

Aethlon Medical, Inc. (OTCQB: AEMD, Target Price: \$26.00)

Aethlon Medical, Inc. (“Aethlon”) is a medical device company focused on creating innovative devices that address unmet medical needs in cancer, infectious disease and other life-threatening conditions. On July 8, 2015, Aethlon announced that the NASDAQ approved its application to list its common stock on the NASDAQ Capital Market. Shares reacted quickly to the news, which we see as a significant milestone for the company as a NASDAQ listing will increase Aethlon’s visibility, liquidity and credibility while expanding its potential institutional investor base. The news comes relatively quickly following a \$5.6mn equity raise completed in June, the filing of its annual form 10-K with the SEC, and the April share consolidation highlighted in our May research update on the company. We see nice momentum building for Aethlon and its lead therapeutic candidate the Aethlon Hemopurifier®, making it one of the most exciting healthcare companies in our research universe.

Recent Highlights

Aethlon to uplist to NASDAQ marking major milestone

On July 8, 2015, Aethlon announced that its shares would be uplisting to the NASDAQ Capital Market. Clearly the move to NASDAQ represents a significant accomplishment for the company, which has been striving for this goal for some time. We expect the transition to have a positive effect on Aethlon’s liquidity, improve the company’s visibility, and also open up the company to new potential mutual funds, pensions and other institutional investors who may have been restricted from investing in the company while it traded on the OTC Marketplace. Aethlon will begin trading on the NASDAQ at the market open on next Monday, July 13, 2015, under its existing symbol: AEMD.

\$6mn financing secures capital for next round of development

Likely as part of the lead up to qualifying for NASDAQ listing, Aethlon announced an equity raise on June 24, 2015, in a public stock offering led by Roth Capital that netted the company \$5.6mn. The raise is a material amount for Aethlon, and should provide the company with sufficient resources to fund its operating and development plan for fiscal 2016E, in conjunction with cash on hand and expected monies from government contracts – although we note the company will likely need to raise additional capital to fund future clinical trials.

Continued expansion of Hemopurifier® potential applications

On the clinical development front, Aethlon announced on June 4, 2015, that it has entered into an agreement with the National Institute of Virology (NIV) to begin testing of the Aethlon Hemopurifier® as a candidate to treat Chikungunya, a debilitating mosquito-borne virus that is not addressed with proven antiviral drug or vaccine therapies. The announcement is the latest in a series of infectious disease applications for the Hemopurifier®, a first-in-class device that selectively targets the rapid elimination of circulating viruses and tumor-secreted exosomes that promote cancer progression. The Hemopurifier® was listed as one of the 11 most remarkable medical advances in 2014, according to *Time* magazine and appears to be emerging as a first-line countermeasure against viruses that are not addressed with proven drug therapies, and has been successfully administered to individuals infected with Ebola virus (Ebola), Hepatitis C virus (HCV) and the Human Immunodeficiency virus (HIV).

Aethlon price target remains \$26.00

We continued to see Aethlon and its lead therapeutic candidate, the Aethlon Hemopurifier®, as one of the more exciting healthcare themes in our research universe. If achieved, our target of \$26.00 would represent potential upside of 293% from the recent price of \$6.61.

Stock Details (7/7/2015)

OTCQB	AEMD
Sector / Industry	Healthcare / Medical Devices
Price Target	\$26.00
Recent share price	\$6.60
Shares o/s (mn)	6.7
Market cap (in \$ mn)	50.3
52-week high/low	\$36.00 / \$5.00

Source: Bloomberg, SeeThruEquity Research

Key Financials (\$mn, unless specified)

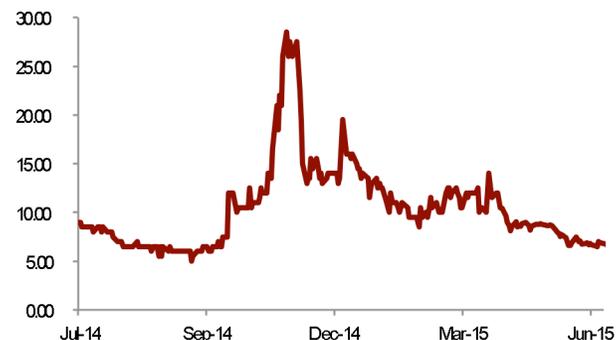
	FY14	FY15	FY16E
Revenues	1.6	0.8	1.5
EBITDA	(3.0)	(3.9)	(4.1)
EBIT	(3.1)	(4.0)	(4.2)
Reported net income	(13.4)	(6.8)	(5.3)
GAAP EPS	(2.00)	(1.22)	(0.61)

Source: SeeThruEquity Research

Key Ratios

	FY14	FY15	FY16E
Gross margin (%)	NA	NA	NA
Operating Margin (%)	(188.2)	(523.7)	(273.3)
EBITDA margin (%)	(186.9)	(511.5)	(266.7)
Net margin (%)	(822.6)	(891.5)	(353.3)
P/Revenue (x)	31.4	66.0	33.5
EV/EBITDA (x)	NM	NM	NM
EV/Revenue (x)	52.6	66.9	34.0

