

BUY				HOLD			SELL						RATING SINCE	02/19/2008		
A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	E+			E	E-
Annual Dividend Rate NA				Annual Dividend Yield NA			Beta 1.31			Market Capitalization \$149.0 Million			52-Week Range \$3.08-\$7.98		Price as of 2/19/2015 \$4.17	

 Sector: **Health Care** | Sub-Industry: **Biotechnology** | Source: **S&P**

### NBS BUSINESS DESCRIPTION

NeoStem, Inc., a biotechnology company, develops cell based therapeutics.

### STOCK PERFORMANCE (%)

	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	-3.70	-40.86	-13.76

### GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	11.06	25.47	-11.25
Net Income	-87.12	-36.29	NA
EPS	-6.66	18.23	NA

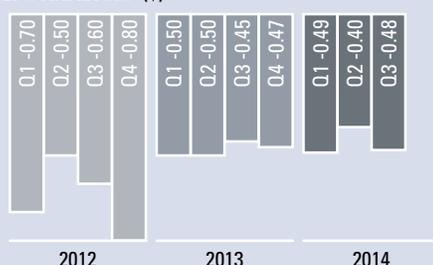
### RETURN ON EQUITY (%)

	NBS	Ind Avg	S&P 500
Q3 2014	-88.55	21.42	14.59
Q3 2013	-109.26	16.36	13.97
Q3 2012	-61.80	-1.70	13.23

### P/E COMPARISON

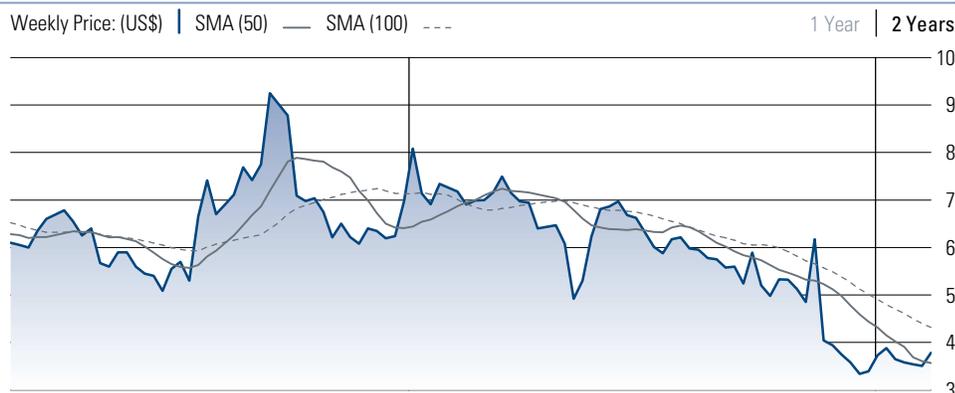


### EPS ANALYSIS<sup>1</sup> (\$)



NA = not available NM = not meaningful

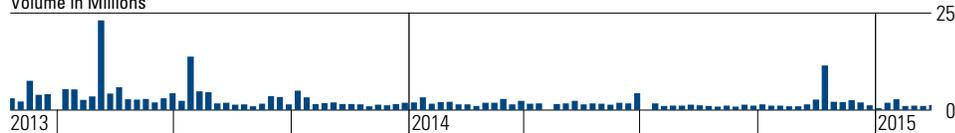
<sup>1</sup> CompuStat fiscal year convention is used for all fundamental data items.



### Rating History

**SELL**

### Volume in Millions



COMPUSTAT for Price and Volume, TheStreet Ratings, Inc. for Rating History

### RECOMMENDATION

We rate NEOSTEM INC (NBS) a SELL. This is driven by multiple weaknesses, which we believe should have a greater impact than any strengths, and could make it more difficult for investors to achieve positive results compared to most of the stocks we cover. The company's weaknesses can be seen in multiple areas, such as its deteriorating net income, poor profit margins, weak operating cash flow and generally disappointing historical performance in the stock itself.

### HIGHLIGHTS

The company, on the basis of change in net income from the same quarter one year ago, has significantly underperformed when compared to that of the S&P 500 and the Biotechnology industry. The net income has significantly decreased by 87.1% when compared to the same quarter one year ago, falling from -\$9.07 million to -\$16.97 million.

The gross profit margin for NEOSTEM INC is rather low; currently it is at 16.91%. It has decreased significantly from the same period last year. Along with this, the net profit margin of -412.29% is significantly below that of the industry average.

