

Stemline Therapeutics (STML)

Q3:13 Results, Shares Attractively Valued, Reiterate OUTPERFORM

- STML reported a loss of (\$0.45) compared to our (\$0.41) estimate and ended the quarter with \$87.7M in cash and cash equivalents.
- We believe the company is on track to begin a potentially pivotal Phase II/III trial for SL-401 in blastic plasmacytoid dendritic cell neoplasm (BPDCN) as it scales up manufacturing for SL-401's BPDCN study and other multiple clinical studies slated to begin in 2014. Management also intends to begin studies in third-line AML and hematologic malignancies where IL3-R is highly expressed.
- STML also recently announced a collaboration with the Leukemia & Lymphoma Society (LLS) to accelerate development of SL-401. LLS will commit \$3M to the effort and will conduct an educational program to increase physician and patient awareness of BPDCN.
- Given STML's strong balance sheet and potential commercialization of SL-401 in late 2015, we would recommend buying on the recent share weakness.
- 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.

November 12, 2013

Price
\$23.29

Rating
OUTPERFORM

12-Month Price Target
\$49

David M. Nierengarten, Ph.D.
(415) 274-6862
david.nierengarten@wedbush.com

Gregory R. Wade, Ph.D.
(415) 274-6863
greg.wade@wedbush.com

Christopher N. Marai, Ph.D.
(415) 274-6861
christopher.marai@wedbush.com

Company Information

Shares Outst (M)	12.5
Market Cap (M)	\$290.5
52-Wk Range	\$10.33 - \$47.25
Book Value/sh	\$7.15
Cash/sh	\$7.03
Enterprise Value (M)	\$202.8
LT Debt/Cap %	0.0
Cash Burn (M)	\$26.1

Company Description

Stemline Therapeutics, Inc., is developing SL-401, a targeted therapeutic to both cancerous cells and cancer stem cells in hematological malignancies expressing IL3-R. SL-701 is a peptide-based immunotherapy for advanced brain cancers and is in Phase IIb studies.



Source: Thomson Reuters

FYE Dec	2013E	2014E			2015E		
REV	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	0.0A	0.0E		\$0.0E	0.0E		\$0.0E
Q2 Jun	0.0A	0.0E		0.0E	0.0E		0.0E
Q3 Sep	0.0A	0.0E		0.0E	0.0E		0.0E
Q4 Dec	0.0E	0.0E		0.0E	6.8E		6.8E
Year*	0.0E	0.0E		\$0.0E	6.8E		\$1.7E
Change	--	--			--		
EPS	2013E	2014E			2015E		
	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	(\$0.74)A	(\$0.44)E		--	(\$0.52)E		--
Q2 Jun	(\$0.55)A	(\$0.45)E		--	(\$0.50)E		--
Q3 Sep	(\$0.45)A	(\$0.49)E	(\$0.50)E	--	(\$0.67)E	(\$0.58)E	--
Q4 Dec	(\$0.45)E	(\$0.51)E		--	(\$0.38)E	(\$0.29)E	--
Year*	(\$2.19)E	(\$1.90)E	(\$1.89)E	--	(\$2.07)E	(\$1.89)E	--
P/E	--	--		--	--		--
Change	--	13%			-9%		

Consensus estimates are from Thomson First Call.

* Numbers may not add up due to rounding.

Wedbush Securities does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Please see page 3 of this report for analyst certification and important disclosure information.

Investment Thesis:

Stemline Therapeutics is developing oncology treatments that target cancer stem cells (CSCs) and tumor bulk. Its lead candidate, SL-401, is a truncated diphtheria toxin that targets interleukin-3 receptor (IL3R), which is overexpressed on a variety of hematological cancers. SL-401 has shown particularly strong activity in blastic plasmacytoid dendritic cell neoplasm (BPDCN), a rare hematologic cancer, and accelerated approval could result in a commercial launch in the BPDCN setting by Q4:15. Upon approval, we also expect use in other high-IL3R expressing hematological cancers such as mastocytosis and hairy cell leukemia. The company is also developing SL-701, a peptide-based cancer vaccine that in early clinical testing has shown a durable response and survival benefit in pediatric and adult patients with advanced brain cancer.

