Zacks Small-Cap Research

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Galena Biopharma Inc. (GALE-NASDAQ)

Galena: On track to launch Abstral and advance clinical programs---Outperform

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	11/14/2011
Current Price (08/12/13)	$1.85
Twelve-Month Target Price	**$4.50**

OUTLOOK

GALE is on track to launch Abstral, the **first and only** fentanyl sublingual tablet for the management of breakthrough cancer pain. The acquisition of Abstral has transformed GALE to a commercial stage biotech company.

GALE recently raised $24.3 million in equity financing, which boosted its balance sheet.

Currently, the Company has 5 programs in clinic including Phase III NeuVax for breast cancer, Phase I/II FBP for gynecological cancers. This is quite unusual for a small cap biotech company.

We continue rate GALE Outperform based on recent progress the Company has made.

SUMMARY DATA

52-Week High	**$2.87**
52-Week Low	**$1.40**
One-Year Return (%)	**19.35**
Beta	**0.65**
Average Daily Volume (sh)	**1,701,051**
Shares Outstanding (mil)	**83**
Market Capitalization ($mil)	**$154**
Short Interest Ratio (days)	**8.02**
Institutional Ownership (%)	**17**
Insider Ownership (%)	**6**
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 2011 Estimate	**N/A**
P/E using 2012 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2011	0.00 A	0.00 A	0.00 A	0.00 A	0.00 A
2012	0.00 A	0.00 A	0.00 A	0.00 A	0.00 A
2013	0.00 A	0.00 A	0.00 E	2.00 E	2.00 E
2014					10.00 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2011	-$0.26 A	-$0.12 A	-$0.13 A	-$0.13 A	-$0.58 A
2012	-$0.12 A	-$0.09 A	-$0.09 A	-$0.05 A	-$0.34 A
2013	-$0.05 A	-$0.11 A	-$0.10 E	-$0.09 E	-$0.35 E
2014					-$0.33 E

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

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WHAT'S NEW

- **GALE reports second quarter financials;**
- **On track to launch Abstral in 4Q13;**
- **GALE is making progresses in its three clinical programs;**
- **PRESENT Phase III is well under way;**
- **We continue to rate GALE shares Outperform, and reiterate our price target of $4.50 per share.**

GALE Reports Second Quarter 2013 Financial Results

On Aug. 8, 2013, Galena reported its financial results for the three months ended June 30, 2013.

No revenue was recorded for the second quarter of 2013.

Operating loss for the three months ended June 30, 2013 was $7.9 million, including $0.5 million in stock-based compensation charges, compared with an operating loss of $5.7 million for the three months ended June 30, 2012, which includes $0.2 million in stock-based compensation charges.

The non-cash charges related to the changes in values of its warrant and contingent purchase price liabilities for the three months ended June 30, 2013 were $0.5 million versus income of $5.9 million for the three months ended June 30, 2012. Other income from the realized gain on the sale of marketable securities was $0.6 million for the three months ended June 30, 2013.

Net loss (including both continued operations and discontinued operations) for the three months ended June 30, 2013 was $9.6 million, or $0.11 per basic and diluted share, versus a net loss of $0.2 million, or $0.00 per basic share and $0.03 per diluted share, for the three months ended June 30, 2012.

As of June 30, 2013, Galena had cash, cash equivalents and marketable securities of $26.8 million, compared with $35.6 million as of December 31, 2012.

Marketable securities consisted of approximately 30.5 million (1.0 million post reverse-stock split) shares of common stock in RXi Pharmaceuticals with a market value of approximately $5.8 million as of June 30, 2013. On July 19, 2013, RXi effected a 1-for-30 reverse stock split of its outstanding shares of common stock (RXIID). On May 8, Galena completed a debt financing of $15 million to fund the purchase and launch of Abstral, of which $10 million was drawn immediately and $5 million remains available.

Current cash balance plus the outstanding $5 million debt could run through 1Q14.

