Zacks Small-Cap Research

April 22, 2016
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Spotlight Innovation (STLT-OTC)

STLT: Immunoplex Development Progress, Beefed-Up Board

Current Recommendation	**Hold**
Prior Recommendation	N/A
Date of Last Change	08/11/2015
Current Price (04/22/16)	$0.52
Target Price	**$1.50**

OUTLOOK

Spotlight is involved in identifying, acquiring/licensing and developing early-stage life sciences-related technologies and products. They recently acquired two separate companies which brought on promising early-stage clinical development of compounds that may have applications in the treatment of cancer, kidney disease and infectious diseases. One of the main focuses is on development of certain toxins found in snake venom for therapeutic applications in cancer and chronic kidney disease (CKD). These toxins have shown promise in early stage studies as cancer-fighting and pain relieving agents. STLT expects to initiate additional clinical trials in the near-term. The other major focus is with a platform technology called Immunoplex which is being developed to improve vaccine efficacy by using more efficient targeting and delivery. Immunoplex is in preclinical development for certain infectious diseases including influenza as well as for cancers of the breast, prostate and skin (melanoma).

SUMMARY DATA

52-Week High	**$1.39**
52-Week Low	**$0.35**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**8,758**
Shares Outstanding (mil)	**14**
Market Capitalization ($mil)	**$7**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**N/A**
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 2016 Estimate	**N/A**
P/E using 2017 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**N/A,**
Type of Stock	**Small-Growth**
Industry	**Med/Dental-Supp**

ZACKS ESTIMATES

Revenue
(in '000s of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	0 A	0 A	0 A	0 A	0 A
2014	0 A	0 A	0 A	0 A	0 A
2015	0 A	0 A	0 A	0 E	0 E
2016					0 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	-$0.01 A	-$0.01 A	-$0.01 A	-$0.83 A	-$0.96 A
2014	-$0.01 A	-$0.13 A	-$0.07 A	-$0.07 A	-$0.28 A
2015	-$0.07 A	-$0.07 A	-$0.15 A	-$0.09 E	-$0.39 E
2016					-$0.36 E

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

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WHAT'S NEW…

Recent events over the last few months include further development progress of Immunoplex in cancer therapeutics, several additions to the board of directors and updated development timelines for product candidates in each of STLT's business segments.

Immunoplex Immunotherapy Development Progress…
As a reminder, in June 2015 Spotlight acquired Memcine Pharmaceuticals, Inc., a biotechnology company located in the University of Iowa Research Park. Memcine has a platform technology called Immunoplex which is being developed to improve vaccine efficacy by using more efficient targeting and delivery. Immunoplex is in preclinical development for certain infectious diseases including influenza as well as for cancers of the breast, prostate and skin (melanoma).

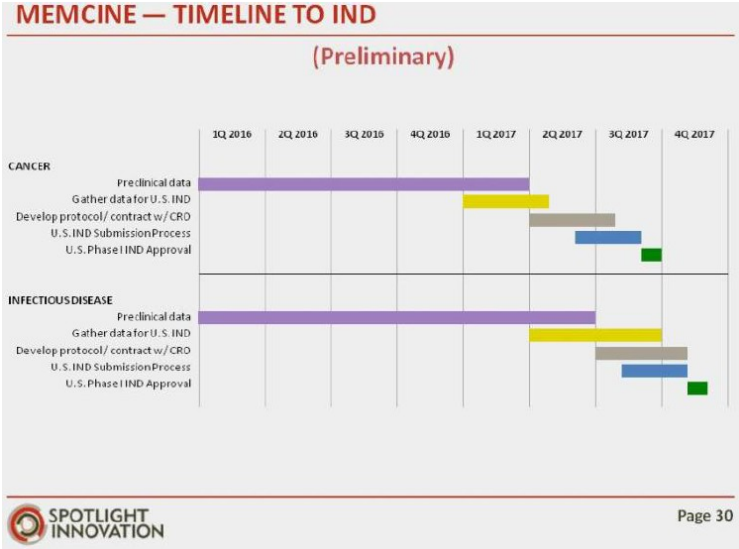
The heart of the technology is based on the use of a proprietary peptide/epitope tag which labels antigens and tumor cells of interest and to which a universal antibody binds to - this is what they term the "Immunoplex". The Immunoplex then delivers the antigen to immune cells and triggers a robust immune response.

