

CEL-SCI Corporation (CVM - \$ 1.18)

Cash Raise and Further U.S. Enrollment Expansion

CVM announced the closing of a successful \$10.0 million secondary offering on April 17, 2014, as well as the addition of two new U.S. clinical sites in April.

- Secondary Offering.** On April 17, 2014, CVM announced the closing of a secondary offering for 7,128,229 shares of common stock at \$1.40 and warrants to purchase a total of 1,782,057 shares exercisable at \$1.58 per share. The warrants are immediately exercisable and expire on October 17, 2014. The gross proceeds of \$10.0 million will be used for the company's ongoing Phase III trial of Multikine in head and neck cancer and general administrative expense. Following the offering, we estimate that the company currently has a cash balance of approximately \$19.1 million, which we believe should be sufficient to fund operations into mid-2015.
- U.S. Clinical Centers Added.** On April 28, 2014, the company announced that Southern Illinois University School of Medicine's Simmons Cancer Institute in Springfield, Illinois would be enrolling patients in its Phase III Multikine trial. This trial location comes in addition to the announcement of new clinical sites at the Henry Ford Health System in Detroit, Michigan and 21st Century Oncology in Scottsdale, Arizona in early April. The Arizona center will be opened jointly by the 21st Century Oncology and the Arizona Cancer Research Alliance, which have begun screening patients for the trial. This will be the second 21st Century Oncology location participating in the study subsequent to the addition of a Greensboro, North Carolina site on March 4, 2014. The additional U.S. sites continue the positive momentum for the trial after enrolling 14 patients and adding 5 new clinical centers during the month of March 2014. We are impressed with the enrollment trend since the beginning of the year (see Figure 2, page 2).
- European Oncology Symposium.** CEL-SCI sponsored a symposium at the European Congress on Head and Neck Oncology, which had expected attendance of 900 surgeons, doctors, nurses, and health professionals. CEL-SCI presented an overview of the Phase III trial on April 24, 2014 at the meeting in Liverpool, England. The company currently has 32 E.U. sites, with plans to expand to between 50 to 60 centers enrolling patients. We continue to expect full enrollment by the end of 2015.
- Maintain BUY Rating and Price Target.** We are maintaining our BUY rating and long term price target of \$7.00. Our target is based on the NPV of our probability-adjusted forecasts for Multikine and a small value for the company's manufacturing plant.

Healthcare / Biotechnology

Ticker: **CVM**
Rating: **Buy**
Price Target: **\$ 7.00**

Trading Data:

Last Price (04/28/2014)	\$ 1.18
52-Week High (5/7/2013)	\$ 2.90
52-Week Low (12/19/2013)	\$ 0.53
Market Cap. (MM)	\$ 79
Shares Out. (MM)	67

Earnings Estimates: (per share)

(Sept.)	1Q	2Q	3Q	4Q	FY	P/E
FY_15E	NA	NA	NA	NA	-0.45	NM
FY_14E	-0.09A	-0.11	-0.11	-0.11	-0.42	NM
FY_13A	-0.08	-0.02	-0.15	-0.06	-0.30	NM
FY_12A	-0.18	-0.41	-0.03	-0.09	-0.70	NM

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Source: Laidlaw & Company estimates