Source: SeeThruEquity Research



Source: Reuters

Prior periods adjusted to reflect 50:1 reverse split

ANNUAL FINANCIAL SUMMARY

Figure 1. Income Statement Summary

Figures in \$'000, unless specified	2015	2014
Revenues	762	1,624
YoY change	(53.1%)	NM
Operating Expenses	4,755	4,679
YoY change	1.6%	NM
Operating Income	(3,992)	(3,056)
Interest & Other	(2,987)	(10,383)
Net income/(loss) to common shareholders	(6,797)	(13,357)
YoY growth	NM	NM
Diluted EPS	(\$1.22)	(\$3.44)
YoY growth	NM	NM

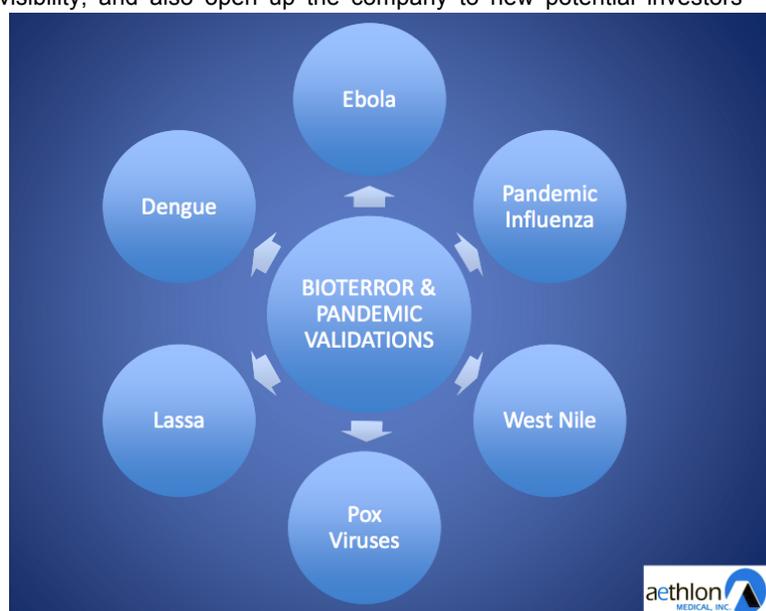
Source: Company Earnings Release, SeeThruEquity Research

ADDITIONAL NOTES

- FY15 revenue came in at \$0.76mn, largely due to less revenue recognized from the company's contract with DARPA. We are adjusting our FY16E estimates to reflect results and lower revenue assumptions from DARPA, but note that the key to our investment thesis remains the development of the Hemopurifier® and its potential as a revolutionary new therapy for unmet needs in infectious disease – which appears to be progressing nicely.
- Aethlon ended the fiscal year with \$0.86mn of cash on hand and \$0.16 of convertible debt outstanding. The company had shareholder's equity of \$0.6mn. The company recently completed an equity-based offering in which Aethlon received net \$5.6mn net of fees.

Good news building at Aethlon as company achieves NASDAQ listing and secures funding plan for FY16

- On July 8, 2015, Aethlon announced that it had accomplished a major corporate milestone as the company will be listing on the NASDAQ Capital Market beginning at the market open on next Monday, July 13, 2015, under its existing symbol: AEMD.
- The move comes after a significant amount of hard work by the management team and should have a positive effect on Aethlon's liquidity, improve the company's visibility, and also open up the company to new potential investors including mutual funds, pensions and other institutional investors who may have been restricted from investing in the company while it traded on the OTC Marketplace.
- Importantly, AEMD will make the transition with the security of having just closed a \$5.6mn equity financing led by Roth Capital. AEMD management sees the raise as providing adequate capital to fund its FY16E operating plan, in conjunction with cash on hand and expected revenues from government agencies including DARPA – though we note that Aethlon will likely need to raise additional capital to pursue new clinical trials in the future.
- Aethlon continues to make progress on the clinical development front as well, announcing on June 4, 2015, that it has entered into an agreement with the National Institute of Virology (NIV) to begin testing of the Aethlon



Hemopurifier® as a candidate to treat Chikungunya. Identified for the first time in the Americas on islands in the Caribbean in 2013, Chikungunya is a debilitating mosquito-borne virus that is not addressed with proven antiviral drug or vaccine therapies and has been identified in more than 1.2mn suspected cases reported to the Pan American Health Organization.

- We see the agreement with the NIV as further support for the Hemopurifier's growing emergence as a first-line countermeasure against viruses that are not addressed with proven drug therapies and note that Hemopurifier® therapy has been administered to individuals infected with Ebola virus (Ebola), Hepatitis C virus (HCV) and the Human Immunodeficiency virus (HIV).

Price target remains \$26.00 for Aethlon

- We continued to see Aethlon and its lead therapeutic candidate, the Aethlon Hemopurifier®, as one of the more exciting healthcare themes in our research universe.
- If achieved, our target of \$26.00 would represent potential upside of 293% from the recent price of \$6.61.

About Aethlon Medical, Inc.

Aethlon Medical creates affinity biofiltration devices to treat life-threatening diseases. Our lead therapeutic candidate is the Aethlon Hemopurifier®, a first-in-class device that targets the rapid elimination of infectious viruses and cancer promoting exosomes from the circulatory system of treated individuals. We also provide government contracting services to the Defense Advanced Research Projects Agency (DARPA) related to the development of a biofiltration device to treat sepsis. Our majority owned subsidiary Exosome Sciences, Inc., is advancing exosome-based liquid biopsies to diagnose and monitor Cancer and Chronic Traumatic Encephalopathy, a neurodegenerative disorder often found in individuals with a history of repetitive brain trauma. Additional information can be found online at www.AethlonMedical.com or you can connect with us on Twitter, LinkedIn, Facebook and Google+.

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