Net operating cash flow has significantly decreased to -\$13.49 million or 103.94% when compared to the same quarter last year. In addition, when comparing to the industry average, the firm's growth rate is much lower.

Looking at the price performance of NBS's shares over the past 12 months, there is not much good news to report: the stock is down 40.86%, and it has underperformed the S&P 500 Index. In addition, the company's earnings per share are lower today than the year-earlier quarter. Naturally, the overall market trend is bound to be a significant factor. However, in one sense, the stock's sharp decline last year is a positive for future investors, making it cheaper (in proportion to its earnings over the past year) than most other stocks in its industry. But due to other concerns, we feel the stock is still not a good buy right now.

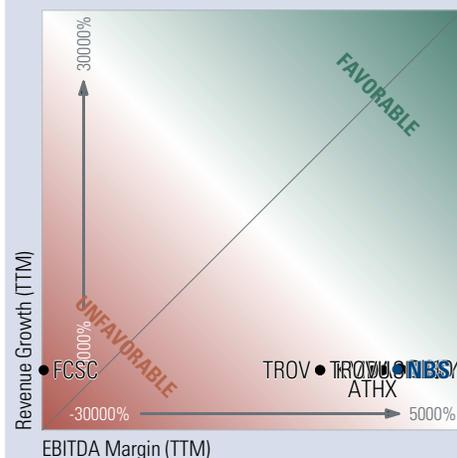
The company's current return on equity greatly increased when compared to its ROE from the same quarter one year prior. This is a signal of significant strength within the corporation. Compared to other companies in the Biotechnology industry and the overall market, NEOSTEM INC's return on equity significantly trails that of both the industry average and the S&P 500.

Sector: Health Care | Biotechnology | Source: S&P

Annual Dividend Rate <b>NA</b>	Annual Dividend Yield <b>NA</b>	Beta <b>1.31</b>	Market Capitalization <b>\$149.0 Million</b>	52-Week Range <b>\$3.08-\$7.98</b>	Price as of 2/19/2015 <b>\$4.17</b>
-----------------------------------	------------------------------------	---------------------	---	---------------------------------------	--

### PEER GROUP ANALYSIS

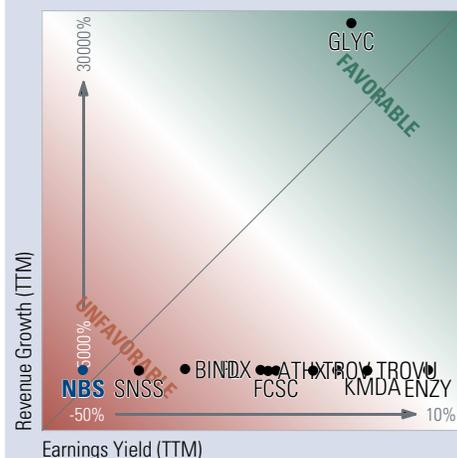
#### REVENUE GROWTH AND EBITDA MARGIN\*



Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between \$134.7 Million and \$187.9 Million. Companies with NA or NM values do not appear.

\*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

#### REVENUE GROWTH AND EARNINGS YIELD



Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between -39.4% and 28948.1%. Companies with NA or NM values do not appear.

### INDUSTRY ANALYSIS

The biotechnology industry employs biological and biochemical knowledge to develop, manufacture and trade products and processes for the diagnosis and treatment of diseases and ailments. It also develops genetically modified plant and animal species and food varieties. The industry has a noncyclical growth profile, which is insensitive to overall economic conditions. The industry focuses on specialty markets with primary sales and efforts targeted towards specialists such as hematologists, oncology physicians, rheumatologists and dermatologists. Consequently, the industry is highly reliant on research and development (R&D). US biotech companies dominating the market include larger players like Amgen (AMGN), Gilead (GILD) and Biogen (BIIB).

Medical spending is expected to grow significantly in the coming quarters due to an aging population, increasing obesity and demand for quality treatment. Healthcare service providers have shown a willingness to incur higher costs to treat diseases and this supports margin expansion for successful treatments. US healthcare spending for the next decade is expected to be around \$4.2 trillion or 20% of GDP.

The biotechnology pipeline has become an important consideration for the pharmaceutical industry and its suppliers. The industry has witnessed an increase in financing and multi-billion-dollar mergers and acquisitions. R&D spending remains robust. The US continues to dominate in R&D spending, with approximately 81 cents of global expenditures being domestic.