The benefit of this technique compared to traditional vaccines, per Memcine, is that Immunoplex reduces exposure to potentially harmful adjuvants and can be delivered to mucosal surfaces without the use of needles. Some adjuvants have been linked to certain diseases in animal testing such as rheumatoid arthritis and cancer. And recently, controversy over certain adjuvants used in childhood vaccines and their potential association with autism has been a mainstream topic. In addition to lower exposure to adjuvants, Immunoplex also potentially significantly reduces the cost and time to develop a complex vaccine, which traditionally requires the identification and extensive testing of several antibodies.

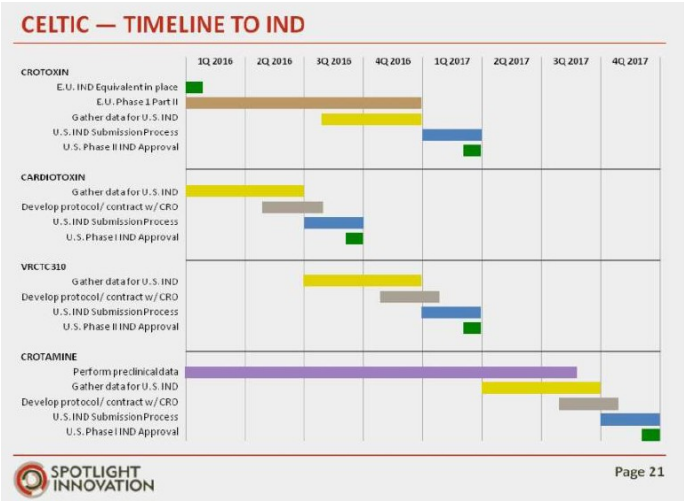
Memcine has recently made additional development progress of Immunoplex as a potential cancer therapy, announcing last week that they demonstrated that the epitope tag can successfully attach to tumor cells in a consistent and reproducible manner. As reproducibility is an indication that the method of action can be replicated and a critical step in the development process, we view this as a significant milestone.

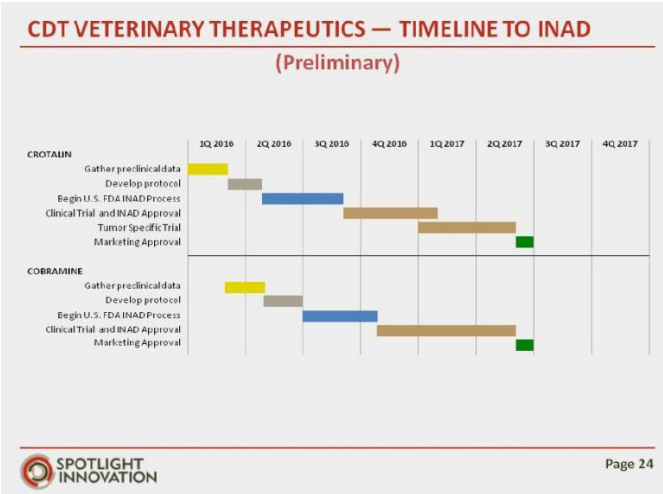
In mid-March STLT penned a research agreement with the University of Alabama-Birmingham to conduct preclinical mouse studies with the Immunoplex immunotherapy technology for metastatic breast cancer. Assuming positive results, the studies will be used to support an Investigational New Drug (IND) application to FDA. STLT expects these preclinical studies to take approximately 6 months.

In February STLT published an investor presentation which included potential (and preliminary) timelines of its various pipeline programs. Below is the pipeline chart which relates to Memcine. We reiterate, however, that these are preliminary timelines, subject to change and were released prior to the April Immunoplex immunotherapy preclinical data (i.e. – the chart timelines are subject to updating).