11/12/2013

Ticker: (STML:Nasdaq)

Stemline Therapeutics, Inc

Wedbush PacGrow Life Sciences

David M. Nierengarten, Ph.D.

415-274-6862

Stemline Therapeutics, Inc (STML)
in thousands except per share data

	2012A	Q1	Q2	Q3	Q4	2013E	2014E	2015E	2016E	2017E	2018E
Revenues:											
US Product Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,770	\$47,789	\$126,076	\$226,392
Other Revenues	0	0	0	0	0	0	0	0	0	0	0
Ex-US Product Sales	0	0	0	0	0	0	0	0	12,026	128,973	269,221
Total Revenues	0	0	0	0	0	0	0	6,770	59,815	255,049	495,613
Cost and Expenses:											
Cost of Sales	0	0	0	0	0	0	0	1,015	7,168	18,911	33,959
R&D	3,377	3,162	4,085	3,324	3,490	14,061	16,455	18,470	19,992	21,640	23,424
SG&A	3,090	2,167	1,071	2,254	2,299	7,790	9,664	16,971	31,464	50,264	66,168
Total Operating Expenses	6,467	5,329	5,156	5,577	5,789	21,851	26,119	36,456	58,625	90,815	123,551
Operating Income (Loss)	(6,467)	(5,329)	(5,156)	(5,577)	(5,789)	(21,851)	(26,119)	(29,686)	1,191	164,234	372,063
Net Interest Income (Expense)/Other Income	193	(177)	(295)	4	219	(249)	2,420	2,296	2,130	3,414	7,869
Income Before Income Taxes	(6,274)	(5,506)	(5,451)	(5,574)	(5,569)	(22,099)	(23,699)	(27,390)	3,321	167,647	379,931
Provision for Income Taxes	0	0	0	0	0	0	0	0	645	44,469	148,173
Net Income (Loss)	(6,274)	(5,506)	(5,451)	(5,574)	(5,569)	(22,099)	(23,699)	(27,390)	2,675	123,178	231,758
Non-GAAP EPS	(1.84)	(0.74)	(0.55)	(0.45)	(0.45)	(1.80)	(1.93)	(2.06)	0.17	9.11	17.17
GAAP EPS	(2.72)	(0.74)	(0.55)	(0.45)	(0.45)	(2.19)	(1.90)	(2.07)	0.20	9.14	17.20
Total Shares Outstanding	3,477	7,459	9,837	12,471	12,471	12,471	12,471	13,471	13,471	13,471	13,471
Cash Burn	0	0	0	0	0	(26,121)	(24,598)	(29,677)	(2,975)	153,553	355,732
Cash Balance	2,025	30,736	92,686	87,667	81,150	81,150	58,972	72,282	68,108	173,195	380,475

Analyst Biography

David Nierengarten, Ph.D.

David is an Analyst covering stocks in the Biotechnology/Biopharmaceuticals/BioDefense sector. His prior sell-side research experience at Robert W. Baird & Co. covered biotechnology companies of all market capitalizations, with a focus on oncology and rare diseases.

David received his B.S. (Biochemistry) from the University of Wisconsin-Madison and Ph.D. (Molecular and Cell Biology) from the University of California-Berkeley.

David's Edge: David's early stage venture capital investing experience gives him a balanced perspective on developmental-stage biotechnology companies and their ultimate risk/reward potential. His experience on the other side of that equation in a clinical-stage, venture backed biotechnology company provides him with insights into corporate operations. The combination of experiences creates a focus on value creation in this event-driven space.

Analyst Certification

I, David M. Nierengarten, Ph.D., Gregory R. Wade, Ph.D., Christopher N. Marai, Ph.D., certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

Disclosure information regarding historical ratings and price targets is available at <http://www.wedbush.com/ResearchDisclosure/DisclosureQ313.pdf>

Investment Rating System:

Outperform: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

Neutral: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

Underperform: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating Distribution (as of September 30, 2013)	Investment Banking Relationships (as of September 30, 2013)
Outperform: 55%	Outperform: 14%
Neutral: 41%	Neutral: 2%
Underperform: 4%	Underperform: 0%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

The analysts responsible for preparing research reports do not receive compensation based on specific investment banking activity. The analysts receive compensation that is based upon various factors including WS' total revenues, a portion of which are generated by WS' investment banking activities.

