



August 16, 2013

Key Metrics

STML - NASDAQ	\$34.33
Pricing Date	Aug 15 2013
Price Target	\$40.00
52-Week Range	\$39.18 - \$10.33
Shares Outstanding (mm)	11.7
Market Capitalization (\$mm)	\$401.7
3-Mo Average Daily Volume	207,712
Institutional Ownership	NM
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$3.84
Price/Book	8.9x
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	(0.47)E	(0.46)E
2Q-Jun	(0.50)	(0.53)E	(0.55)A	--	(0.43)E
3Q-Sep	(0.55)	(0.44)E	(0.42)E	(0.40)E	(0.41)E
4Q-Dec	(0.60)	(0.45)E	(0.44)E	(0.41)E	(0.42)E
FY	(1.82)	(2.14)E	(2.12)E	--	(1.70)E
P/E	NM		NM		NM

**Company Description:**

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

Stemline Therapeutics, Inc.**Rating: Buy****Stemline Reports 2Q 2013 Financial Results****Investment Highlights:**

- Solid Expense Control - Further Catalysts Expected.** Earlier this week, Stemline Therapeutics reported 2Q 2013 financial results. The firm reported a net loss of \$5.5mm or \$0.55 per share, which was roughly in-line with our projection of a net loss of \$5.3mm or \$0.53 per share. Following a recent follow-on equity financing, the firm closed 2Q 2013 with a healthy cash balance of \$92.7mm, which we believe is likely to be sufficient to fund operations for the next 24 months. The small-cap oncology sector continues to find favor among biotech investors, and we anticipate that Stemline should continue to attract interest based on the accelerated development pathway for its lead drug candidate, SL-401, in blastic plasmacytoid dendritic cell neoplasm (BPDCN) and other hematological malignancies. We note that Stemline has thus far been the best-performing biotech IPO of 2013, and anticipate further outperformance going forward as the firm advances the development of multiple drug candidates simultaneously through the deployment of its strengthened cash resources. We reiterate our Buy rating and 12-month price target of \$40.00 on Stemline shares.
- SL-401 Likely To Report Additional Clinical Data Soon.** The company's lead drug candidate, SL-401, is risk-mitigated from a regulatory as well as a clinical perspective, as it is a fusion protein that utilizes the interleukin-3 (IL-3) protein linked to an exotoxin from the bacterium that causes the infectious disease diphtheria. The drug is internalized into cells expressing high levels of the IL-3 receptor and, once inside, the diphtheria toxin kills the cells. Since many cancer cells in blood cancers express the IL-3 receptor, this drug selectively ablates both tumor bulk and CSCs without injuring healthy tissue. We expect Stemline to report clinical data from additional patients treated with SL-401 by the end of the year. Much of this data is likely to be presented at the American Society for Hematology Meeting in New Orleans, LA, in December 2013.
- 100% Response Rate Thus Far.** BPDCN, which only afflicts 2,000 people a year, is known as a cancer type associated with high levels of IL-3 receptor expression. Thus far, SL-401 has elicited responses (either partial or complete) in all of the BPDCN patients treated with the drug. If this response rate continues, we believe that the firm could file for approval next year. In our base case scenario, we project that Stemline could obtain approval for SL-401 on the basis of a single, randomized, open-label study enrolling 40 patients. Under this scenario, the drug could be on the market in late 2015.
- Valuation Remains Attractive, Despite Recent Runup.** Stemline currently trades at an enterprise value of ~\$400mm following the most recent financing, whereas other companies with mid- to late-stage oncology assets typically trade in the \$500mm - \$1bn range. The firm was founded in 2003 and to date has spent under \$20mm.

