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EQUITY RESEARCH
Company Report

March 18, 2015

Actinium Pharmaceuticals (ATNM - $ 3.12)

Healthcare/Biotechnology

Actimab-A Continues to Demonstrate Efficacy In Its Early Stage of Development

Ticker:	**ATNM**
Rating:	**Buy**
Price Target:	**$ 17.00**

This morning, ATNM updated investors about the progress of the Actimab-A in elderly AML dose finding Phase I study. The interim analysis indicated that patient cohort treated in the third dose (1.5μCi/kg) did not exhibit dose limiting toxicities while two out of three treated patients achieved complete remission with different degrees of hematological recovery (CRi).

- **Details.** Actimab-A is undergoing a Phase I/II study in elderly AML as a potential first line therapy. The trial is in the Phase I dose finding portion for identifying the maximum tolerated dose (MTD) and assessing preliminary efficacy signals. The three doses tested were 0.5, 1.0 and 1.5μCi/kg and none exhibited dose limiting toxicities. All patients received two cycles of treatments. Two out of three patients of the 1.5 μCi/Kg cohort achieved CRi; only one patient (1/6 of 1.5μCi/kg) achieved the same results of all lower doses tested earlier. From the prior doses tested (0.5 and 1.0μCi/Kg), seven secondary AML patients (with prior MDS) achieved an overall survival (OS) of 9.1 months, which compared very favorably with historical data of 2 to 5 months. The company is starting to test the 4th dose cohort (2.0μCi/kg). Once the MTD is identified, the study will advance into the Phase II portion by treating ~47 elderly AML patients at the MTD level.
- **Implications.** We view today's announcement very encouraging in spite of the small patient size, as a substantial percentage of treated patients achieved CRi. The outlook of elderly AML patient is very poor due to the heavy tumor burden, fragility of the patient, and lack of an approved therapy. We view Actimab-A as a very important value driver for ATNM shareholders based on the significant unmet needs, large market potential, and robust clinical data demonstrated so far. Given the development pace, we estimate the company could complete the dosing finding study in 2Q15 to 3Q15 and potentially start the Phase II study in 2H15. With more studies underway and the maturation of clinical data, we anticipate ATNM to report more Phase I, and even possibly preliminary Phase II, clinical results later in 2015 and 2016.
- **Action.** We are reiterating our Buy rating and $17 target price to reflect the company's continued advancements of its two leading products, supported by recently enhanced balance sheet. Our target price is supported by peer comparable and probability-adjusted-NPV-driven sum-of-the-parts analyses.

Trading Data:

Last Price (03/18/2015)	$ 3.12
52–Week High (4/3/2014)	$ 15.00
52–Week Low (3/16/2015)	$ 2.41
Market Cap. (MM)	$ 110
Shares Out. (MM)	35

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY-15E	-0.22	-0.23	-0.24	-0.24	-0.94	NM
FY-14E	-0.66A	0.14A	-0.21A	-0.23	-0.96	NM
FY-13A	0.02	-0.10	-0.03	-0.25	-0.36	NM
FY-12A	NA	NA	NA	NA	-4.46	NM

Source: Laidlaw & Company estimates

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Anticipated milestones in 2015 and beyond

Product	Indication	Event	Timing	Importance
Iomab-B	Acute Myeloid Leukemia (AML) second line for conditioning for BMT	Potentially file IND for Phase III study	**1H15**	***
		Potentially enroll first patient for Phase III study	**3Q15**	***
		Potentially report Phase III study top-line results	**Mid-2017**	****
		Potentially file for BLA	**3Q17**	***
		Potential FDA decision	**1H18**	****
Actimab-A	Acute Myeloid Leukemia (AML) first line	Potentially complete the Phase I portion of the Phase I/II study	**1H15**	***
		Potentially start the the Phase II portion of the Phase I/II study	**2H15**	***
		Potentially report Phase II study top-line results	**2H16**	****

***** / ***** Major catalyst event that could impact share price very significantly while *** event is more informative*

Source: Laidlaw & Company estimates and company presentation.

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Major Risks

Risks of clinical study failure could have significant impacts on ATNM share value. Although the prior and ongoing studies have provided encouraging clinical outcomes, risks remain that some current trials might not meet study endpoints. As such, the value of the clinical assets could be significantly impaired and, therefore, ATNM shareholder value could diminish. Such a negative impact could be more pronounced if the clinical program is in very advanced development stages, such as Iomab-B in r/r AML or with high investor expectations. Regulatory risks are part of the clinical risks as even if a drug meets its' endpoints for pivotal studies, regulatory agencies might not grant approval.