Updated Celtic Biotech and CDT Veterinary Timelines
The February presentation also included potential and preliminary timelines related to Celtic Biotech's candidates, including Crotoxin, Cardiotoxin, VCTC310 and Crotamine, which are being developed for various human cancers, and for CDT Veterinary, which will look to develop Crotalin and Cobramine in cancer and kidney disease applications in animals, including for dogs and cats.





Beefed-Up Board of Directors…
Four additions were made to the board of directors including (bio's per Feb 24 8-K):

John M. Krohn is a Senior Financial Services Advisor with Principal Financial Group, a global investment management leader. He is Spotlight Innovation's largest investor. Mr. Krohn is also an investor in and a board member of other companies. Prior experience includes Chief Financial Officer positions with two central Iowa companies, Vice President of Operations for Economy Data Products from 1994 to 1996, and Controller for Seneca Corporation, a Des Moines, Iowa-based petroleum services company from 1986 to 1994. Mr. Krohn, a CPA, is a 1981 graduate of the University of Iowa with a degree in Accounting.

Jack E. Price is a Founding Partner of J. Price & Associates which provides business, product and acquisition strategies to emerging high technology medical and other companies. From 2003 to 2006 Mr. Price was President and Chief Executive Officer of VSM MedTech Ltd., a publicly traded and leading supplier of magnetoencephalography (MEG) systems for noninvasive imaging of brain function. From 1993 to 2003 he was President and Division Chief Executive Officer of Philips Medical Systems North America, a leading manufacturer of diagnostic imaging systems, healthcare information technology solutions, healthcare informatics, patient monitoring, and cardiac devices. Mr. Price has degrees in Mathematics and Zoology from the University of Oregon and has served on a number of public and private boards.

Craig A. Lang is President of The Prairie Strategy Group, a policy, communication and logistics consulting company. He is also President of Windward Iowa, an organization advocating for clean energy. From 2001 to 2011 he was Chairman of the Board of FBL Financial, an insurance and annuity company. From 2005 to 2009 Mr. Lang was the Lead Director and Chair of the Compensation Committee of Iowa Telecom. From 2001 to 2011 he was President of the Iowa Farm Bureau Federation, Iowa's largest general farm organization which promotes policies adopted by its membership. Prior to the above, Mr. Lang was Chairman of the Board of Iowa's Grow Values Fund, a $100 million seed fund program supported by Iowa Economic Development. Mr. Lang received a Bachelors of Science degree from Iowa State University in 1973.

Steven Katz is President of Steven Katz & Associates, Inc., a life sciences/health care and technology management consulting firm focusing on strategic planning, corporate development and technology licensing, since 1982. From November 2006 to August 2008 he was Chairman of the Board and President of GammaCan International, Inc., a Bulletin Board listed public company engaged in the development of a plasma-derived pharmaceutical product. From January 2000 to October 2001 Mr. Katz was President, Chief Operating Officer and a director of Senesco Technologies, Inc., an American Stock Exchange listed company engaged in the identification and development of proprietary gene technology. Prior positions included General Manager of a non-banking business unit of Citigroup, National Patent Development Corporation, and Price Waterhouse & Co. Mr. Katz received a Bachelors of Business Administration degree in Accounting from the City College of New York in 1969.

He has proxy contest experience and has served as a member of the board of directors of many publicly-held and several privately-held companies.

FINANCIAL MODEL

Spotlight Innovation, Inc.

