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COMPANY UPDATE

Toll Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 1 N. Federal Highway, 5th Floor ♦ Boca Raton, FL 33432

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Robert M. Wasserman
561-208-2905
rwasserman@dawsonjames.com

Cel-Sci (NYSE American/CVM)

Neutral **Multikine Back on Track**

Cel-Sci engages in the research and development of drugs and vaccines

Current Price **$1.78**

Price Target **N/A**

Estimates	F2016A	F2017E	F2018E
Revenues($000s)	$285	$100	$1,500
EPS	($2.36)	($1.14)	($1.04)
(FYE September)			

Stock Data	
52-Week Range	$1.46-$7.50
Shares Outstanding (mil.)	11.8
Market Capitalization ($mill)	$21.0
Enterprise Value ($mill)	$20.1
Debt to Capital (6/17)	N/A
Book Value/Share (6/17)	($0.45)
Price/Book	N/A
Average Trading Volume (3-Month)	211,000
Insider Ownership	7.1%
Institutional Ownership	13.4%
Short interest	90,000
Dividend / Yield	$0.00/0.0%

Price target and ratings changes over the past 3 yrs:
Initiated - March 2, 2015 - Buy - Price Target $75 ($3 Pre-split)
Updated – Rating Suspended – August 31, 2016 (Different Analyst)
Updated – October 12, 2017 – Rating re-established at Neutral

Investment Highlights

1) Cel-Sci is back on track with their Phase 3 Multikine trial in head and neck cancer after a more than one-year hiatus, after the US FDA issued a letter in mid-August removing the clinical hold on the trial. To date, 928 newly-diagnosed cancer patients have been enrolled in the Phase 3 study, and these are currently being monitored for protocol-specific outcomes. The study's primary endpoint is a 10% increase in overall survival rate for Multikine plus standard-of-care (surgery, followed by radiation therapy alone or radio-chemotherapy) versus standard of care only. After 298 deaths in the two study cohort groups (combined) are observed, a determination will be made whether the study's primary end point has been met. The company has not provided any interim data on the progress of the trial enrollees, nor have its partners – Teva in Israel and Orient Europharma in Taiwan - but earlier this month Cel-Sci announced that the Company had been granted a new patent by the European Patent Office for Multikine's mechanism of action in making tumors visible to the immune system and that the Multikine Phase 3 study was nearing its end.

2) The Company is also making progress on its non-Multikine pipeline, including its LEAPS technology. Specifically, Cel-Sci announced earlier this fall the receipt of a new $1.5 million Phase II Small Business Innovation Research (SBIR) grant by the National Institute of Arthritis and Musculoskeletal and Skin Diseases (NIAMSD) for its first LEAPS product candidate, CEL-4000, an arthritis therapeutic. The grant will help fund GMP manufacturing, IND enabling studies, and additional mechanism of action studies for CEL-4000, which will be conducted jointly in Cel-Sci's Virginia research facilities and by researchers at Chicago's Rush University Medical Center. The grant was awarded based on recently published data in *Vaccine* showing that the administration of this proprietary peptide prevented the development, and lessened the severity, including inflammation, of experimental proteoglycan induced arthritis (PGIA or GIA) when it was administered after the disease was induced in test animals.

3) Cel-Sci has also provided positive updates on other corporate issues recently, including a recent press release on its ongoing $50 million arbitration with its former Multikine trial clinical research organization (CRO). Earlier this month, the Company stated that it was nearing the conclusion of the arbitration, and that it had restructured its agreement with litigation funding firm Lake Whillans to further incentivize the Company's law firm. Earlier this fall, Cel-Sci was successful in extending the expiration date of several series of warrants issued as part of a financing completed late last year, as well as in completing a new $3.5 million registered direct financing, which is expected to provide the Company adequate financial resources through the end of this calendar year and into next year.

Conclusion/Stock Valuation

Cel-Sci has revitalized its investment thesis this year, including getting a clinical hold on its key Phase 3 Multikine trial removed by the FDA, adding to its LEAPS pre-clinical program with an SBIR grant, bolstering its balance sheet, and nearing the end of its major arbitration with a former CRO. At this time, we are re-establishing our coverage on CVM shares, but placing a Neutral rating on these shares until a more definite timeline on major catalysts, including the conclusion of the Multikine trial and CRO arbitration, can be pinpointed.

Risk Factors

In addition to normal economic and market risk factors that impact most equities and the common risks shared by Cel-Sci with other companies in the industry, we believe an investment in CVM involves the following risks:

- **FDA and regulatory risks** – Cel-Sci is subject to regulatory review for its ongoing research and development activities, principally the US Food and Drug Administration's IND application process but also other international regulatory agencies. In addition, the Company's pharmaceutical facilities and laboratories are subject to ongoing oversight and regulation, and any negative correspondence from the FDA could have an adverse effect on the ongoing operations of the Company.
- **Lack of historic profitability** – Cel-Sci has not achieved operating profitability on an annual basis for several years, and according to our forecasts is not expected to do so in the near future. Although the Company maintains adequate cash reserves at the present time, the Company will need to raise additional working capital in the future as these operating losses continue.
- **Stock market risk** — CVM shares are currently trading at prices below $2 per share, and thus shares could experience reduced share trading volumes in the future as well as the possibility of a reverse stock split for compliance purposes, thus making it difficult to buy or sell shares of CVM.
- **Need to defend patents and other intellectual property** – Cel-Sci currently holds a number of US patents on its therapeutics and technologies. The Company may be required to defend its patents in the US and overseas in the future, and there can be no assurance these defenses will be successful.
- **Competitive Markets** – The Company may compete with a number of other pharmaceutical companies in its targeted oncology markets, some of which represent much larger companies. There can be no assurance that the Company will be able to successfully launch its products into these competitive markets in the future.