Commercial risk even with approval, sales could be substantially below expectations. Even it is approved, the commercial sales of any drug could below expectations, resulting in diminished ATNM shareholder value. Factors that could impact the commercial outlook of a drug could include execution of marketing and sales, competition from other drugs, potential change of the treatment paradigm, and unrealistic expectations or projections.

Future capital raises could potentially dilute value of current shareholders. ATNM is still in the product development stage and additional financial resources maybe needed for further advancement of their product pipeline. The company may need to raise capital from financial markets to support its operations even if the company already has partners to provide milestone and other types of payments and/or product revenue. The company might not always be able to raise capital from financial markets at favorable terms. Share dilution under this scenario could reduce the value of the investment to current shareholders of the company.

Other radiotherapeutics have been approved but failed commercially, and this modality might not be broadly accepted and therefore limit its commercial potential. Although two radiotherapeutic drugs have already been approved and commercialized in the U.S. and other parts of the world, their revenue has been a disappointment. Nevertheless, we believe the market and unmet medical need for ATNM's products is different from that of the two prior radiotherapeutics. It is possible that going forward, radiotherapeutics-based medication could have limited use due to market acceptance. Such a scenario could reduce the market potential of radiotherapeutic drugs and have negative impact on ATNM shareholder value.

Limited trading liquidity limits shareholder options. ATNM shares have only been traded on the public market for a short time. Daily trading volume and name recognition are still relatively modest. This may impact shareholders wanting to increase or reduce their positions in a volatile stock market may face some constraints.

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Actinium Pharmaceuticals – Income Statement

($'000)	2011	2012	2013	1Q14	2Q14	3Q14	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E
Revenue																		
Product revenue	0	0	0	-	-	-	-	0	-	-	-	-	0	0	0	15,970	53,768	180,276
Other revenue	0	0	0	-	-	-	-	0	-	-	-	-	0	0	0	0	0	0
Total revenue	0	0	0	-	-	-	-	0	-	-	-	-	0	0	0	15,970	53,768	180,276
Costs of goods															0	2,555	8,603	28,844
Gross sales															0	13,415	45,165	151,432
Research and development	324	3,440	2,667	1,676	2,002	3,773	3,811	11,263	3,849	3,903	4,450	4,628	16,830	24,235	31,505	34,341	37,431	40,426
General and administrative	2,959	4,506	3,919	2,461	2,415	3,257	3,322	11,455	3,356	3,389	3,423	3,457	13,625	14,306	16,309	17,124	17,980	18,879
Marketing and sales			0												7,000	19,600	30,380	31,899
Depreciation and amortization	1	1	2	1	8	14	18	42	16	16	16	16	64	64	64	64	64	64
Loss on disposition of equipment			4	-	-	-	-	0	-	-	-	-	0	0	0	0	0	0
Total Operating Expenses	2,960	4,507	3,925	4,138	4,425	7,045	7,151	22,759	7,221	7,308	7,889	8,101	30,518	38,605	54,878	71,129	85,856	91,268
Operating Incomes (losses)	(2,960)	(4,507)	(3,925)	(4,138)	(4,425)	(7,045)	(7,151)	(22,759)	(7,221)	(7,308)	(7,889)	(8,101)	(30,518)	(38,605)	(54,878)	(57,714)	(40,690)	60,163
Interest income (expense)	(175)	(1,099)	(3)	-	-	-	-	0	-	-	-	-	0	0	0	0	0	0
Gain on change in fair value of derivative liabilities	14	685	(4,179)	(12,561)	7,940	968	500	(3,153)	(200)	(200)	(200)	(200)	(800)	(880)	(968)	(1,065)	(1,171)	(1,288)
Total Other Income (Expense)	(161)	(414)	(4,182)	(12,561)	7,940	968	500	(3,153)	(200)	(200)	(200)	(200)	(800)	(880)	(968)	(1,065)	(1,171)	(1,288)
Net loss and comprehensive loss	(3,121)	(4,921)	(8,107)	(16,699)	3,515	(6,077)	(6,651)	(25,913)	(7,421)	(7,508)	(8,089)	(8,301)	(31,318)	(39,485)	(55,846)	(58,779)	(41,862)	58,875
Tax	0	0	0	-	-	-	-	0	-	-	-	-	0	0	0	0	0	(21,784)
Net Income (Loss)	(3,121)	(4,921)	(8,107)	(16,699)	3,515	(6,077)	(6,651)	(25,913)	(7,421)	(7,508)	(8,089)	(8,301)	(31,318)	(39,485)	(55,846)	(58,779)	(41,862)	37,091
Net Income (Loss) Applicable to Common Shareholders	(3,121)	(4,921)	(8,107)	(16,699)	3,515	(6,077)	(6,651)	(25,913)	(7,421)	(7,508)	(8,089)	(8,301)	(31,318)	(39,485)	(55,846)	(58,779)	(41,862)	37,091
Net Earnings (Losses) Per Share—Basic	($3.89)	($4.46)	($0.36)	($0.66)	$0.14	($0.21)	($0.23)	($0.96)	($0.22)	($0.23)	($0.24)	($0.24)	($0.94)	($1.11)	($1.53)	($1.57)	($1.09)	$0.94
Net Earnings (Losses) Per Share—Diluted	($3.89)	($4.46)	($0.36)	($0.66)	$0.10	($0.21)	($0.23)	($0.88)	($0.22)	($0.23)	($0.24)	($0.24)	($0.94)	($1.11)	($1.53)	($1.57)	($1.09)	$0.94
Shares outstanding—basic	802	1,104	22,753	25,228	25,796	28,497	28,697	27,054	33,141	33,241	33,541	34,041	33,491	35,491	36,491	37,491	38,491	39,491
Shares outstanding—diluted	802	1,104	22,753	25,228	35,862	28,497	28,697	29,571	33,141	33,241	33,541	34,041	33,491	35,491	36,491	37,491	38,491	39,491
Margin Analysis (% of Sales/Revenue)																		
Costs of goods																16%	16%	16%
R&D	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	215%	70%	22%
SG&A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	107%	33%	10%
Operating Income (loss)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-361%	-76%	33%
Net Income	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-368%	-78%	21%
Financial Indicator Growth Analysis (YoY%)																		
Total Revenue		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	237%	235%
R&D		963%	-22%	54%	293%	385%	1198%	322%	130%	95%	18%	21%	49%	44%	30%	9%	9%	8%
SG&A		52%	-13%	164%	150%	292%	179%	192%	36%	40%	5%	4%	19%	5%	14%	5%	5%	5%
Marketing and sales																180%	55%	5%
Operating Income (Losses)		52%	-13%	342%	358%	748%	501%	480%	74%	65%	12%	13%	34%	26%	42%	5%	-29%	-248%
Pretax Income		58%	65%	-4310%	-255%	846%	19%	220%	-56%	-314%	33%	25%	21%	26%	41%	5%	-29%	-241%
Net Income		58%	65%	-4310%	-255%	846%	19%	220%	-56%	-314%	33%	25%	21%	26%	41%	5%	-29%	-189%
EPS		15%	-92%	-3670%	-233%	683%	-6%	169%	-66%	-266%	13%	5%	-2%	19%	38%	2%	-31%	-186%