	2014 A	Q1A	Q2A	Q3A	Q4E	2015 E	2016 E
Total Revenues	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
YOY Growth	-	-	-	-	-	-	-
COGS	$0.0	$0.00	$0.0	$0.0	$0.0	$0.0	$0.0
Gross Income	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Gross Margin	-	-	-	-	-	-	-
SG&A	$1,486.6	$649.5	$733.6	$1,799.5	$908.0	$4,090.6	$4,414.0
% SG&A	-	-	-	-	-	-	-
R&D	$0.0	$0.0	$3.7	$254.8	$148.0	$406.5	$447.0
% R&D	*#DIV/0!*	-	-	-	-	-	-
Operating Income	($1,486.6)	($649.5)	($737.2)	($2,054.3)	($1,056.0)	($4,497.1)	($4,861.0)
Operating Margin	-	-	-	-	-	-	-
Total Other Income (Expense)	($2,138.6)	($311.8)	($265.8)	($150.7)	($244.0)	($972.8)	($2,128.0)
Pre-Tax Income	($3,625.3)	($961.3)	($1,003.0)	($2,205.0)	($1,300.0)	($5,469.8)	($6,989.0)
Tax expense (benefit)	$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%*
Preferred dividends	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Income to non-contrl interest	-$1.8	$0.2	-$1.3	-$21.1	$0.0	-$22.2	$0.0
Net Income	($3,623.5)	($961.6)	($1,001.8)	($2,183.8)	($1,300.0)	($5,447.7)	($6,989.0)
YOY Growth	*-46.8%*	*751.8%*	*-12.7%*	*184.9%*	*-18.5%*	*50.3%*	*28.3%*
Net Margin	-	-	-	-	-	-	-
EPS	($0.28)	($0.07)	($0.07)	($0.15)	($0.09)	($0.39)	($0.36)
YOY Growth	*-71.0%*					*40.0%*	*-8.5%*
Diluted Shares O/S	13,007	13,413	13,742	14,277	14,455	13,972	19,600

Brian Marckx, CFA

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LEADERSHIP

Management

Cristopher Grunewald
Chief Executive Officer
Mr. Grunewald is a financial executive and entrepreneur with background in the healthcare and biotechnology sectors, private equity and investment banking. He has been involved in all stages of the commercialization of healthcare IP developed by premiere research and development institutions.

Bill Pim, CPA
Chief Financial Officer
Mr. Pim, 61, has held senior financial positions at companies including: the West Des Moines, IA-based not-for-profit Iowa Foundation for Medical Care (now Telligen); Iowa Renewable Energy, located in Washington, IA; the North Liberty, IA-based Heartland Express transportation firm; and LearningRx franchise locations in Des Moines, IA area. He began his career at the Atlanta, Georgia accounting firm of Thompson and Reed. Mr. Pim holds a Bachelor of Science degree from the University of Iowa, and completed undergraduate coursework in Accounting and graduate MBA coursework at Georgia State University in Atlanta, GA.

Rene Erickson
V.P. - Communications
Mr. Erickson has over three decades of corporate communications experience across diverse industries including healthcare, information technology, aviation and academia.

Mike Reysack
V.P. – Technology Acquisition
Mr. Reysack has an extensive background cultivating and managing relationships with stakeholders, including experience as a consultant and business strategist for venture and early stage companies, providing effective communications between companies and the financial community.

Dr. Paul F. Reid
Director of Product Development
President of Celtic Biotech Iowa, Inc
Dr. Reid has extensive experience in new drug/product development and clinical trial design. Expertise includes therapeutic product development, regulatory and clinical affairs, and manufacturing. BA in Microbiology from Trinity College, Ireland, and PhD in Neurobiochemistry from Imperial College, England.

Tony Vanden Bush, PhD
Manager of Product Development
Chief Scientific Officer of Memcine Pharmaceuticals
Dr. Vanden Bush has broad research experience with biochemical interactions and signal transduction pathways of immune cells to better understand immune cell functionality for the purpose of designing improved therapies to combat disease. BS in Molecular Biology and Biochemistry from the University of Wisconsin, and a PhD in Immunobiology from Iowa State University.

Board of Directors

Cristopher Grunewald

John M. Krohn
Senior Financial Services Advisor with Principal Financial Group, a global investment management leader. He is Spotlight Innovation's largest investor. Mr. Krohn is also an investor in and a board member of other companies. Prior experience includes Chief Financial Officer positions with two central Iowa companies, Vice President of Operations for Economy Data Products from 1994 to 1996, and Controller for Seneca Corporation, a Des Moines, Iowa-based petroleum services company from 1986 to 1994. Mr. Krohn, a CPA, is a 1981 graduate of the University of Iowa with a degree in Accounting.