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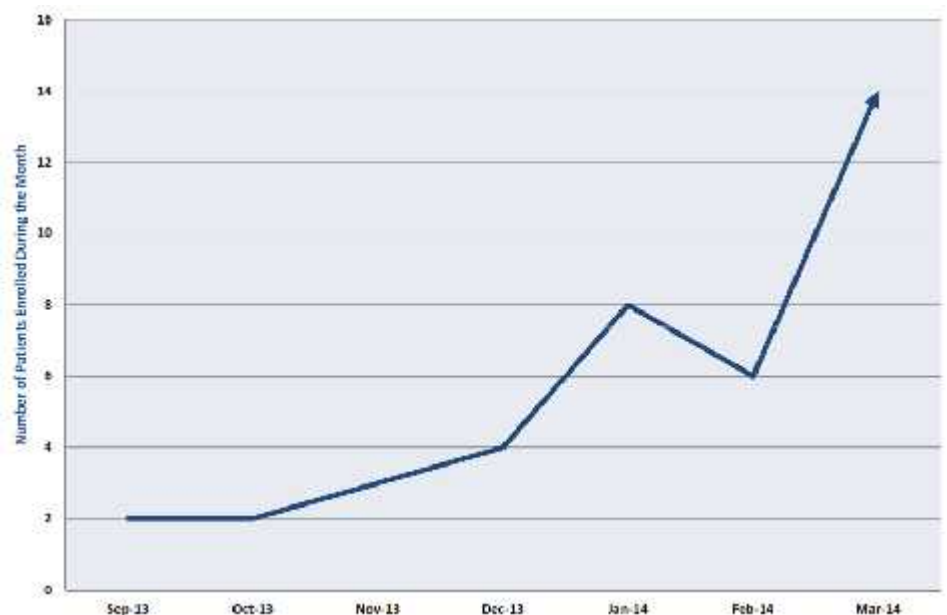
Figure 1: Multikine Phase III Clinical Center Updates

CEL-SCI's lead investigational therapy, Multikine, is currently enrolling patients for a Phase III clinical trial in advanced primary head and neck cancer. As of April 2014, the study has enrolled 160 patients in 49 Centers. The company expects to reach full enrollment of 880 patients at 100 - 110 centers by 2015 as approved centers finalize logistics and approximately 60 centers are added worldwide. The following is a summary of recent clinical center announcements:

April 28 2014	Southern Illinois University School of Medicine's Simmons Cancer Institute joins Phase III study.
April 8 2014	First U.S. clinical site in the Midwest announced. Henry Ford Health System in Detroit, Michigan to begin enrolling patients.
April 2 2014	U.S. site announced Scottsdale, Arizona opened jointly with 21st Century Oncology and the Arizona Cancer Research Alliance to participate in Phase III Trial.
April 1 2014	Announced the addition of 14 patients and 5 new clinical centers in the month of March 2014.
March 4 2014	First U.S. clinical site announced at 21st Century Oncology in Greenville, North Carolina. Management expects to reach 10 - 15 U.S. clinical centers by mid-2014.
January 23 2014	Serbia becomes the 11th country providing approval to participate in the Phase III Multikine trial. Management projects 72 of the worldwide total of 880 patients for the study could be enrolled in Serbia.
December 05 2013	Bosnia and Herzegovina, the 10th country in which the Phase III trial received approval, marked expansion into one-half of the target 20 countries conducting the trial. CVM expects to enroll approximately 30 patients in Bosnia and Herzegovina through 3 clinical centers.
November 20 2013	North American meeting including 14 US and Canadian clinical center participants held. Focus, as at the earlier European meeting, was on the critical discussion of protocols, regulatory issues, enrollment criteria, study procedures and safety issues.
November 12 2013	Croatian Republic approves enrollment of patients in Phase III trial, becomes the 9th country into which CVM expects to enroll approximately 40 patients in Croatia through 4 clinical centers.
October 21 2013	Successful clinical investigator meeting held in Europe. CVM will continue to have a focus on European expansion. The Phase III trial will be conducted at 56 clinical centers in 13 European Countries.
February 25 2013	Taiwanese partner, Orient Europharma, announces 2 new centers: China Medical University Hospital which is located in Taichung, Taiwan, and the the Buddhist Tzu Chi General Hospital which is located in Hualian, Taiwan.