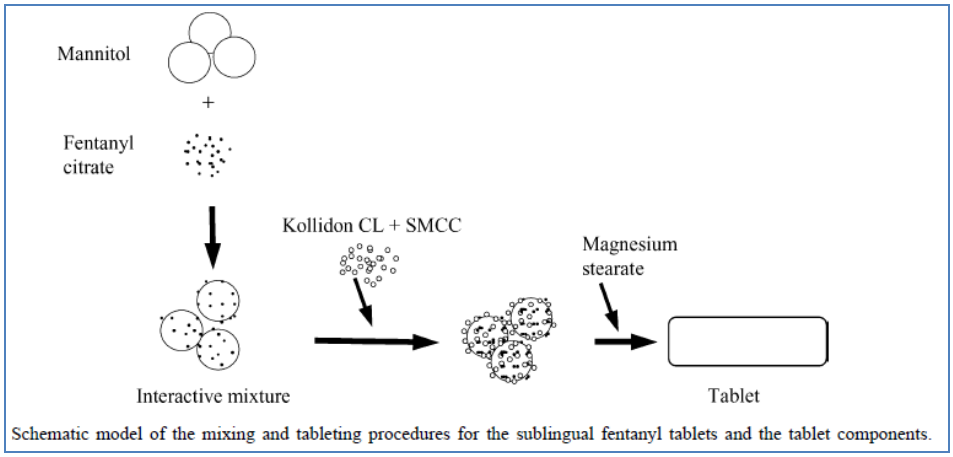
Abstral will be launched in Q4 2013

Background of Abstral

For those who are not familiar with Abstral and its acquisition, I would like to first discuss the background of Abstral and why we think it's a great move for GALE to acquire this unique product.

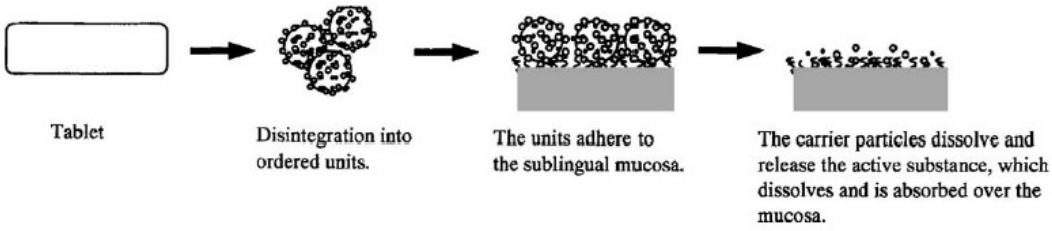
On March 18, 2013, GALE entered into an agreement with Orexo AB (ORX.ST), an emerging specialty pharmaceutical company based in Sweden, to acquire **Abstral® (fentanyl) Sublingual Tablets** for sale and distribution in the United States.
Abstral is a novel, rapidly-disintegrating, sublingual (under the tongue) rapid acting formulation of fentanyl, a well-established opioid, and is indicated for the management of **breakthrough cancer pain (BTcP)** in patients who are already receiving, and who are tolerant to, background opioid therapy for their persistent baseline cancer pain. Despite already receiving long acting opioid pain management, 40-80% of cancer patients experience episodes of severe tumor- and treatment-related breakthrough pain that is

associated with high distress, and impaired quality of life. Physicians and patients with breakthrough cancer pain want a pain killer with fast relief, ease of use and short duration of action.



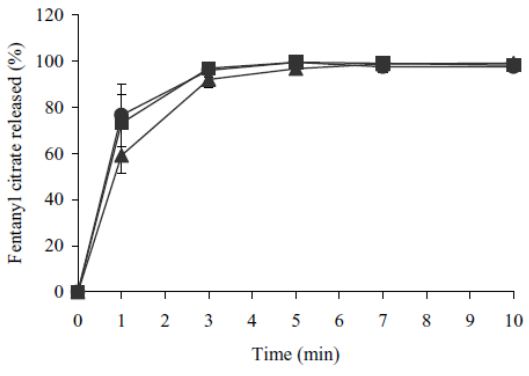
Schematic model of the mixing and tableting procedures for the sublingual fentanyl tablets and the tablet components.

The innovative Abstral formulation delivers the analgesic power of fentanyl in a convenient and easy to use sublingual tablet, which dissolves under the tongue within seconds. Abstral provides rapid relief of BTcP, predictable dosing, and is convenient and easy to use.

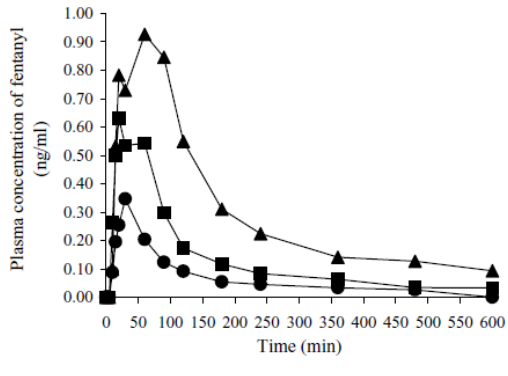


Schematic model of the disintegration, bioadhesion and drug dissolution of the new sublingual tablet system.

After single dose administration, plasma concentrations of fentanyl were obtained within 10 min, with no second peak corresponding to possible gastrointestinal absorption. With this new sublingual tablet system, an optimal exposure of active substance to the dissolving fluids in the mouth is combined with bioadhesive retention of the drug in the oral cavity, resulting in rapid sublingual absorption where intestinal absorption is thus essentially avoided. The possibility to attain a rapid absorption into the systemic circulation gives promises of a new approach to treat breakthrough pain.



Amount of fentanyl (%) dissolved from the tablets containing fentanyl citrate corresponding to 100 μg (●), 200 μg (■) and 400 μg (▲) fentanyl base, as a function of time (min). Mean values ± S.D. ($n = 6$).



