Biotechnology

RCPI - OTC March 24, 2016

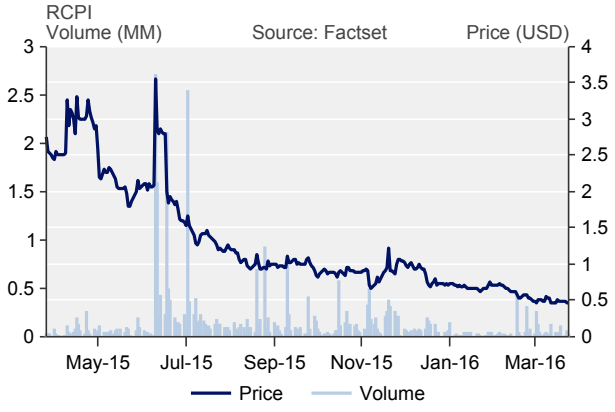
Closing Price 03/23/2016	**$0.45**
Rating:	Buy
12-Month Target Price:	$4.00
52-Week Range:	$0.45 - $4.29
Market Cap (M):	5
Shares O/S (M):	12.0
Float:	97.3%
Avg. Daily Volume (000):	51
Dividend:	$0.00
Dividend Yield:	0.00%
Risk Profile:	Speculative
Fiscal Year End:	December

Total Expenses ('000)

	2015A	2016E	2017E
1Q	3,819	3,402	3,907
2Q	2,024	3,452	3,977
3Q	3,496	3,552	4,117
4Q	1,976	3,602	4,187
FY	11,315	14,007	16,187
Prior	9,891	13,456	15,625

GAAP EPS

	2015A	2016E	2017E
1Q	(0.04)	(0.15)	(0.14)
2Q	(0.09)	(0.16)	(0.14)
3Q	(0.26)	(0.13)	(0.15)
4Q	(0.14)	(0.13)	(0.15)
FY	(0.70)	(0.57)	(0.59)
Prior	(0.28)	(0.60)	(0.62)



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Rock Creek Pharmaceuticals

Buy

Aiming For POC Data In 2016

Summary

- **Rock Creek reported YE-2015 with a net loss of $6.8M and reviewed their plans and clinical targets for 2016. Over the past year, Rock Creek undertook significant cost savings measures and corporate restructuring in 2015 to facilitate the final transformation of the company and lead product Anatabine Citrate from neutraceutical to pharmaceutical.**
- **During this time, three top KOLs in the clinical dermatology space have come on board with Rock Creek; Professor Alan Menter, MD, Chief of Dermatology at Baylor University Medical Center in Dallas, Texas. Professor Christopher Griffiths, MD., (FMedSci, Foundation Professor of Dermatology at the University of Manchester) and Professor Vincent Piguet, MD, PhD, FRPC (Head of the Department of Dermatology and Wound Healing and Division of Infection and Immunology at Cardiff University, Welsh Institute of Dermatology) on board.**
- **Anatabine citrate has completed phase I of the safety study in humans and Rock Creek has demonstrated proof of principle in cell lines slowing down regulation of two key mediators of inflammation (STAT-3 and NF-KB). Hitting both STAT-3 and NF-KB is what differentiates Anatabine citrate from other compounds.**
- **The target now is demonstrating proof of concept in patients with mild to moderate psoriasis. A phase IB/IIa study is expected to be designed and completed in 2016.**
- **Conclusion. Rock Creek is now a clinical-stage pharmaceutical company. The focus should be on the execution of the POC study in psoriasis. Data could come by YE 2016.**

Details

Phase I PK Assays: Blood samples from patients were taken before and after anatabine citrate was given. Each sample was exposed to bacterial antigen called LPS (bacterial lipopolysaccharide). When blood is exposed to LPS, the white blood cells ramp up the inflammatory response, which is driven by increased expression of STAT-3 and NF-KB. Samples taken before patients were exposed to anatabine citrate were stimulated with LPS and the fold-increase in STAT-3 and NF-KB was used to establish the reference point(s). Blood samples taken after anatabine citrate was administered were then stimulated with LPS and the changes in STAT-3 and NF-KB expression were then compared to the reference points. STAT-3 expression was knocked down more than NF-KB. However, it was noticed that the 'before' STAT-3 increased a lot more than the 'before' NF-KB after the two hour LPS exposure. Thus the impact of anatabine citrate appears greater on STAT-3. It's possible the reference NF-KB peaked much earlier than 2 hours and it was 'missed'. Rock Creek is evaluating the assays and may need to run them individually and at different reference point times.

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 78cells 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.