Source: Company reports; Laidlaw & Company estimates

Figure 2: Phase III Study Patient Enrollment by Month (9/2013 – 4/2014)



Source: Company reports

Risks to Owning the Stock

There are many standard risks for development stage biotechnology companies that hold true for the entire industry. There are development risks associated with preclinical and clinical studies, and potential delays in the start of trials. There is regulatory risk that the company will be unable to receive regulatory approvals for drugs or that regulatory approval may be delayed. Manufacturing risks are associated with the upgrading of facilities from clinical study production to commercial production. There is also commercial risk for a company to successfully market and sell its drug or drugs. Other risks include financing risk, currency risk, potential governmental price controls, and IP (generic) risks. The stock of biotechnology companies, like all publically traded companies, is subject to market volatility and liquidity risks if there are small trading floats. CEL-SCI is susceptible to all of these risks.

Other downside risks specific to CEL-SCI include the likelihood of the need to sell more stock to raise capital for the continuation for the Multikine Phase III trial, the timing of Multikine regulatory submission and approval, and the ultimate market potential and expectations for Multikine.

We note that this recommendation is speculative in nature due to the company's market cap, cash position and our opinion that the large majority of the value of the stock is hinged on a binary event, the approval of Multikine for the treatment of head and neck cancer.

Figure 3: Income Statement

CEL-SCI Corp. <i>Income Statement (millions, except per share data)</i>	FY 2013				FY 2014E				FY_11 Sept	FY_12 Sept	FY_13 Sept	FY_14E Sept	FY_15E Sept
	Q1_13 Dec	Q2_13 Mar	Q3_13 Jun	Q4_13 Sept	Q1_14 Dec	Q2_14E Mar	Q3_14E Jun	Q4_14E Sept					
Product Sales, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant Income and Other	0.02	0.02	0.11	0.02	0.11	0.02	0.11	0.02	0.96	0.25	0.16	0.26	0.26
Revenue	0.02	0.02	0.11	0.02	0.11	0.02	0.11	0.02	0.96	0.25	0.16	0.26	0.26
Cost of sales	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit	0.02	0.02	0.11	0.02	0.11	0.02	0.11	0.02	0.96	0.25	0.16	0.26	0.26
<i>Operating expenses:</i>													
Selling, general and administrative	2.00	1.65	1.78	1.55	1.97	1.69	1.82	1.59	6.66	6.60	6.98	7.07	7.24
Research and development	2.92	2.52	3.77	3.47	4.02	4.22	4.43	4.76	11.75	10.37	12.68	17.44	19.70