Plasma concentration–time profiles of fentanyl in one cancer patient following a sublingual dose of 100 μg (●), 200 μg (■) and 400 μg (▲) fentanyl base.

The safety and efficacy of Abstral has been evidenced in the following multiple clinical trials.

Study	Objectives	Design	Population	Intervention*
EN3267–005/–007	Efficacy and long-term safety in opioid-tolerant patients with BTcP	Phase III, double-blind efficacy study and open-label, ongoing safety study	Opioid-tolerant, male and female patients with BTcP (n=219)	Titrated dose (100–800 µg) optimised SLF
SuF–002	Efficacy and tolerability in opioid-tolerant patients with BTcP	Randomized, Phase II, double-blind, single-dose, four-period crossover study	Opioid-tolerant, male and female patients with BTcP (n=38)	100 ,200, 400 µg reference formulation SLF
SuF–001	PK, safety and tolerability in opioid-tolerant cancer patients	Randomized, Phase I, double-blind, single-dose, two-period, crossover PK study	Opioid-tolerant, male and female cancer patients (n=11)	100 ,200, 400 µg reference formulation SLF
2246–EU–005	PK, safety and tolerability of single and multiple doses in healthy volunteers	Phase I, open-label, multiple-dose PK study	Opioid-naïve, healthy male and female volunteers (n=48)	100, 200, 400, 800 µg single and repeat doses optimised SLF
2246–EU–001	PK, safety and tolerability of SLF in Japanese and Caucasian volunteers	Phase I, open-label, ascending single-dose, four-period PK study	Opioid-naïve, healthy male Japanese and Caucasian volunteers (n=21)	50, 100, 150, 200 µg reference formulation SLF
SuF–003	PK, safety and tolerability of new SLF formulations	Randomized, Phase I, open-label, single-dose, four-period, crossover study	Opioid-naïve, healthy male volunteers (n=16)	400 µg of each of four SLF formulations

Abstral is the leading rapid acting fentanyl product in Europe, where it achieved full year sales of US$54 million by ProStrakan/Kyowa Hakko Kirin in 2012, and continues to exhibit a steady growth of 42% for Q4-2012 over Q4-2011. By the second half of 2012, the average volume market share of Abstral in the major European markets reached 29%. Abstral is marketed in Canada by Paladin Labs, and has been filed for regulatory approval in Japan by Kyowa Hakko Kirin Co Ltd.

Abstral was approved by the FDA in January 2011. Orexo announced in June 2012 the acquisition of all US rights to Abstral from ProStrakan Group plc as a part of a reconfiguration of the worldwide rights to Abstral. The US market for rapid acting fentanyl products reached US$400 million in 2012. Market research has documented a substantial unmet patient need for improved treatment of breakthrough cancer pain across oncology centers in the United States.

Abstral will be launched in Q4 2013

Galena has identified its commercialization management team and expects to bring key personnel onboard shortly. The Company will expand its marketing team and sales force as essential reimbursement and other commercial milestones are met towards a Q4 2013 launch. About 50 sales reps will be recruited and trained to market Abstral.

GALE will position Abstral as the **first and only** fentanyl sublingual tablet for the management of breakthrough cancer pain in opioid tolerant patients with cancer. Abstral is the best-in-class for the treatment of breakthrough cancer pain which provides:

- **Rapid absorption**: Innovative drug delivery technology ensures tablets dissolve quickly to allow rapid absorption from the oral mucosa;
- **Rapid onset**: Delivers rapid relief of breakthrough cancer pain. Novel formulation which delivers the fastest onset of action of any TRIF: 5-10 minutes;
- **Treatment optimization**: Can be titrated to meet the analgesic requirements of individual patients;
- **Convenient administration:** Tablets are placed under the tongue and allowed to rapidly dissolve;
- **Superior side effect profile** (increased GI motility; decreased oral irritation).

The breakthrough pain market in the US reached US$400 million in 2012 and will continue to grow. In 2012, market share leaders include Fentora (fentanyl buccal tablet; Cephalon/Teva) with ~40% ($161M), Actiq (fentanyl lollipop, Cephalon/Teva) with 7.5% ($30M). Changes in REMS (Risk Evaluation and Mitigation Strategies) requirements (March 2012) have leveled the playing field. Market research has documented a substantial unmet patient need for improved treatment of breakthrough cancer pain across oncology centers in the United States.

Management expects to achieve the following net revenues goals: >$1.5-3.0 MM in 2013; >$8.0-12.0 MM in 2014 and overall pro forma revenue peak sales of $40-60 MM or 10-15% market share in 3-5 years.

We think the Abstral acquisition is an important milestone for GALE. This acquisition has **transformed GALE to a commercial organization** from a pure development biotech company.

