionally, the company is presenting data for its pipeline compound, SL-101, a drug-conjugated antibody also targeting the IL3-R receptor. Presentation #359 correlates expression of IL3-R to poor prognosis, and demonstrates that SL-101 kills these cells in the low nanomolar range, with potential synergy with sorafenib (Nexavar).**
- **Reiterate OUTPERFORM and our price target of \$49.** We derive our \$49 price target by applying a 6x multiple to 2019 SL-401 sales in IL3-R+ cancers, discounted annually by 30%, (\$25 of PT). We add that to 6x 2019 estimated sales in AML, discounted annually by 35%, (\$15 of PT), and finally, apply a 6x multiple to estimated 2019 sales of SL-701, discounted by 50% annually (\$9/share) due to our view that 701 is a higher-risk program.
- Risks to the achievement of our price target include the clinical failure of SL-401 and/or SL-701, as well as failure to achieve regulatory approval and achieve sales estimates for either drug candidate.

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Company	Disclosure
Stemline Therapeutics	1

Research Disclosure Legend

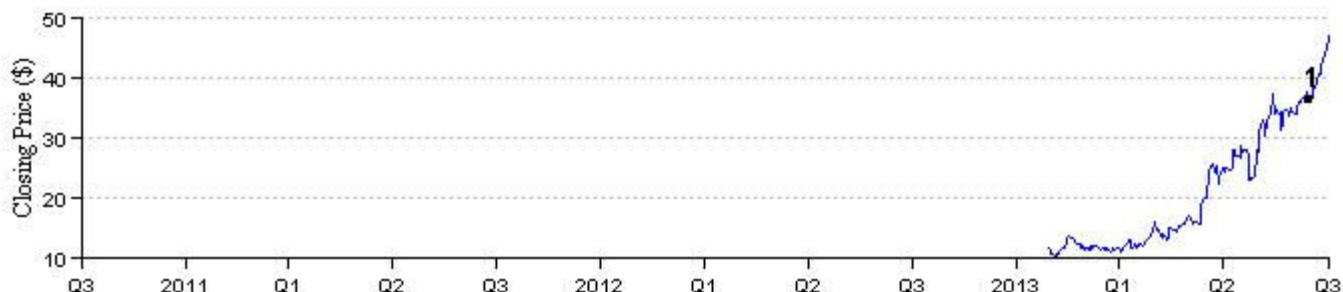
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STML

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OUTPERFORM \$49



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