Zacks Small-Cap Research

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Aethlon Medical (AEMD-OTC)

AEMD: $6M Raise. Reasonable Terms, Pipeline Development …

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	11/11/2014
Current Price (06/24/15)	$6.90
Target Price	**$17.00**

OUTLOOK

AEMD's novel blood filtration device could have utility in the treatment of Hepatitis-C, HIV, sepsis, cancer, pandemic diseases and bioterror applications.
AEMD recently got FDA and IRB approvals to run a human study in HCV which is a major milestone. Enrollment just commenced.
DARPA contracts have provided revenue/cash while also providing credibility of the technology and potentially facilitating the quest towards regulatory approval and commercialization. Mgmt has been very resilient and successful in pursuing high potential opportunities in other areas including Ebola, cancer, Alzheimer's and CTE. First Ebola patient treated with Hemopurifier has recovered, manuscript published. Clinical study in Ebola, other Category A threats could be next.
While we have had significant concerns about risks such as a previously shaky balance sheet and reliance on a single target market, AEMD's substantive progress in allaying these concerns prompted our recent upgrade in recommendation from Neutral to Outperform.

SUMMARY DATA

52-Week High	**$36.00**
52-Week Low	**$5.00**
One-Year Return (%)	**-13.75**
Beta	**2.81**
Average Daily Volume (sh)	**20.668**
Shares Outstanding (mil)	**7**
Market Capitalization ($mil)	**$46**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**1**
Insider Ownership (%)	**16**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2015 Estimate	**N/A**
P/E using 2016 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**N/A**
Industry	**Med-Hmo**

ZACKS ESTIMATES

Revenue
(in '000 of $)

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2013	0.2 A	0.4 A	0.2 A	0.4 A	1.2 A
2014	0.2 A	0.6 A	0.1 A	0.7 A	1.6 A
2015	0.1 A	0.5 A	0.0 A	0.3 E	0.9 E
2016					1.5 E

Earnings per Share

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2013	-$0.40 A	-$0.49 A	$0.10 A	-$0.83 A	-$1.64 A
2014	-$0.09 A	-$0.89 A	-$0.56 A	-$1.74 A	-$3.44 A
2015	-$0.80 A	-$0.16 A	-$0.26 A	-$0.18 E	-$1.30 E
2016					-$0.63 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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WHAT'S NEW….

$6 Million Equity Raise

This morning (6/23) AEMD announced the sale of $6 million in equity with 75% warrant coverage. Per share pricing and warrant strike are both $6.30. We expect proceeds will largely be used to advance Hemopurifier development including the recently commenced HCV study but also potentially to advance an application in Ebola. And ESI also has several programs underway including a potential high profile CTE study.

Importantly, this raise continues to confirm the company's ability to bring on additional capital at reasonable terms and without compromising the balance sheet - which had been an issue in the past. This $6 million (gross) plus cash on the balance sheet (which was $2.8M at fiscal Q3 qtr end) should provide a substantial runway for the company to further its development programs.

See our May 14th report for our most recent comprehensive update on AEMD.

PROJECTED INCOME STATMENT

Aethlon Medical, Inc.

	2012 A	2013 A	Q1 A	Q2 A	Q3 A	Q4 A	2014 A	Q1 A	Q2 A	Q3 A	Q4 E	2015 E	2016 E
Revenue	$1,359.6	$1,230.0	$195.6	$644.9	$76.3	$707.0	$1,623.8	$51.3	$479.1	$33.4	$282.7	$846.5	$1,473.0
YOY Growth	-	*-9.5%*	*-9.8%*	*61.2%*	*-63.4%*	*74.8%*	*32.0%*	*-73.8%*	*-25.7%*	*-56.2%*	*-60.0%*	*-47.9%*	*74.0%*
Cost of Goods Sold	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0					$0.0	$0.0
Gross Income	$1,359.6	$1,230.0	$195.6	$644.9	$76.3	$707.0	$1,623.8	$51.3	$479.1	$33.4	$282.7	$846.5	$1,473.0
Gross Margin	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*
SG&A	$3,385.0	$3,365.4	$641.5	$581.1	$766.3	$1,181.6	$3,170.4	$876.3	$829.9	$906.2	$1,080.0	$3,692.4	$3,811.0
% SG&A	*249.0%*	*273.6%*	*328.0%*	*90.1%*	*1004.1%*	*167.1%*	*195.2%*	*1708.3%*	*173.2%*	*2710.6%*	*382.0%*	*436.2%*	*258.7%*
R&D	$1,089.0	$1,440.0	$337.9	$293.6	$542.4	$335.1	$1,509.0	$347.0	$250.4	$214.2	$303.0	$1,114.6	$2,500.0
% R&D	*80.1%*	*117.1%*	*172.8%*	*45.5%*	*710.7%*	*47.4%*	*92.9%*	*676.5%*	*52.3%*	*640.6%*	*107.2%*	*131.7%*	*169.7%*
Impairment	$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
Operating Income	($3,114.3)	($3,575.4)	($783.8)	($229.8)	($1,232.3)	($809.7)	($3,055.6)	($1,172.0)	($601.2)	($1,087.0)	($1,100.3)	($3,960.5)	($4,838.0)
Operating Margin	-	-	-	-	-	-	-	-	-	-	-	-	*-328.4%*
Loss on extinguishment of debt	$77.3	$139.8	$22.8	$17.5	$0.0	$0.0	$40.3	$2,453.6	$208.9	$222.9	$48.0	$2,933.4	$0.0
(Gain)/ loss on derivative liability	$766.9	$44.7	($609.1)	$2,992.0	($78.2)	$6,242.3	$8,547.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Interest (income), net	$3,792.7	$1,107.1	$106.0	$110.4	$113.4	$957.3	$1,287.2	$78.7	$78.1	$148.7	$85.0	$390.5	$144.0
Other expense	$360.2	$25.0	$0.0	$0.0	$1,000.0	($491.4)	$508.6	$0.0	$0.0	$143.4	$0.0	$143.4	$0.0
Pre-Tax Income	($8,111.4)	($4,892.0)	($303.5)	($3,349.7)	($2,267.6)	($7,517.9)	($13,438.6)	($3,704.3)	($888.2)	($1,602.0)	($1,233.3)	($7,427.8)	($4,982.0)
Taxes (benefit)	$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
Tax Rate	*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%*
Net Income	($8,111.4)	($4,892.0)	($303.5)	($3,349.7)	($2,230.6)	($7,473.2)	($13,356.9)	($3,655.9)	($847.4)	($1,550.5)	($1,233.3)	($7,287.1)	($4,982.0)
Net Margin	-	-	-	-	-	-	-	-	-	-	-	*-860.8%*	*-338.2%*
EPS	($0.08)	($1.64)	($0.09)	($0.89)	($0.56)	($1.74)	($3.44)	($0.80)	($0.16)	($0.26)	($0.18)	($1.30)	($0.63)
YOY Growth	-	*1956.5%*	*-78.6%*	*81.7%*	*-669.2%*	*110.6%*	*110.0%*	*834.7%*	*-81.7%*	*-54.3%*	*-89.4%*	*-62.3%*	*-51.7%*
Diluted Shares O/ S	101,766	2,984	3,524	3,753	3,963	4,284	3,881	4,542	5,187	6,032	6,680	5,610	7,940