Depreciation and amortization	0.13	0.09	0.08	0.06	0.06	0.06	0.06	0.06	0.53	0.53	0.36	0.23	0.23
Total Operating Expenses	5.06	4.26	5.63	5.09	6.05	5.96	6.31	6.41	18.94	17.50	20.0	24.73	27.17
Total Operating Expenses (non-GAAP)	5.06	4.26	5.63	5.09	6.05	5.96	6.31	6.41	18.94	17.50	20.03	24.73	27.17
Operating Income/(loss)	(5.04)	(4.24)	(5.51)	(5.07)	(5.93)	(5.95)	(6.20)	(6.39)	(17.99)	(17.24)	(19.87)	(24.47)	(26.91)
Operating Income/(loss) non-GAAP	(5.04)	(4.24)	(5.51)	(5.07)	(5.93)	(5.95)	(6.20)	(6.39)	(17.99)	(17.24)	(19.87)	(24.47)	(26.91)
<i>Other Income:</i>													
Gain on derivative instruments	2.75	3.54	1.08	3.39	1.61	0.00	0.00	0.00	4.43	1.91	10.75	1.61	0.00
Interest income	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.16	0.12	0.12	0.13	0.13
Interest expense	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.32)	(0.26)	(0.17)	(0.17)	(0.17)
Other expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(12.00)	0.00	0.00	0.00	0.00
Income (loss) before provision for income taxes (GAAP)	(2.31)	(0.71)	(4.45)	(1.70)	(4.33)	(5.96)	(6.21)	(6.40)	(25.71)	(15.48)	(9.17)	(22.90)	(26.95)
Income (loss) before provision for income taxes (non-GAAP)	(2.31)	(0.71)	(4.45)	(1.70)	(4.33)	(5.96)	(6.21)	(6.40)	(25.71)	(15.48)	(9.17)	(22.90)	(26.95)
<i>Tax: (%) non-GAAP</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Income tax provision GAAP	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) GAAP	(2.31)	(0.71)	(4.45)	(1.70)	(4.33)	(5.96)	(6.21)	(6.40)	(25.71)	(15.48)	(9.17)	(22.90)	(26.95)
Net income (loss) non-GAAP	(2.31)	(0.71)	(4.45)	(1.70)	(4.33)	(5.96)	(6.21)	(6.40)	(25.71)	(15.48)	(9.17)	(22.90)	(26.95)
Modifications of Warrants/Inducement Warrants	0.0	0.0	(0.1)	0.0	0.00	0.00	0.00	0.00	(1.07)	(2.17)	(0.06)	0.00	0.00
Net income (loss) available to common shareholders GAAP	(2.31)	(0.71)	(4.51)	(1.70)	(4.33)	(5.96)	(6.21)	(6.40)	(26.78)	(17.65)	(9.23)	(22.90)	(26.95)
Net income (loss) available to common shareholders non-GAAP	(2.31)	(0.71)	(4.51)	(1.70)	(4.33)	(5.96)	(6.21)	(6.40)	(26.78)	(17.65)	(9.23)	(22.90)	(26.95)
Diluted EPS (GAAP)	(0.08)	(0.02)	(0.15)	(0.06)	(0.09)	(0.11)	(0.11)	(0.11)	(1.28)	(0.70)	(0.30)	(0.42)	(0.45)
Diluted EPS (non-GAAP)	(0.08)	(0.02)	(0.15)	(0.06)	(0.09)	(0.11)	(0.11)	(0.11)	(1.28)	(0.70)	(0.30)	(0.42)	(0.45)
Weighted Diluted Shares outstanding (000s)	28.3	30.9	30.9	30.3	48.2	55.3	55.3	58.0	20.8	25.2	30.3	54.2	60.3
Weighted Diluted Shares outstanding YOY change (%)	23.9%	24.9%	19.7%	10.9%	70.3%	79.1%	78.9%	91.7%	-57.9%	20.8%	20.2%	79.1%	11.2%