The acquisition of Abstral **diversifies and strengthens GALE's pipeline**, providing GALE with an FDA approved product that will become a cornerstone of GALE's commercial strategy and bring revenues to the Company in 2014 to support the development of its pipeline.

GALE's launch of Abstral will **build relationships with future prescribers** of NeuVax™, which is currently in global **Phase III** clinical trials in node positive HER2 IHC 1+/2+ breast cancer patients. Medical oncologists, who manage tumor and treatment related pain, predominantly prescribe TIRFs for advanced breast cancer and other solid tumor patients which represent the majority of overall prescriptions.

The launch of Abstral will **accelerate revenue initiation** to 2013 reaching cash flow positive in 18-24 months; and reduce overall company cash burn through the launch of NeuVax. The acquisition of Abstral diversifies and deepens the breadth, depth and pace of pipeline towards becoming a mid-cap oncology company (not just a cancer immunotherapy company).

GALE Is Making Progresses in its Three Clinical Programs

NeuVax continues to demonstrate durable response rates

At the 2013 ASCO meeting, GALE presented a poster entitled: "Biomarker Correlation to Clinical Response in **Phase I/II** Trials of the Adjuvant Breast Cancer Vaccine, NeuVax (nelipepimut-S or E75)".

The poster presentation examined the relationship between in vitro **immunologic response (IR)** and **clinical recurrence (CR)** after five years of follow-up in patients with breast cancer. The study looked at the levels of E75 specific T-cells as measured by the dimer assay and correlated the IR with clinical benefit, or lack of recurrence. The dimer assay is a way of counting E75-specific killer T cells that are induced by the NeuVax vaccine. The vaccine was administered in the adjuvant setting to prevent recurrence in breast cancer patients rendered disease-free following standard-of-care therapy. Evaluable patients (n=187) combined both the SN-33 (node-positive) and SN-34 (node negative) patients from the Phase I/II NeuVax trials. In the study, the majority of the recurrences occur in women that had lower absolute levels of NeuVax-specific T cells or more modest increases in their NeuVax-specific T cells.

The study concluded that in completed Phase I/II trials of NeuVax, patients who exhibit robust in vitro IR have lower recurrence rates. This finding suggests that nelipepimut-specific CTL clonal expansion is a valid biomarker for CR in patients treated with NeuVax. In the SN-33 trial, the 60-month Landmark Analysis demonstrated a 5.6% recurrence rate with NeuVax vs. a 25.9% recurrence rate in the control arm—a recurrence reduction of 78.4%.

NeuVax companion diagnostic increases accuracy

Also at the 2013 ASCO meeting, GALE reported preliminary results from its partner Leica Biosystems entitled, "Bond Oracle™ HER2 IHC assay for identifying low to intermediate HER2-expressing breast cancer."

GALE entered into a partnership with **Leica Biosystems** in December, 2012, to develop a **companion diagnostic** for Galena's NeuVax (nelipepimut-S or E75) breast cancer therapeutic.

Leica's Bond Oracle™ HER2 IHC System companion diagnostic will be used to support the selection of the appropriate patients for the NeuVax Phase III PRESENT study. Bond Oracle™ HER2 IHC System is an FDA cleared semi-quantitative immunohistochemical (IHC) assay to determine HER2 (Human Epidermal Growth Factor Receptor 2) oncoprotein status in breast cancer tissue processed for histological evaluation. NeuVax targets HER2 negative patients (IHC 1+, or 2+ and FISH < 2.2) who achieve remission with current standard of care, but have no available HER2-targeted adjuvant treatment options to maintain their disease-free status.

In Galena's **Phase III PRESENT** study, Leica's Bond Oracle HER2 IHC System is under evaluation to reliably identify IHC HER2 1+ and 2+ cases by correlating to independent analytical measures of HER2 expression. To date, no companion diagnostic test is validated to differentiate HER2 at these levels of expression.

Testing by Leica Biosystems is ongoing to demonstrate the relationship between HER2 receptor load, HER2 copy number, and HER2 IHC status on four-assay control breast cancer cell lines. Testing is also underway to show that HER2 mRNA expression correlates with IHC staining with the BOND Oracle HER2 IHC Assay in breast cancer tissue samples. The testing will hopefully demonstrate that the Bond Oracle HER2 IHC assay can improve the discrimination of HER2 protein expression (IHC 1+, 2+) in breast cancer tumors and can be used to identify patients for new treatments in development, such as NeuVax.

Initial results from FBP Phase I/IIa trial is expected in 4Q13

GALE is conducting a **Phase I/IIa** FBP (E39) clinical trial which **has enrolled more than 20 patients** to date.

As a reminder, GALE initiated its Phase I/IIa study of its Folate Binding Protein (E39) vaccine in two gynecological cancers: **ovarian** and **endometrial adenocarcinomas** in Feb, 2012.