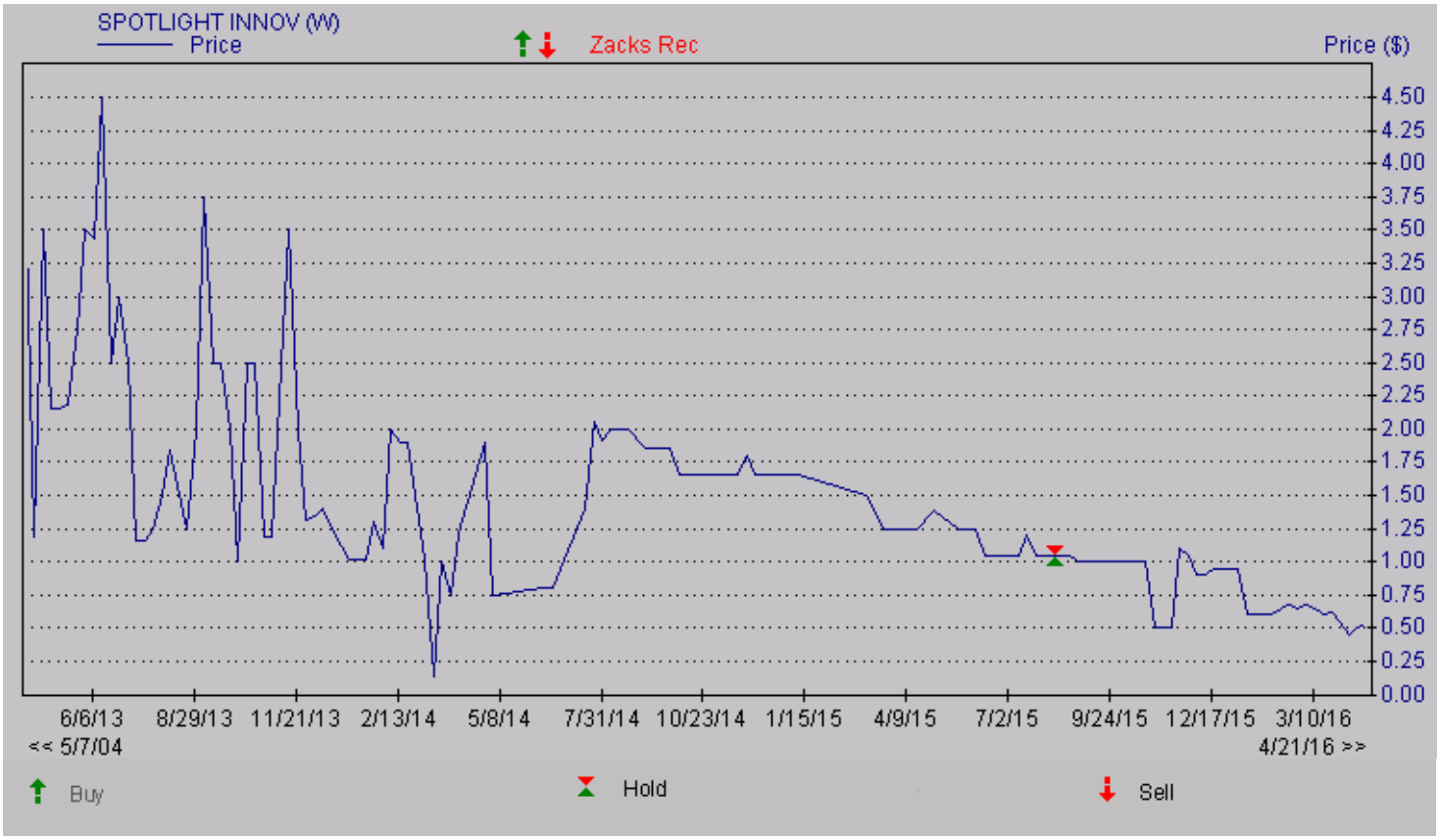
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Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 28.7%, Hold/Neutral- 50.4%, Sell/Underperform – 13.9%. Data is as of midnight on the business day immediately prior to this publication.