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

Figure 4: Balance Sheet

CEL-SCI Corp. <i>Balance Sheet (\$ millions, except per share data)</i>	FY 2013				FY 2014E				FY_10 Sept	FY_11 Sept	FY_12 Sept	FY_13 Sept	FY_14E Sept	FY_15E Sept
	Q1_13 Dec	Q2_13 Mar	Q3_13 Jun	Q4_13 Sept	Q1_14 Dec	Q2_14E Mar	Q3_14E Jun	Q4_14E Sept						
Assets:														
Cash and cash equivalents	10.7	7.0	3.5	0.0	13.5	19.1	12.2	7.8	26.6	4.3	3.9	0.0	7.8	8.4
Receivables	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.0	-	0.5	0.2	0.1	0.0	0.0
Prepaid expenses	1.1	1.3	0.8	0.8	1.0	1.0	1.0	1.0	0.3	2.0	1.3	0.8	1.0	1.0
Deposits - Current Portion	-	-	-	-	0.2	0.2	0.2	0.2	-	-	-	-	0.2	0.2
Inventories used for R&D and manufacturing	1.1	1.3	1.1	1.0	1.3	1.3	1.3	1.4	1.5	1.6	1.4	1.0	1.4	1.7
Deferred rent- current portion	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.8	0.7	0.7	0.6	0.6	0.6
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	13.6	10.2	6.2	2.5	16.6	22.2	15.3	10.9	29.1	9.0	7.4	2.5	10.9	11.8
Research and Office equipment and leasehold improvements	0.6	0.6	0.5	0.5	0.5	0.4	0.3	0.2	1.3	1.0	0.6	0.5	0.2	0.2
Patent costs	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.3	0.3	0.3
Deferred Rent	5.8	5.7	5.6	5.4	5.3	5.2	5.1	5.0	7.1	6.5	5.9	5.4	5.0	4.6
Deposits - Net of Current Portion	1.7	1.7	2.1	2.1	2.1	2.1	2.1	2.1	-	1.7	1.7	2.1	2.1	2.1
Other assets	-	-	-	-	-	-	-	-	0.0	-	-	-	-	-
Total Assets	22.0	18.5	14.8	10.8	24.8	30.2	23.1	18.5	37.8	18.6	16.1	10.8	18.5	19.0
Liabilities & Shareholders' Equity:														
Accounts payable	0.4	0.5	1.2	1.9	1.6	0.2	1.6	0.3	1.5	0.7	0.6	1.9	0.3	0.3
Accrued expenses	0.2	0.2	0.6	0.1	0.3	0.3	0.3	0.3	0.2	0.3	0.2	0.1	0.3	0.3
Due to employees	0.0	0.1	0.1	0.4	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.4	0.3	0.3
Related party loan	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Deferred rent - current portion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	0.0	0.0	0.0	0.0
Lease obligations - current portion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
Convertible note	-	-	-	-	-	-	-	-	-	5.0	-	-	-	-
Derivative instruments - current portion	-	-	-	-	-	-	-	-	0.4	0.1	-	-	-	-
Total Current Liabilities	1.8	1.9	3.0	3.5	3.4	2.0	3.3	2.0	3.3	7.2	1.9	3.5	2.0	2.0
Derivative instruments - net of current portino	8.4	4.9	3.8	0.4	6.1	6.1	6.1	6.1	6.5	2.2	7.0	0.4	6.1	6.1
Deferred revenue	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Deposits held	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	0.0	0.0	0.0	0.0
Deferred rent - net of current portion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lease obligations - net of current portion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
Other long-term obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	10.4	6.9	7.0	4.1	9.7	8.3	9.6	8.3	10.0	9.5	9.0	4.1	8.3	8.3
Stockholders' Equity	11.6	11.5	7.8	6.7	15.1	21.9	13.5	10.1	27.9	9.1	7.0	6.7	10.1	10.6
Total Liabilities & Equity	22.0	18.5	14.8	10.8	24.8	30.2	23.1	18.5	37.8	18.6	16.1	10.8	18.5	19.0