The FBP vaccine consists of the E39 peptide combined with the immune adjuvant, granulocyte macrophage-colony stimulating factor (GM-CSF). The Phase I/IIa study will test whether the FBP vaccine is safe and effective at inducing an anti-tumor immune response. Furthermore, the study will determine the optimal dose of the vaccine to produce this immunity most efficiently, and whether immunity to FBP will prevent clinical recurrence in patients with ovarian and aggressive endometrial cancer.

FBP is over-expressed (20-80 fold) in more than 90% of ovarian and aggressive endometrial cancers, as well as 20-50% of breast, lung, colorectal, and renal cell carcinomas. FBP has very limited tissue distribution and expression in non-malignant tissue and has many years of validation as an ideal immunotherapy target.

In the trial, E39 + GM-CSF is being administered in the adjuvant setting with the goal of preventing recurrences in high-risk, endometrial (EC) and ovarian cancer (OC) patients rendered disease-free with standard-of-care therapy. The Phase I/IIa trial is being performed initially as a 3x3, dose-escalation, safety trial enrolling EC and OC patients with tumors expressing any level of FBP. HLA-A2+ patients are enrolled into the vaccine group (VG) while HLA-A2- patients are being followed prospectively as the untreated control group (CG). Six monthly intradermal inoculations (R1-R6) of 100/500/1000mcg of E39 + 250 mcg GMCSF (immunoadjuvant) are administered to the VG during the primary vaccine series (PVS). Local reactions (LR) are measured as the orthogonal mean (OM), after each inoculation. IR in the

VG is assessed in vivo by delayed type hypersensitivity (DTH) test, measured as the OM. DTH is measured pre-vaccination (R0) and after the PVS (R6).

The study arms are well-balanced with no differences in age, grade, stage III, or node positivity status between groups. Overall, E39 was well-tolerated and the study to date has demonstrated an 11.1% recurrence rate with E39 vs. a 27.3% recurrence rate in the control group—a recurrence reduction of 59.3%.

Initial results from the Phase I/IIa trial are expected in 4Q13.

The Phase III PRESENT Trial is Underway

Based on the SN-33 booster data, on Jan. 20, 2012, GALE initiated the **Phase III PRESENT** trial for NeuVax (E75 peptide plus GM-CSF) vaccine in HER2 1+ and 2+ breast cancer patients in the adjuvant setting to **prevent recurrence**.

The PRESENT (**P**revention of **R**ecurrence in **E**arly-**S**tage, Node-Positive Breast Cancer with Low to Intermediate HER2 **E**xpression with **N**euVax **T**reatment) study is a randomized, multicenter, multinational clinical trial that will enroll approximately 700 breast cancer patients. The trial design has been updated to include current National Comprehensive Cancer Network guidelines and recently received **Special Protocol Assessment (SPA)** concurrence from the FDA. Based on a successful Phase II trial, which achieved its primary endpoint of disease-free survival (DFS), the FDA has agreed that the design and planned analysis of the Phase III study adequately address the objectives necessary to support an acceptable regulatory submission for marketing approval.

The NeuVax Phase III trial will be conducted in adjuvant breast cancer patients who are node positive, have an HLA status of A2/A3+, and have low or intermediate HER2 expression (IHC 1+, 2+, sometimes referred to as HER2 negative). These patients are not eligible to receive Herceptin (trastuzumab, marketed by Roche-Genentech) therapy that is currently approved only for patients with high HER2, or 3+ expression.

According to the protocol, once qualified patients have achieved a complete response from current standard-of-care treatment (surgery, radiation and/or chemotherapy), they will be randomized and dosed with either NeuVax (E75 + GM-CSF) or control (placebo plus GM-CSF). Patients will receive one intradermal injection every month for six months, followed by a booster inoculation every six months thereafter. **The primary endpoint is disease-free survival at three years** or 139 events (recurrence of cancer). A data safety monitoring board will conduct an interim analysis for safety and futility after 70 events.

To date, the trial is currently enrolling in 11 countries and over 130 clinical sites worldwide. The completion of enrollment in NeuVax Phase III PRESENT trial is expected to be the end of 2013, and an interim analysis (70 events) for NeuVax Phase III PRESENT trial is expected to be in 1H14.

We think the Phase III trial design is prudent based on the existing data from the Phase I/II trials. This Phase III trial is well designed and better controlled one compared to the Phase I/II trials.

We believe NeuVax has a blockbuster potential if it finally reaches the market.

Two Partnerships Established to Expedite NeuVax Development and Commercialization

On December 4, 2012, GALE signed an agreement with a subsidiary of **Teva Pharmaceutical Industries Limited** for the commercialization of NeuVax (nelipepimut-S or E75) in Israel.

Under the agreement, Teva Israel will assume responsibility for regulatory registration in Israel, provide financial support for local development, and will commercialize the product in the region. Specific

financial terms were not disclosed, but the agreement allows for significant royalty payments to Galena Biopharma on future sales.