An average drug takes about 10 to 15 years from pre-clinical development to market approval. According to the FDA, for every 20 drugs that enter the clinical testing stage, only a few pass trial and gain approval. The traditional sales and profit metrics do not completely reveal the biotech companies' otherwise lengthy, cost-intensive product-development periods. It is essential for investors to consider the number of products the biotech companies have in their pipeline, the time necessary for development and the potential market size of drugs. Patents held, effectiveness of these patents to protect market share, cash position, and current leverage position all impact biotech company outlook. Finally, R&D effectiveness, management competency and potential synergies from new or proposed M&A activities are important factors for investors to consider.

### PEER GROUP: Biotechnology

Ticker	Company Name	Recent Price (\$)	Market Cap (\$M)	Price/Earnings	Net Sales TTM (\$M)	Net Income TTM (\$M)
<b>NBS</b>	<b>NEOSTEM INC</b>	<b>4.17</b>	<b>149</b>	<b>NM</b>	<b>16.74</b>	<b>-55.80</b>
FCSC	FIBROCELL SCIENCE INC	4.60	188	NM	0.17	-28.01
ATHX	ATHERSYS INC	2.38	184	NM	2.31	-25.32
PLX	PROTALIX BIOTHERAPEUTICS INC	1.92	180	NM	14.90	-32.36
KMDA	KAMADA LTD	4.62	166	NM	71.93	-12.64
GLYC	GLYCOMIMETICS INC	8.11	153	NM	15.11	-7.60
ENZY	ENZYMOTEC LTD	6.58	148	19.35	47.10	7.84
SNSS	SUNESIS PHARMACEUTICALS INC	2.38	147	NM	6.83	-48.86
TROV	TROVAGENE INC	4.98	135	NM	0.27	-10.67
TROVU	TROVAGENE INC	15.82	135	NM	0.27	-10.67
BIND	BIND THERAPEUTICS INC	6.64	135	NM	9.46	-32.12

The peer group comparison is based on Major Biotechnology companies of comparable size.

Sector: Health Care | Biotechnology | Source: S&amp;P

Annual Dividend Rate <b>NA</b>	Annual Dividend Yield <b>NA</b>	Beta <b>1.31</b>	Market Capitalization <b>\$149.0 Million</b>	52-Week Range <b>\$3.08-\$7.98</b>	Price as of 2/19/2015 <b>\$4.17</b>
-----------------------------------	------------------------------------	---------------------	---	---------------------------------------	--

### COMPANY DESCRIPTION

NeoStem, Inc., a biotechnology company, develops cell based therapeutics. It is developing a Phase III targeted cancer immunotherapy product to enhance the destruction of cancer initiating cells; a Phase II ischemic repair product candidate to treat damaged heart muscle following a heart attack; a Phase II immune modulation product candidate to treat type 1 diabetes and steroid resistant asthma; and an investigational technology to repair or replace damaged or aged tissue, cells, and organs. The company, through its subsidiary, Progenitor Cell Therapy, offers contract development and manufacturing services. It also collects, processes, and stores umbilical cord blood units and adult stem cells. NeoStem, Inc. was founded in 1980 and is headquartered in New York, New York.

### NEOSTEM INC

420 Lexington Avenue, Suite 450  
New York, NY 10170  
USA  
Phone: 212-584-4180  
Fax: 646-514-7787  
<http://www.neostem.com>

### STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of NBS shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE					
<b>Growth</b>	<b>1.0 out of 5 stars</b>	★	☆	☆	☆	☆
Measures the growth of both the company's income statement and cash flow. On this factor, NBS has a growth score better than 10% of the stocks we rate.		weak				strong
<b>Total Return</b>	<b>0.5 out of 5 stars</b>	★	☆	☆	☆	☆
Measures the historical price movement of the stock. The stock performance of this company ranks at the bottom of the companies we cover.		weak				strong
<b>Efficiency</b>	<b>0.5 out of 5 stars</b>	★	☆	☆	☆	☆
Measures the strength and historic growth of a company's return on invested capital. The company ranks at the bottom of companies we review for income generated per dollar of capital.		weak				strong
<b>Price volatility</b>	<b>0.5 out of 5 stars</b>	★	☆	☆	☆	☆
Measures the volatility of the company's stock price historically. The stock is more volatile than nearly all of the stocks we monitor.		weak				strong
<b>Solvency</b>	<b>0.5 out of 5 stars</b>	★	☆	☆	☆	☆
Measures the solvency of the company based on several ratios. The company is less solvent than nearly all of the companies we analyze.		weak				strong
<b>Income</b>	<b>0.5 out of 5 stars</b>	★	☆	☆	☆	☆
Measures dividend yield and payouts to shareholders. This company pays no dividends.		weak				strong