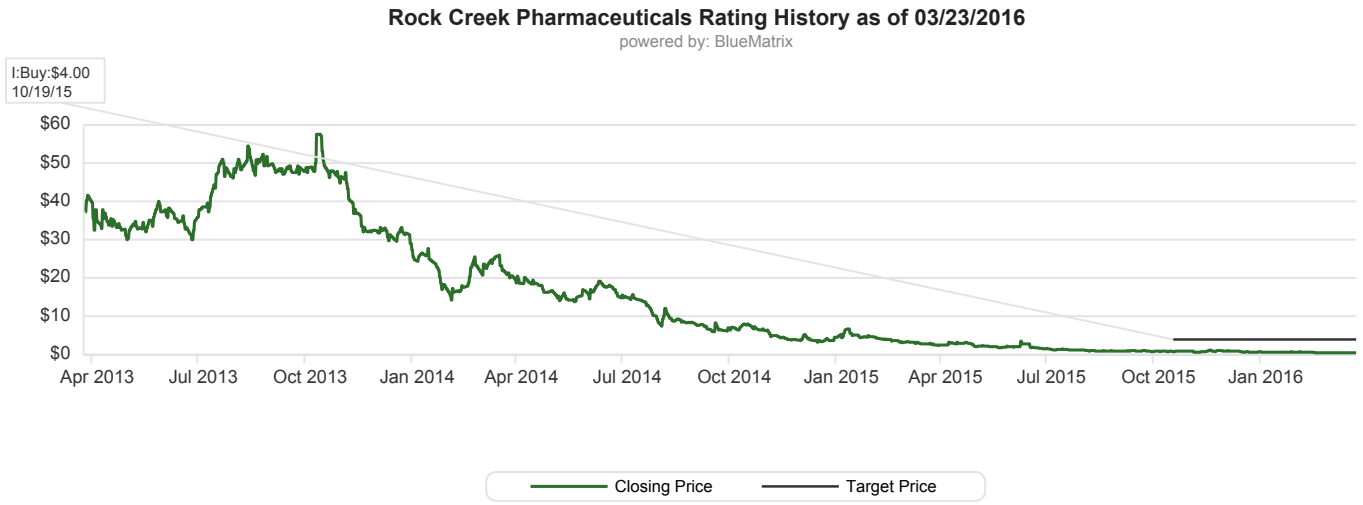
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Rock Creek Pharmaceuticals.: Income Statement ($000)																
RCPI: YE December 31	**2014A**	**1Q15A**	**2Q15A**	**3Q15A**	**4Q15A**	**2015A**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Product sales																
Anatabine Citrate, Psorisis (EU)											94,722	121,615	149,899	179,629	210,861	243,657
Total Product Sales	**1,219**										**94,722**	**121,615**	**149,899**	**179,629**	**210,861**	**243,657**
Expenses																
Cost of Goods Sold	457										14,208	18,242	17,988	19,759	21,086	24,366
%COGS											15%	15%	12%	11%	10%	10%
Research and Development	3,611	473	376	1,267	369	2,485	5,000	7,000	10,000	10,200	12,000	12,240	12,485	12,734	12,989	13,249
%R&D																
General expenses	28,968	3,346	1,648	2,229	1,607	8,830	9,007	9,187	9,205	9,389	9,577	9,769	9,964	10,163	10,366	10,574
%SG&A																
Total expenses	**33,036**	**3,819**	**2,024**	**3,496**	**1,976**	**11,315**	**14,007**	**16,187**	**19,205**	**19,589**	**35,785**	**40,251**	**40,437**	**42,657**	**44,442**	**48,188**
Operating Income (Loss)	(31,817)	(3,819)	(2,024)	(3,496)	(1,976)	(11,315)	(14,007)	(16,187)	(19,205)	(19,589)	58,936	81,364	109,463	136,972	166,420	195,469
Derivative gain	22		1,224	378	(242)	1,360										
Interest expense	(1)				(410)	(410)										
Interest income					1	1										
Other income(expense)	(558)	3,522	(13)	287	(195)	3,601										
Total other income (expense)	**(537)**	**3,522**	**1,211**	**665**	**(846)**	**4,552**										
Pretax Income	**(32,354)**	**(297)**	**(813)**	**(2,831)**	**(2,822)**	**(6,763)**	**(14,007)**	**(16,187)**	**(19,205)**	**(19,589)**	**58,936**	**81,364**	**109,463**	**136,972**	**166,420**	**195,469**
Income Tax Benefit (Provision)													5,473	13,697	24,963	39,094
Tax Rate													5%	10%	15%	20%
Net loss from continuing operations	(32,354)	(297)	(813)	(2,831)	(2,822)	(6,763)	(14,007)	(16,187)	(19,205)	(19,589)	58,936	81,364	114,936	123,275	141,457	156,375
Discontinued Operations																
(Loss)/gain on disposal	(3618)															
Loss on discontinued operations	(1,783)	(41)	(30)	(10)	(82)	(82)										
Total discontinued operations	(5,401)	(41)	(30)	(10)	(82)	(82)										
Comprensive Loss	**(37,755)**	**(338)**	**(843)**	**(2,841)**	**(2,904)**	**(6,845)**	**(14,007)**	**(16,187)**	**(19,205)**	**(19,589)**	**58,936**	**81,364**	**114,936**	**123,275**	**141,457**	**156,375**
GAAP-EPS	**(0.20)**	**(0.04)**	**(0.09)**	**(0.26)**	**(0.14)**	**(0.70)**	**(0.57)**	**(0.59)**	**(0.60)**	**(0.61)**	**1.80**	**2.46**	**3.43**	**3.63**	**4.11**	**4.49**
GAAP EPS (dil)		(0.04)	(0.09)	(0.26)	(0.14)	(0.70)										
Wgtd Avg Shrs (Bas) - '000s	184,482	7,932	8,623	10,874	20,885	9,720	24,628	27,478	31,842	32,257	32,677	33,103	33,534	33,972	34,414	34,863
Wgtd Avg Shrs (Dil) - '000s	184,482	7,932	8,623	8,632	20,885	9,720	24,628	27,478	31,842	32,257	32,677	33,103	33,534	33,972	34,414	34,863

Source: Company reports and Maxim

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DISCLOSURES



Maxim Group LLC Ratings Distribution		As of: 03/23/16	
		% 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.	**87%**	**33%**
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%**	**27%**
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*		

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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.

An affiliate of Maxim Group beneficially owns warrants/shares in Rock Creek Pharmaceuticals .

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.

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