Israel will be the location of at least four clinical trial sites for the NeuVax **Phase III PRESENT** study.

On December 6, 2012, GALE announced a partnership with **Leica Biosystems** to develop a **companion diagnostic** for Galena's NeuVax (nelipepimut-S or E75) breast cancer therapeutic.

Leica Biosystems is a global leader in workflow solutions and laboratory automation for anatomic pathology, bringing clinicians and researchers high workflow efficiency and confidence in cancer diagnostics. Leica Biosystems provides a comprehensive product range with easy-to-use and consistently reliable solutions for the entire laboratory.

Leica's Bond Oracle™ HER2 IHC System companion diagnostic will be used to support the selection of the appropriate patients for the NeuVax Phase III PRESENT study. Bond Oracle™ HER2 IHC System is an FDA cleared semi-quantitative immunohistochemical (IHC) assay to determine HER2 (Human Epidermal Growth Factor Receptor 2) oncoprotein status in breast cancer tissue processed for histological evaluation. NeuVax targets HER2 negative patients (IHC 1+, or 2+ and FISH < 2.2) who achieve remission with current standard of care, but have no available HER2-targeted adjuvant treatment options to maintain their disease-free status.

We think the two partnerships established will accelerate the development and commercialization of NeuVax in the US and around the world.

The agreement with Teva Israel is the first piece of GALE’s global commercialization strategy. Teva is a world-class pharmaceutical company and a major pharmaceutical company in Israel. Their financial support, as well as market leadership will help accelerate NeuVax development and commercialization in the region.

The agreement with Leica also marks a significant milestone for Galena. By partnering with Leica, GALE will be able to ensure the proper and accurate assessment of breast cancer patients considering participation in the NeuVax PRESENT trial. Galena strengthens its NeuVax personalized medicine and regulatory pathway with companion diagnostic development.

VALUATION AND RECOMMENDATION

We initiated coverage of Galena Biopharma (GALE) in mid-November 2011. At that time, share price of GALE was at about $0.70 per share. As of July 29, 2013, share price of GALE is $1.77, an appreciation of 153%.

We think the impressive appreciation of share price has been based on many positive developments within the company in the past two years, such as the advancement of the company’s clinical programs, expansion of pipeline and boosting of their balance sheet.

After having reaped such amazing return, the legitimate question investors may ask is: what’s next for GALE from here? My answer to this question: there is still enough room for significant price appreciation for GALE in the next few quarters.

With the acquisition of the FDA approved Abstral, We maintain our Outperform rating on Galena shares and reiterate our 12-month price target of $4.50 per share.

The acquisition of Abstral has transformed GALE to a commercial organization from a pure development stage biotech company. The acquisition diversifies and strengthens GALE’s pipeline. The launch of

Abstral will build relationships with future prescribers of NeuVax, which is currently in global Phase III clinical trials. The launch of Abstral will also accelerate revenue initiation to 2013 reaching cash flow positive in 18-24 months; and reduce overall company cash burn through the launch of NeuVax. The acquisition of Abstral diversifies and deepens the breadth, depth and pace of pipeline towards becoming a mid-cap oncology company (not just a cancer immunotherapy company).

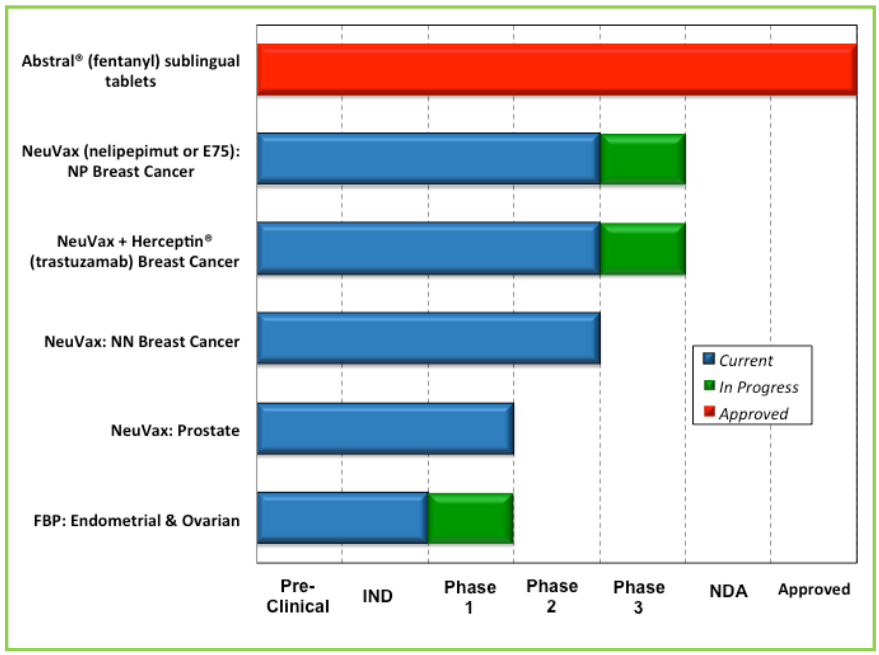
Apparently, Galena has made great progress in the past few months. The Company has become stronger than ever.