### THE STREET RATINGS RESEARCH METHODOLOGY

TheStreet Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

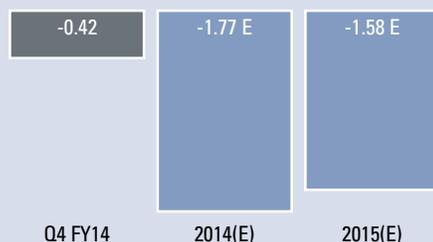
Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

Sector: Health Care | Biotechnology | Source: S&amp;P

Annual Dividend Rate <b>NA</b>	Annual Dividend Yield <b>NA</b>	Beta <b>1.31</b>	Market Capitalization <b>\$149.0 Million</b>	52-Week Range <b>\$3.08-\$7.98</b>	Price as of 2/19/2015 <b>\$4.17</b>
-----------------------------------	------------------------------------	---------------------	---	---------------------------------------	--

### Consensus EPS Estimates<sup>2</sup> (\$)

IBES consensus estimates are provided by Thomson Financial



### FINANCIAL ANALYSIS

NEOSTEM INC's gross profit margin for the third quarter of its fiscal year 2014 has significantly decreased when compared to the same period a year ago. Even though sales increased, the net income has decreased, representing a decrease to the bottom line. NEOSTEM INC is extremely liquid. Currently, the Quick Ratio is 2.94 which clearly shows the ability to cover any short-term cash needs. The company's liquidity has increased from the same period last year.

At the same time, stockholders' equity ("net worth") has greatly increased by 76.47% from the same quarter last year. Overall, the key liquidity measurements indicate that the company is very unlikely to face financial difficulties in the near future.

**STOCKS TO BUY:** TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit [www.TheStreetRatings.com](http://www.TheStreetRatings.com).

### INCOME STATEMENT

	Q3 FY14	Q3 FY13
Net Sales (\$mil)	4.12	3.71
EBITDA (\$mil)	-15.67	-8.95
EBIT (\$mil)	-16.26	-9.31
Net Income (\$mil)	-16.97	-9.07

### BALANCE SHEET

	Q3 FY14	Q3 FY13
Cash & Equiv. (\$mil)	32.81	16.95
Total Assets (\$mil)	131.34	57.79
Total Debt (\$mil)	16.95	4.04
Equity (\$mil)	63.00	35.70

### PROFITABILITY

	Q3 FY14	Q3 FY13
Gross Profit Margin	16.91%	29.57%
EBITDA Margin	-380.56%	-241.38%
Operating Margin	-394.90%	-251.23%
Sales Turnover	0.13	0.23
Return on Assets	-42.48%	-70.84%
Return on Equity	-88.55%	-109.26%

### DEBT

	Q3 FY14	Q3 FY13
Current Ratio	3.49	2.03
Debt/Capital	0.21	0.10
Interest Expense	0.18	0.10
Interest Coverage	-88.36	-94.07

### SHARE DATA

	Q3 FY14	Q3 FY13
Shares outstanding (mil)	34	27
Div / share	0.00	0.00
EPS	-0.48	-0.45
Book value / share	1.85	1.32
Institutional Own %	NA	NA
Avg Daily Volume	340,937	354,901

<sup>2</sup> Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

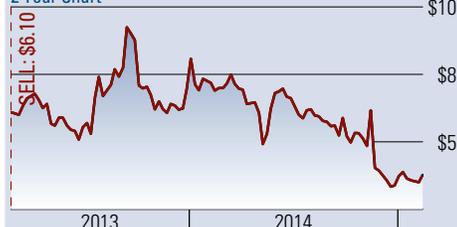
Sector: Health Care | Biotechnology | Source: S&amp;P

Annual Dividend Rate <b>NA</b>	Annual Dividend Yield <b>NA</b>	Beta <b>1.31</b>	Market Capitalization <b>\$149.0 Million</b>	52-Week Range <b>\$3.08-\$7.98</b>	Price as of 2/19/2015 <b>\$4.17</b>
-----------------------------------	------------------------------------	---------------------	---	---------------------------------------	--

### RATINGS HISTORY

Our rating for NEOSTEM INC has not changed since 11/9/2001. As of 2/19/2015, the stock was trading at a price of \$4.17 which is 47.8% below its 52-week high of \$7.98 and 35.4% above its 52-week low of \$3.08.