Wedbush Equity Research Disclosures as of November 12, 2013

Company	Disclosure
Stemline Therapeutics	1

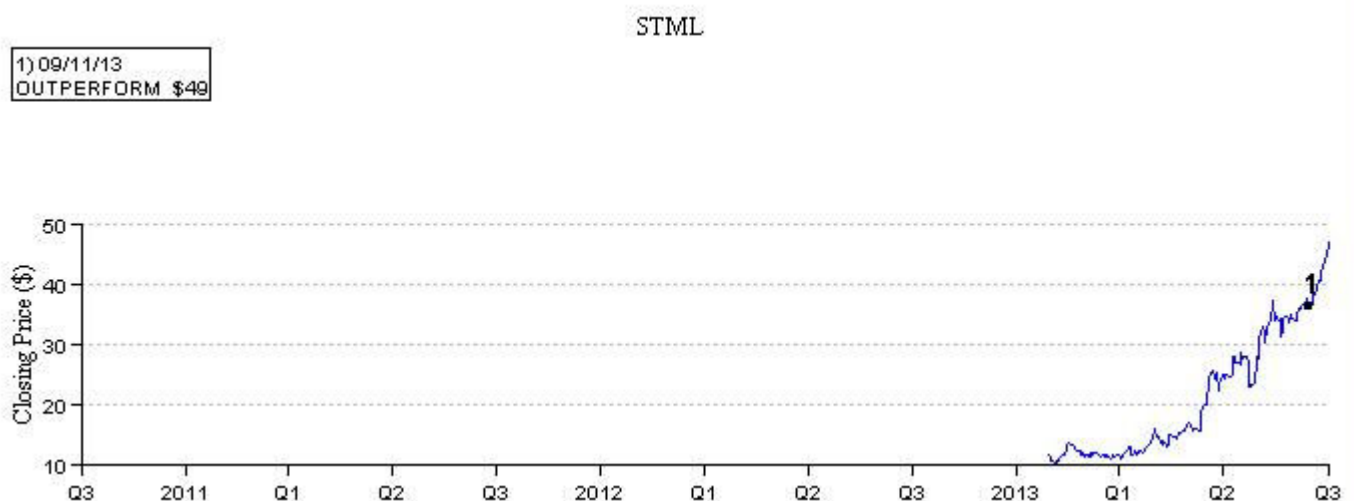
Research Disclosure Legend

1. WS makes a market in the securities of the subject company.
2. WS managed a public offering of securities within the last 12 months.
3. WS co-managed a public offering of securities within the last 12 months.
4. WS has received compensation for investment banking services within the last 12 months.
5. WS provided investment banking services within the last 12 months.
6. WS is acting as financial advisor.
7. WS expects to receive compensation for investment banking services within the next 3 months.
8. WS provided non-investment banking securities-related services within the past 12 months.
9. WS has received compensation for products and services other than investment banking services within the past 12 months.

10. The research analyst, a member of the research analyst's household, any associate of the research analyst, or any individual directly involved in the preparation of this report has a long position in the common stocks.
11. WS or one of its affiliates beneficially own 1% or more of the common equity securities.
12. The analyst maintains Contingent Value Rights that enables him/her to receive payments of cash upon the company's meeting certain clinical and regulatory milestones.

Price Charts

Wedbush disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies initiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available on request.



* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.

Please access the attached hyperlink for WS' Coverage Universe: <http://www.wedbush.com/services/cmg/equities-division/research/equity-research> Applicable disclosure information is also available upon request by contacting Ellen Kang in the Research Department at (213) 688-4529, by email to ellen.kang@wedbush.com, or the Business Conduct Department at (213) 688-8090. You may also submit a written request to the following: Business Conduct Department, 1000 Wilshire Blvd., Los Angeles, CA 90017.

OTHER DISCLOSURES

RESEARCH DEPT. * (213) 688-4505 * www.wedbush.com

EQUITY TRADING Los Angeles (213) 688-4470 / (800) 421-0178 * **EQUITY SALES** Los Angeles (800) 444-8076

CORPORATE HEADQUARTERS (213) 688-8000

The information herein is based on sources that we consider reliable, but its accuracy is not guaranteed. The information contained herein is not a representation by this corporation, nor is any recommendation made herein based on any privileged information. This information is not intended to be nor should it be relied upon as a complete record or analysis; neither is it an offer nor a solicitation of an offer to sell or buy any security mentioned herein. This firm, Wedbush Securities, its officers, employees, and members of their families, or any one or more of them, and its discretionary and advisory accounts, may have a position in any security discussed herein or in related securities and may make, from time to time, purchases or sales thereof in the open market or otherwise. The information and expressions of opinion contained herein are subject to change without further notice. The herein mentioned securities may be sold to or bought from customers on a principal basis by this firm. Additional information with respect to the information contained herein may be obtained upon request.