CEL-SCI Corporation
Consolidated Statements of Income
(in $000s, except EPS)

Robert M. Wasserman

Fiscal Year Ending September	2010	2011	2012	2013	2014	2015	2016	2017E	2018E
Revenues									
Grant income and other	$153.3	$956.2	$254.6	$159.6	$264.0	$657.4	$285.1	$100.0	$1,500.0
Royalties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Milestone payments and license fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total revenues	153.3	956.2	254.6	159.6	264.0	657.4	285.1	100.0	1,500.0
Expenses									
Research and development	11,911.6	11,745.6	10,368.7	12,681.0	17,000.1	20,949.2	19,351.8	20,000.0	20,100.0
Depreciation and amortization	516.1	531.3	533.5	364.1	231.8	206.8	150.2	150.0	250.0
General and administrative	6,285.8	6,664.9	6,595.3	6,982.7	10,606.2	13,798.0	6,336.3	6,000.0	6,500.0
Total operating expenses	18,713.6	18,941.8	17,497.5	20,027.9	27,838.1	34,953.9	25,838.3	26,150.0	26,850.0
Loss from operations	(18,560.3)	(17,985.7)	(17,242.8)	(19,868.3)	(27,574.1)	(34,296.5)	(25,553.2)	(26,050.0)	(25,350.0)
Interest expense, net	199.9	(158.8)	(146.2)	(53.3)	(40.9)	(19.4)	73.0	100.0	100.0
Other expense, net	28,843.8	(7,567.9)	1,911.7	10,750.7	248.8	(358.7)	0.0	0.0	0.0
Net income (loss)	10,483.4	(25,712.3)	(15,477.3)	(9,170.9)	(27,366.3)	(34,674.6)	(25,480.2)	(25,950.0)	(25,250.0)
Warrant-related expenses	(1,532.5)	(1,068.4)	(2,168.6)	(59.5)	(1,117.4)	0.0	14,013.7	12,500.0	12,500.0
Net income available to common shareholders	8,951.0	(26,780.7)	(17,645.9)	(9,230.5)	(28,483.7)	(34,674.6)	(11,466.5)	(13,450.0)	(12,750.0)
Basic income (loss) per share	$11.07	($32.11)	($17.52)	($7.62)	($12.11)	($10.51)	($2.36)	($1.14)	($1.04)
Basic and diluted income (loss) per share	($0.55)	($37.43)	($19.41)	($16.50)	($12.22)	($10.40)	($2.36)	($1.14)	($1.04)
Basic and diluted shares outstanding	808.4	834.0	1,007.3	1,211.2	2,352.2	3,300.8	4,866.2	11,800.0	12,300.0
Key ratios:									
Non-cash items	($26,795.2)	$9,167.5	$790.4	($10,327.0)	$5,100.4	$6,100.0	$8,100.0	$3,200.0	$3,400.0
Cash Flow/share	($22.07)	($21.12)	($16.73)	($16.15)	($11.64)	($4.37)	($2.27)	($1.42)	($1.25)

Balance Sheets
($000s)

Assets:	9/30/16	6/30/17
Cash and equivalents	$2,918.0	$1,232.5
Receivables	394.5	271.7
Prepaid expenses	981.7	669.0
Deposits - current portion	155.0	150.0
Inventory	1,008.6	657.7
Deferred rent - current portion	429.8	385.1
Total current	5,887.6	3,366.1
Property & equip., net	226.2	200.5
Patent costs, net	256.5	231.6
Deferred rent	3,406.9	2,968.2
Deposits	1,820.9	1,670.9
TOTAL ASSETS	11,598.2	8,437.3
Liabilities:		
Accounts payable	3,091.5	8,352.4
Accrued expenses & due to employees	917.0	1,503.5
Notes payable		325.8
Deferred rent & other current	3.3	58.8
Total current	4,011.8	10,240.5
Other non-current liabilities	8,542.5	3,506.2
Stockholders' equity	(956.1)	(5,309.4)
TOTAL LIAB & EQ	11,598.2	8,437.3

Source: Dawson James Securities, Inc. estimates; Company documents

Important Disclosures:

Price Chart:

Price target and ratings changes over the past 3 years:
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Updated – Rating Suspended – August 31, 2016 (Different Analyst)
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1) **Buy**: the analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
2) **Neutral**: the analyst believes the price of the stock is fairly valued for the next 12-18 months;
3) **Sell**: the analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

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	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	13	87%	2	15%
Market Perform (Neutral)	2	0%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	15	100%	2	13%

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