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Source: Bloomberg LP; Company reports; Laidlaw & Company estimates.

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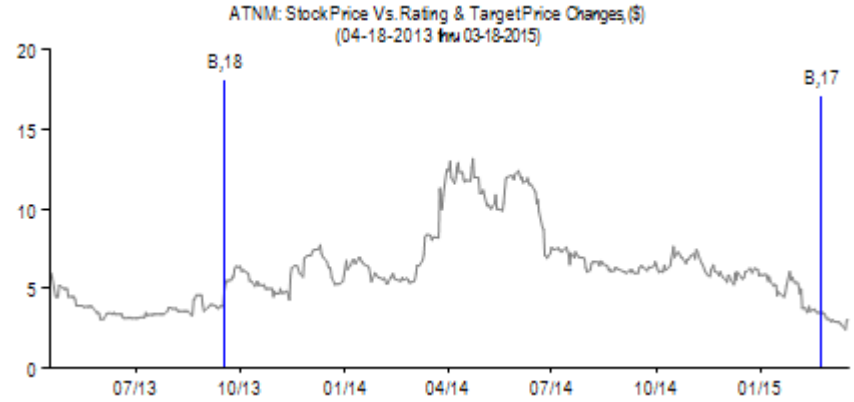
Rating and Price Target Change History



3 Year Rating Change History

Date	Rating	Closing Price ($)
09/17/2013	Buy (B)	4.90

3 Year Price Change History

Date	Target Price ($)	Closing Price, ($)
09/17/2013	18.00	4.90
02/23/2015	17.00	3.50

Source: Laidlaw & Company **Created by: Blue-Compass.net**

Laidlaw & Company Rating System*		% of Companies Under Coverage With This Rating	% of Companies for which Laidlaw & Company has performed services for in the last 12 months	
			Investment Banking	Brokerage
Strong Buy (SB)	Expected to significantly outperform the sector over 12 months.	0.00%	0.00%	0.00%
Buy (B)	Expected to outperform the sector average over 12 months.	81.82%	36.36%	9.09%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	4.55%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

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