WEDBUSH

EQUITY RESEARCH DEPARTMENT (213) 688-4529

DIRECTOR OF RESEARCH

Mark D. Benson (213) 688-4435

MANAGER, RESEARCH OPERATIONS

Ellen Kang (213) 688-4529

RETAIL AND CONSUMER

Consumer Products

Rommel T. Dionisio (212) 938-9934
Kurt M. Frederick, CFA CPA (415) 274-6822

Footwear, Apparel and Accessories

Corinna Freedman (212) 688-9876
Alicia Reese (212) 938-9927

Healthy Lifestyles

Kurt M. Frederick, CFA CPA (415) 274-6822

Restaurants

Nick Setyan (213) 688-4519
Colin Radke (213) 688-6624

Specialty Retail: Hardlines

Joan L. Storms, CFA (213) 688-4537
John Garrett, CFA (213) 688-4523

Seth Basham, CFA (212) 938-9954

RETAIL/CONSUMER MARKET RESEARCH

Gabriella Santaniello (213) 688-4557

INDUSTRIAL GROWTH TECHNOLOGY

Clean Technology

Craig Irwin (212) 938-9926
Min Xu (212) 938-9925

Environmental Services / Building Products

Al Kaschalk (213) 688-4539
Taryn Kuida (213) 688-4505

Industrial Biotechnology

Liana Moussatos, Ph.D. (415) 263-6626
Christopher N. Marai, Ph.D. (415) 274-6861

Water and Renewable Energy Solutions

David Rose, CFA (213) 688-4319

TECHNOLOGY, INTERNET, MEDIA & SOCIAL MEDIA

Communications and Application Software / Internet

Shyam Patil, CFA (213) 688-8062

Communications Equipment

Rohit Chopra (212) 688-9871
Sanjit Singh (212) 938-9922
Ryan Flanagan (212) 938-9942

Computer Services: Financial Technology

Gil B. Luria (213) 688-4501
Aaron Turner (213) 688-4429

Enterprise Software

Steve Koenig (415) 274-6801
Kevin Ikeda (213) 688-4423

Entertainment: Retail

Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Nick Citrin (213) 688-4495

Entertainment: Software

Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Nick Citrin (213) 688-4495

Social Internet and E-Commerce

Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Nick Citrin (213) 688-4495

Media

James Dix, CFA (213) 688-4315

Movies and Entertainment

Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Nick Citrin (213) 688-4495

Semiconductors

Betsy Van Hees (415) 274-6869
Ryan Jue, CFA (415) 263-6669

LIFE SCIENCES

Biotechnology/Biopharmaceuticals/BioDefense

Gregory R. Wade, Ph.D. (415) 274-6863
David M. Nierengarten, Ph.D. (415) 274-6862
Christopher N. Marai, Ph.D. (415) 274-6861

Emerging Pharmaceuticals

Liana Moussatos, Ph.D. (415) 263-6626
Richard Lau, CFA (415) 274-6851
Christopher N. Marai, Ph.D. (415) 274-6861

Healthcare Services - Managed Care

Sarah James (213) 688-4503

Medical Devices

Tao Levy (212) 938-9948

Medical Diagnostics and Life Sciences Tools

Zarak Khurshid (415) 274-6823

EQUITY SALES

Los Angeles (213) 688-4470 / (800) 444-8076
San Francisco (415) 274-6800
New York (212) 938-9931
Boston (617) 832-3700

EQUITY TRADING

Los Angeles (213) 688-4470 / (800) 421-0178
San Francisco (415) 274-6811
New York (212) 344-2382
Boston (617) 832-3700

CORPORATE HEADQUARTERS

1000 Wilshire Blvd., Los Angeles, CA 90017-2465

Tel: (213) 688-8000 www.wedbush.com