Source: Bloomberg LP; Company reports; Laidlaw & Company estimate

Figure 5: Cash Flow Statement

CEL-SCI Corp. <i>Non-GAAP Cash Flow Cont. Ops. (\$ millions, except per share data)</i>	FY_10 Sept	FY_11 Sept	FY_12 Sept	FY_13 Sept	FY_14E Sept	FY_15E Sept
Cash flows from operating activities:						
Net income (loss)	10.5	(25.7)	(15.5)	(9.2)	(22.9)	(27.0)
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>						
Depreciation and amortization	0.5	0.5	0.5	0.4	0.4	0.4
Issuance of convertible notes and preferred stock in legal settlement	1.2	0.2	-	-	-	-
Issuance of common stock, warrants and options for services	-	9.0	0.5	0.5	0.1	-
Modification of warrants issued for services	-	-	-	-	0.1	-
Amortization of loan premium	(0.0)	-	-	-	-	-
Extension of options issued to consultants	0.0	0.0	0.1	-	-	-
Extension of options issued to employees	0.2	0.1	0.0	-	-	-
Employee option cost	1.3	1.5	2.2	2.6	2.0	2.0
Common stock contributed to 401 (k) plan	0.1	0.2	0.2	0.2	0.0	-
Impairment loss on abandonment of patents	0.0	0.0	0.0	0.0	0.0	-
Loss on retired equipment	0.0	0.0	0.0	0.0	-	-
Gain on derivative instruments	(28.8)	(4.4)	(1.9)	(10.8)	(1.6)	-
Other	-	-	-	-	-	-
Changes in assets and liabilities:						
Decrease (increase) in deposits	1.6	(1.7)	-	(0.4)	(0.2)	-
Decrease (increase) in receivables	-	(0.5)	0.3	0.1	0.1	-
Decrease in deferred rent asset	1.0	0.6	0.6	0.5	0.5	0.4
Decrease (increase) in prepaid expenses	(0.3)	(1.7)	0.8	0.5	(0.2)	-
Decrease (increase) in inventory for R&D and manufacturing	(1.1)	(0.1)	0.2	0.4	(0.3)	(0.3)
Decrease in accounts payable	0.7	(0.8)	(0.2)	1.3	1.0	-
(Decrease) increase in accrued expenses	0.1	0.1	(0.1)	0.1	0.2	-
Increase in deferred revenue	0.1	-	0.0	0.0	-	-
Increase (decrease) in due to employees	(0.0)	(0.0)	(0.0)	0.2	(0.1)	-
Increase in deposits held	-	0.0	0.0	-	-	-
Decrease in deferred rent liability	(0.0)	(0.0)	0.0	(0.0)	(0.0)	-
Net cash provided by (used in) operating activities	(12.8)	(22.6)	(12.2)	(13.5)	(20.9)	(24.4)
Operating Cash Flow per share	(\$0.26)	(\$1.08)	(\$0.48)	(\$0.45)	(\$0.39)	(\$0.40)
Cash flow from investing activities:						
Additional investment in manufacturing facility	(0.0)	-	-	-	-	-
Decrease in restricted cash	0.0	0.0	-	-	-	-
Purchases of equipment	(0.5)	(0.2)	(0.1)	(0.1)	(0.0)	(0.0)
Expenditures for patent costs	(0.0)	(0.1)	(0.1)	(0.0)	-	-
Cash provided by investing activities	(0.5)	(0.3)	(0.1)	(0.1)	(0.0)	(0.0)
Cash flows from financing activities:						
Proceeds from issuance of common stock	-	3.9	14.3	9.8	28.8	25.0
Payments on obligations under capital leases	-	-	-	(0.0)	(0.0)	(0.0)
Proceeds from exercise of warrants and stock options	6.3	0.7	2.7	-	-	-
Payments for repurchase of preferred stock	-	(4.1)	-	-	-	-
Payments on convertible debt	-	-	(5.0)	-	-	-
Cash (used in) provided by financing activities	6.3	0.6	12.0	9.8	28.8	25.0
Net (decrease) increase in cash and cash equivalents	-	(7.0)	(0.3)	(3.9)	7.8	0.6
Cash and cash equivalents at beginning of the period	-	33.6	4.3	3.9	0.0	7.8
Cash and cash equivalents at end of period	-	26.6	4.3	3.9	7.8	8.4

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

DISCLOSURES:

ANALYST CERTIFICATION

The analyst responsible for the content of this report hereby certifies that the views expressed regarding the company or companies and their securities accurately represent his personal views and that no direct or indirect compensation is to be received by the analyst for any specific recommendation or views contained in this report. Neither the author of this report nor any member of his immediate family or household maintains a position in the securities mentioned in this report.

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Additional information available upon request.

‡ Laidlaw & Company has received compensation from the subject company for investment banking services in the past 12 months and expects to receive or intends to seek compensation for investment banking services from the company in the next three months.

RATINGS INFORMATION

Rating and Price Target Change History



3 Year Rating Change History

Date	Rating	Closing Price (\$)
01/15/2013	Buy (B)	2.82

3 Year Price Change History

Date	Target Price (\$)	Closing Price, (\$)
01/15/2013	7.50**	2.82
01/06/2014	7.00	0.69

** Split Adjusted

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.	87.50%	31.25%	12.50%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	6.25%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

ADDITIONAL COMPANIES MENTIONED

ADDITIONAL DISCLOSURES

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