Galena's cancer program NeuVax and FBP provide significant leverage in cancer immunotherapy generally, as well as in "off the shelf" vaccines specifically. Currently, the Company has 5 programs in clinic including Phase III NeuVax for breast cancer, Phase I/II FBP for gynecological cancers. This is quite unusual for a small cap biotech company.

We believe NeuVax has a blockbuster potential if it reaches the market. FBP also targets the relatively large gynecological cancer market, which is underserved and has unmet medical needs.

Based on the Company's strong fundamentals, we believe Galena's shares are undervalued compared to its peers. Currently, the Company's shares are trading at about $2.5 per share which values the Company at about $208 million in market cap based on 83 million shares outstanding. This is a discount compared to its peers. Most small biotech companies of development stage in the business of cancer are valued from $50 million to $500 million in market cap depending on how advanced the pipeline is and which indications the company is targeting. With the acquisition of Abstral, Galena has transformed into a commercial organization from a late stage development biotech company.

We believe Galena should be valued at $300 to $400 million in market cap. Our price of $4.50 per share corresponds to a $374 million in market cap based on 83 million outstanding shares.



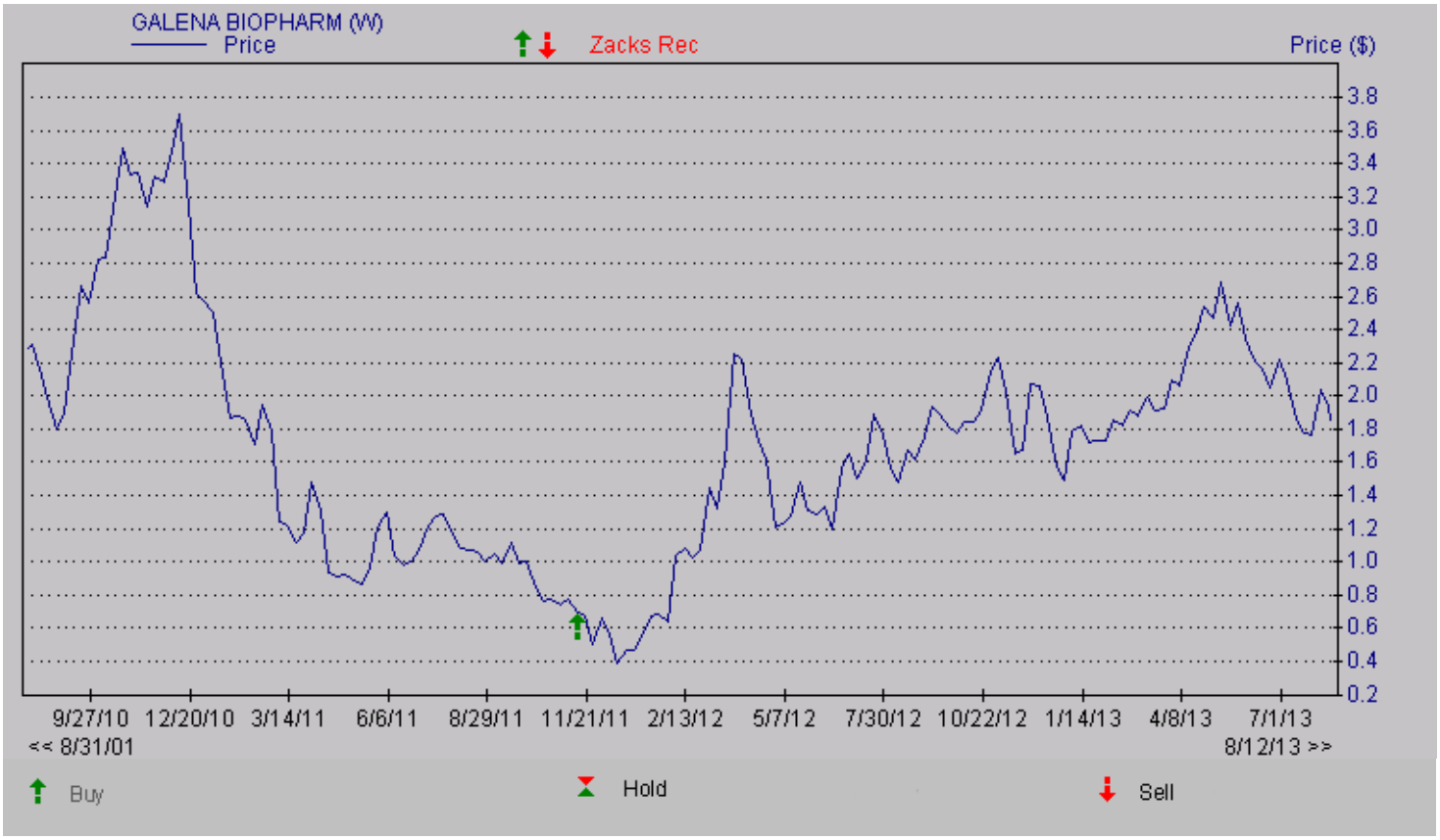
PROJECTED INCOME STATEMENT

	2011 A	2012 A	2013E (Dec)					2014E (Dec)	2015E (Dec)	2016E (Dec)	2017E (Dec)
$ in million except per share data	FYA	FYA	Q1A	Q2E	Q3E	Q4E	FYE	FYE	FYE	FYE	FYE
Total Revenues	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$2.00**	**$2.00**	**$10.00**	**$25.00**	**$45.00**	**$65.00**
YOY Growth	-	-	-	-	-	-	-	*400.0%*	*150.0%*	*80.0%*	*44.4%*
CoGS	0.00	0.00	0.00	0.00	0.00	0.40	0.40	2.00	5.00	9.00	13.00
Gross Income	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$1.60**	**$1.60**	**$8.00**	**$20.00**	**$36.00**	**$52.00**