#### 2 Year Chart



### MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
2/19/13	\$6.10	No Change	Sell	Sell

Price reflects the closing price as of the date listed, if available

### RATINGS DEFINITIONS & DISTRIBUTION OF THE STREET RATINGS

(as of 2/19/2015)

**47.19% Buy** - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

**30.08% Hold** - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

**22.73% Sell** - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

**TheStreet Ratings**  
 14 Wall Street, 15th Floor  
 New York, NY 10005  
[www.thestreet.com](http://www.thestreet.com)

Research Contact: 212-321-5381

Sales Contact: 866-321-8726

### VALUATION

**SELL.** The current P/E ratio is negative, which has no meaningful value in the assessment of premium or discount valuation, it simply displays that the company has negative earnings. To use another comparison, its price-to-book ratio of 2.26 indicates a discount versus the S&P 500 average of 2.79 and a significant discount versus the industry average of 11.74. The price-to-sales ratio is well above the S&P 500 average, but well below the industry average. After reviewing these and other key valuation criteria, NEOSTEM INC proves to trade at a discount to investment alternatives within the industry.

Price/Earnings	1	2	3	4	5
	premium		discount		

**NBS NM** Peers **78.90**

- Neutral. The absence of a valid P/E ratio happens when a stock can not be valued on the basis of a negative stream of earnings.
- NBS's P/E is negative making this valuation measure meaningless.

Price/Projected Earnings	1	2	3	4	5
	premium		discount		

**NBS NM** Peers **29.79**

- Neutral. The absence of a valid price-to-projected earnings ratio happens when a stock can not be valued on the basis of a negative expected future earnings.
- NBS's ratio is negative making this valuation measure meaningless.

Price/Book	1	2	3	4	5
	premium		discount		

**NBS 2.26** Peers **11.74**

- Discount. A lower price-to-book ratio makes a stock more attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- NBS is trading at a significant discount to its peers.

Price/Sales	1	2	3	4	5
	premium		discount		

**NBS 8.49** Peers **228.81**

- Discount. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- NBS is trading at a significant discount to its industry on this measurement.

Price/CashFlow	1	2	3	4	5
	premium		discount		

**NBS NM** Peers **42.10**

- Neutral. The P/CF ratio, a stock's price divided by the company's cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
- NBS's P/CF is negative making the measure meaningless.

Price to Earnings/Growth	1	2	3	4	5
	premium		discount		

**NBS NA** Peers **0.81**

- Neutral. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- Ratio not available.

Earnings Growth	1	2	3	4	5
	lower				higher

**NBS 18.23** Peers **106.08**

- Lower. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- However, NBS is expected to significantly trail its peers on the basis of its earnings growth rate.

Sales Growth	1	2	3	4	5
	lower				higher

**NBS 25.47** Peers **82.35**

- Lower. A sales growth rate that trails the industry implies that a company is losing market share.
- NBS significantly trails its peers on the basis of sales growth

### DISCLAIMER:

The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but TheStreet Ratings cannot guarantee its accuracy and completeness, and that of the opinions based thereon. Data is provided via the COMPUSTAT® Xpressfeed product from Standard & Poor's, a division of The McGraw-Hill Companies, Inc., as well as other third-party data providers.

TheStreet Ratings is a division of TheStreet, Inc., which is a publisher. This research report contains opinions and is provided for informational purposes only. You should not rely solely upon the research herein for purposes of transacting securities or other investments, and you are encouraged to conduct your own research and due diligence, and to seek the advice of a qualified securities professional, before you make any investment. None of the information contained in this report constitutes, or is intended to constitute a recommendation by TheStreet Ratings of any particular security or trading strategy or a determination by TheStreet Ratings that any security or trading strategy is suitable for any specific person. To the extent any of the information contained herein may be deemed to be investment advice, such information is impersonal and not tailored to the investment needs of any specific person. Your use of this report is governed by TheStreet, Inc.'s Terms of Use found at <http://www.thestreet.com/static/about/terms-of-use.html>.