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	3QE	4QE		1QE	2QE	3QE	4QE	2014E
Revenue												
Product revenue	-	-	-	-	-	-	-	-	-	-	-	-
Contract research	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-	-	-	-	-	-	-
Expenses												
Research & development	1,629	3,377	3,162	4,085	4,200	4,400	15,846	4,500	4,600	4,700	4,800	18,600
General and administrative	1,088	3,091	2,167	1,071	1,100	1,200	5,539	1,300	1,400	1,500	1,600	5,800
Total expenses	2,717	6,468	5,329	5,156	5,300	5,600	21,385	5,800	6,000	6,200	6,400	24,400
Gain (loss) from operations	(2,717)	(6,468)	(5,329)	(5,156)	(5,300)	(5,600)	(21,385)	(5,800)	(6,000)	(6,200)	(6,400)	(24,400)
Other income/expense												
Interest income	24	10	-	3	23	18	44	15	6	14	17	52
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)	23	18	(430)	15	6	14	17	52
Loss before provision for income taxes	(2,755)	(6,275)	(5,506)	(5,451)	(5,277)	(5,582)	(21,815)	(5,785)	(5,994)	(6,186)	(6,383)	(24,348)
Income tax benefit (loss)	-	-	-	-	-	-	-	-	-	-	-	-
Net loss/income	(2,755)	(6,275)	(5,506)	(5,451)	(5,277)	(5,582)	(21,815)	(5,785)	(5,994)	(6,186)	(6,383)	(24,348)
Net loss per share (basic)	(0.80)	(1.82)	(0.90)	(0.55)	(0.42)	(0.44)	(2.12)	(0.46)	(0.43)	(0.41)	(0.42)	(1.70)
Net loss per share (diluted)	(0.80)	(1.82)	(0.90)	(0.55)	(0.42)	(0.44)	(2.12)	(0.46)	(0.43)	(0.41)	(0.42)	(1.70)
Weighted average number of shares outstanding (basic)	3,442	3,442	6,148	9,837	12,564	12,614	10,291	12,664	13,964	15,264	15,314	14,302
Weighted average number of shares outstanding (diluted)	3,442	3,442	6,148	9,837	12,564	12,614	10,291	12,664	13,964	15,264	15,314	14,302

Source: Company Reports and Aegis Capital Corp. estimates

Required Disclosures

Price Target

Our 12-month price target is \$40.00 per share.

Valuation Methodology

We derive our price target using a discounted cash flow-based sum-of-the-parts analysis approach, which derives a \$485 million 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 \$625 million assumes ~\$140 million in cash as of mid-2014; this translates into a price target of \$40.00 per share based on approximately 17 million shares (fully-diluted) and no debt as of mid-2014.

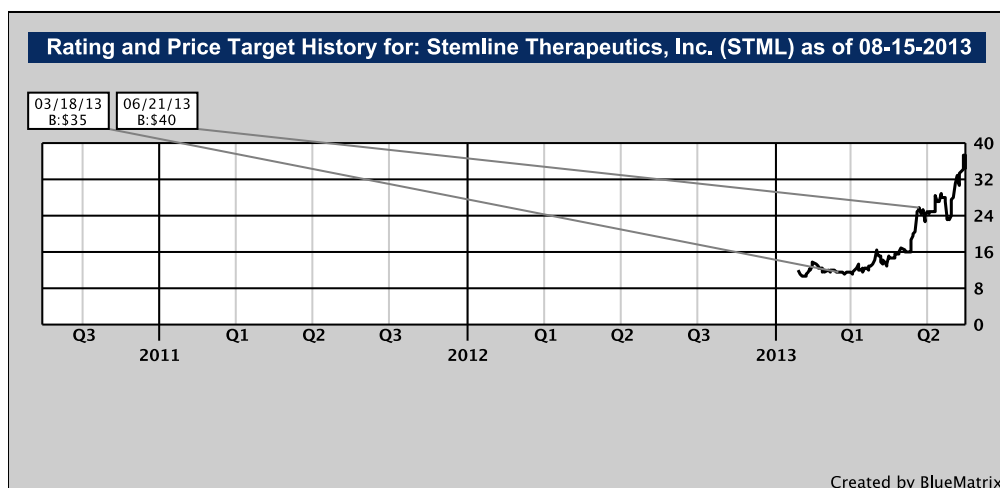
Risk Factors

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]	89.19	21.21
HOLD [HOLD]	10.81	0.00
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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