Gross Margin	-	-	-	-	-	*80.0%*	*80.0%*	*80.0%*	*80.0%*	*80.0%*	*80.0%*
R&D	$9.90	$14.61	$5.08	$5.20	$5.50	$5.50	$21.28	$25.00	$22.00	$20.00	$15.00
% R&D	-	-	-	-	-	*275.0%*	*1064.1%*	*250.0%*	*88.0%*	*44.4%*	*23.1%*
SG&A	$9.25	$6.59	$1.53	$1.80	$2.50	$3.50	$9.33	$12.00	$15.00	$18.00	$20.00
% SG&A	-	-	-	-	-	*175.0%*	*466.5%*	*120.0%*	*60.0%*	*40.0%*	*30.8%*
Other	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
% Other	-	-	-	-	-	-	-	-	-	-	-
Operating Income	**($19.1)**	**($21.2)**	**($6.6)**	**($7.0)**	**($8.0)**	**($7.4)**	**($29.0)**	**($29.0)**	**($17.0)**	**($2.0)**	**$17.0**
Operating Margin	-	-	-	-	-	-	-	-	-	*-4.4%*	*26.2%*
Other Net	$11.7	($14.8)	($5.4)	($0.2)	($0.2)	($0.2)	($6.0)	($1.0)	($1.0)	$0.0	$0.0
Pre-Tax Income	**($7.5)**	**($36.0)**	**($12.1)**	**($7.2)**	**($8.2)**	**($7.6)**	**($35.1)**	**($30.0)**	**($18.0)**	**($2.0)**	**$17.0**
Income taxes(benefit)	$0.0	($1.1)	($2.8)	$0.0	$0.0	$0.0	($2.8)	$0.0	$0.0	$0.0	$0.0
Tax Rate	-	-	-	-	-	-	-	-	-	-	-
Reported Net Income	**($7.5)**	**($35.0)**	**($9.3)**	**($7.2)**	**($8.2)**	**($7.6)**	**($32.3)**	**($30.0)**	**($18.0)**	**($2.0)**	**$17.0**
YOY Growth	-	-	-	-	-	-	-	-	-	-	*-950.0%*
Net Margin	-	-	-	-	-	-	-	-	-	*-4.4%*	*26.2%*
Shares Out	*36.3*	*62.5*	*83.0*	*83.5*	*84.0*	*85.0*	*83.9*	*90.0*	*95.0*	*97.5*	*100.0*
Reported EPS	**($0.21)**	**($0.56)**	**($0.11)**	**($0.09)**	**($0.10)**	**($0.09)**	**($0.39)**	**($0.33)**	**($0.19)**	**($0.02)**	**$0.17**
YOY Growth	-	-	-	-	-	-	-	-	-	-	*-928.8%*
One time charge	*($12.04)*	*$13.65*	*$5.44*	*$0.00*	*$0.00*	*$0.00*	*$5.44*	*$0.00*	*$0.00*	*$0.00*	*$0.00*
Non GAAP Net Income	**($19.5)**	**($21.3)**	**($3.8)**	**($7.2)**	**($8.2)**	**($7.6)**	**($26.8)**	**($30.0)**	**($18.0)**	**($2.0)**	**$17.0**
Non GAAP EPS	**($0.54)**	**($0.34)**	**($0.05)**	**($0.09)**	**($0.10)**	**($0.09)**	**($0.32)**	**($0.33)**	**($0.19)**	**($0.02)**	**$0.17**

Source: Company filings and Zacks estimates

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