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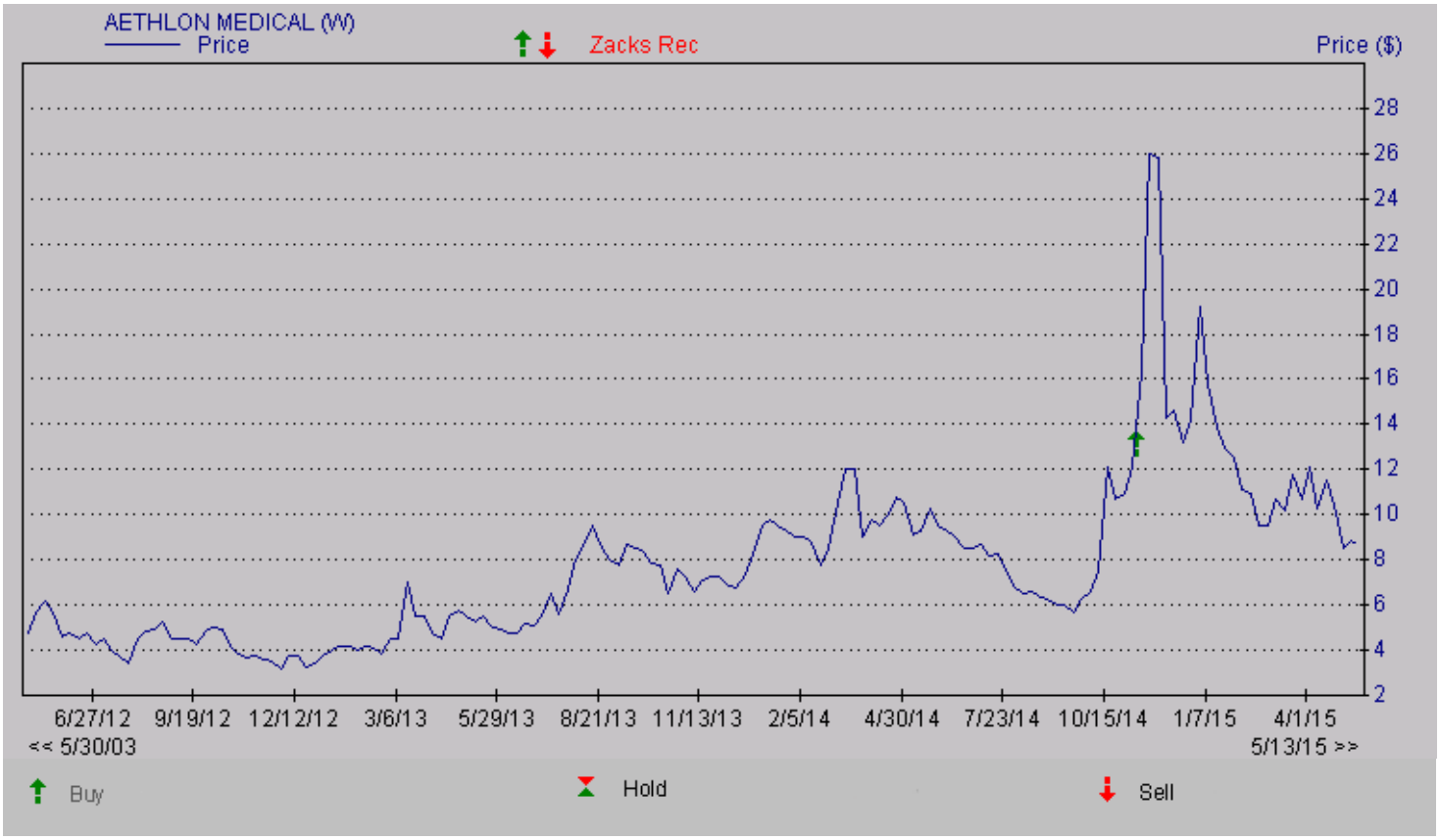

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