

Biotechnology

RCPI - NASDAQ

December 7, 2015

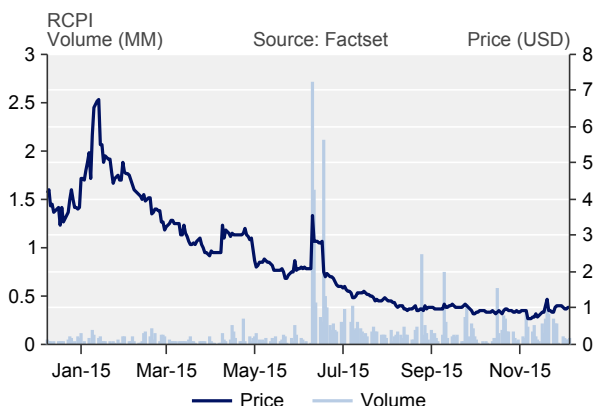
Closing Price 12/4/2015

\$1.02

Rating: Buy
12-Month Target Price: \$4.00
52-Week Range: \$0.65 - \$7.00
Market Cap (M): 11
Shares O/S (M): 11.2
Float: 97.1%
Avg. Daily Volume (000): 139
Dividend: \$0.00
Dividend Yield: 0.00%
Risk Profile: Speculative
Fiscal Year End: December

Total Expenses ('000)

	2015E	2016E	2017E
1Q	3,819A	3,264	3,766
2Q	2,024A	3,314	3,836
3Q	2,024	3,414	3,976
4Q	2,024	3,464	4,046
FY	9,891	13,456	15,625



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Rock Creek Pharmaceuticals

Buy

Two Derm Key Opinion Leaders Come on Board

Summary

- Rock Creek announced that two key opinion leaders with expertise in dermatological disease have been brought on board to advise, assist, and enhance the the inflammatory skin disease development programs for lead product anatabine citrate. This is positive news, as Rock Creek is continuing to build out infrastructure to support studies of anatabine citrate, beginning with an indication for the treatment of psoriasis.
- Professor Christopher Griffiths, MD, FMedSci, Foundation Professor of Dermatology at the University of Manchester, has published over 530 peer-reviewed articles and is lead editor of Rook's Textbook of Dermatology. His expertise includes all aspects of psoriasis and the "brain-skin axis" and mechanisms of aging.
- Professor Vincent Piguet, MD, PhD, FRPC, is the Head of the Department of Dermatology and Wound Healing and Division of Infection and Immunology at Cardiff University (Welsh Institute of Dermatology). Dr. Piguet has given over 100 lectures at international dermatology meetings, including the World Congress of Dermatology. He is on the editorial board of several journals including the Journal of Investigative Dermatology and British Journal of Dermatology.
- The company is conducting the final analysis on the Phase I clinical data (expected by year-end), with a follow-up Phase 1b proof-of-concept trial in 1H16. Recall that Rock Creek's regulatory strategy is to complete a single-site Phase Ib/Ila trial in EU and prepare data for a multi-site Phase IIb trial including in the U.S. The FDA's approval for the Phase IIb trial is expected in 2016.
- Conclusion:** Having the right KOLs on board is a critical element in guiding the clinical development of therapeutics. The addition of Dr. Griffiths and Dr. Piguet further validates Rock Creek's continuing commitment to developing anatabine citrate for dermatological indications, in our opinion.

Details

- Anatabine citrate**, Rock Creek's lead product candidate is a synthetic derivative of the anti-inflammatory compound anatabine (from the tobacco plant), and it is in clinical development for the treatment of psoriasis. Anatabine was a successful nutraceutical ("Anatabloc") used by more than 500,000 people, primarily to alleviate inflammation conditions such as osteoarthritis. Anecdotal evidence has also supported anatabine citrate being used in psoriasis.
- Anatabine citrate targets two key inflammatory pathways.** It is a small molecule with anti-inflammatory properties that binds to cholinergic receptors on the surface of immune cells and shuts down the signaling pathways responsible for driving inflammation. Anatabine citrate's binding and suppression of inflammation is unique in that it effectively suppresses two key mediators of inflammation, the transcription factors NF-kB and STAT3, while many other drugs only suppress one or the other. NF-kB and STAT3 drive the expression of damaging inflammatory cytokines like TNF-alpha, which is the target of blockbuster drugs like Humira, Remicade, and Enbrel. We see psoriasis as an ideal initial indication for anatabine citrate. We believe that anatabine citrate efficacy should be relatively easy to observe through changes in skin lesions as measured by the PASI (Psoriasis Area Severity Index) scoring system.
- Conclusion.** Our current assumption is that anatabine citrate is approved and launched by 2020. We apply a discount rate of 30% to our free-cash-flow, discounted EPS, and sum-of-the-parts models, which are equally weighted to derive a \$4 price target.

DISCLOSURES

Rock Creek Pharmaceuticals Rating History as of 12/04/2015

powered by: BlueMatrix



Maxim Group LLC Ratings Distribution

As of: 12/06/15

		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
Buy	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	88%	46%
Hold	Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither significantly outperform nor underperform its relevant index over the next 12 months.	12%	21%
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	1%	0%

**See valuation section for company specific relevant indices*

I, Jason Kolbert, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

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The research analyst(s) primarily responsible for the preparation of this research report have received compensation based upon various factors, including the firm's total revenues, a portion of which is generated by investment banking activities.

Maxim Group makes a market in Rock Creek Pharmaceuticals

Maxim Group managed/co-managed/acted as placement agent for an offering of the securities for Rock Creek Pharmaceuticals in the past 12 months.

Maxim Group received compensation for investment banking services from Rock Creek Pharmaceuticals in the past 12 months.

Maxim Group expects to receive or intends to seek compensation for investment banking services from Rock Creek Pharmaceuticals in the next 3 months.

RCPI: For RockCreek we use the BTK as the relevant index

Valuation Methods

RCPI: Our therapeutic model assumes that anatabine citrate is approved and launched in 2020. We expect the initial indication to be for mild to moderate psoriasis. Our model assumes a risk adjustment due to the early stage of clinical development. We then apply a 30% discount to our free-cash-flow, discounted-EPS, and sum-of-the-parts models, which are equally weighted to arrive at our price target.

Price Target and Investment Risks

RCPI: RockCreek faces multiple risks associated with the company. These include but are not limited to: The pace and success of drug development activities; The possible out-licensing of any product candidates developed; obtaining regulatory approvals for any product candidates developed; the pace of development of new intellectual property for any product candidates developed; The company's ability to market and sell their products; and the ability to secure financing necessary to operate and grow the business. There can be no assurance that an IND filed with the FDA in the U.S. will result in the actual initiation of clinical trials in the U.S. or that the company's products will ultimately be approved or achieve or maintain expected levels of market acceptance in the U.S. or anywhere else.

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Risk ratings take into account both fundamental criteria and price volatility.

Speculative – Fundamental Criteria: This is a risk rating assigned to early-stage companies with minimal to no revenues, lack of earnings, balance sheet concerns, and/or a short operating history. Accordingly, fundamental risk is expected to be significantly above the industry. Price Volatility: Because of the inherent fundamental criteria of the companies falling within this risk category, the price volatility is expected to be significant with the possibility that the investment could eventually be worthless. Speculative stocks may not be suitable for a significant class of individual investors.

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Medium – Fundamental Criteria: This is a risk rating assigned to companies that may have average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to approximate the industry average.

Low – Fundamental Criteria: This is a risk rating assigned to companies that may have above-average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to be below the industry.

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