



INSTITUTIONAL RESEARCH

Healthcare & Biotechnology

COMPANY UPDATE

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Toll Free: 866-928-0928 s www.DawsonJames.com s 925 Federal Highway, 6th Floor s Boca Raton, FL 33432

December 7, 2011

Nabi Biopharmaceuticals (Nasdaq/NABI)

Robert M. Wasserman

Director of Research

561-208-2905

rwasserman@dawsonjames.com

Neutral Lowering to Neutral awaiting strategic review

Nabi develops vaccines for nicotine addiction and gram⁺ bacterial infections

Investment Highlights

1) **Nabi's Board of Directors has hired an investment banker to help explore strategic alternatives for the Company, including the possible sale of assets and subsequent liquidation.** After the release last month of data from the Company's second and last Phase III study for NicVAX in smoking cessation revealed that primary endpoints were not met, (as was the case with the first Phase III study which was concluded earlier this year) the Company is left with over \$100 million in cash (approximately \$2.40 per share), the preclinical EnteroVax Gram-positive bacterium vaccine program, and the PhosLo/Phoslyra (calcium acetate) product line owned by Fresenius (NYSE/FMS/Not Rated) but still paying royalties to Nabi. There was no timetable given to conclude the strategic review, but we expect that it will stretch into next year.

2) **Recently, Nabi reported their Q3/2011 financial results, including revenues of \$1.1 million, compared with \$12.3 million in the prior year period, and a net loss of \$2.9 million or (\$0.07) per share from continuing operations versus net income of \$5.1 million or \$0.12 per share in Q3/2010.** Revenues in the third quarter included \$600,000 of deferred revenue amortized from the NicVAX agreement and \$500,000 received from partner GlaxoSmithKline (NYSE/GSK/Not Rated) for services performed under the PentaStaph and NicVAX agreements. Revenues in the year ago period included \$8 million in milestone payments earned under the PentaStaph GSK partnership. Nabi has been able to reduce its operating expenses this year in accordance with lower revenues, to \$6.0 million in Q3/2011 from \$9.0 million in the same period one year ago. A tax benefit of \$2.0 million also helped reduce the operating loss in Q3/2011. We estimate that Nabi's operating cash burn for the quarter was approximately \$5 million, and this amount was roughly offset by the \$5 million in cash received as part of the PhosLo agreement which was classified as discontinued operations. Thus, the Company ended September with a little over \$102 million in cash and no long-term debt, the same

Current Price \$1.80

Price Target N/A

Estimates	F2009A	F2010A	F2011E
Revenues(\$000s)	\$10,489	\$35,005	\$15,000
EPS	(\$0.37)	\$0.02	(\$0.17)

Stock Data	
52-Week Range	\$1.50-\$5.98
Shares Outstanding (mil.)	42.4
Market Capitalization (mil.)	\$76.3
Enterprise Value (mil.)	(\$25.7)
Debt to Capital (9/11)	0.0%
Book Value/Share (9/11)	\$1.43
Price/Book	1.3 x
Average Trading Volume (10-day)	360,000
Insider Ownership	7.1%
Institutional Ownership	67.4%
Short interest (Millions)	2.1
Dividend / Yield	\$0.00/0.0%



Price target and ratings changes over the past 3 yrs:
 Updated- October 5, 2009 - Buy -Price Target \$7.00
 Updated- December 7, 2011 - Lowered to Neutral

Please find Important Disclosures beginning on Page 4.

amount as at the start of Q3/2011.

3) Updating financial estimates – We are updating our financial estimates for Nabi for the rest of this year, taking into consideration the most recent quarterly expenses and revenue recognition streams. Our estimates include revenues of \$15 million for 2011 (\$1.0 million in Q4/2011) and a net loss of \$7.2 million or (\$0.24) per share, or \$4.7 million in Q4/2011 ((\$0.11) per share). Nabi management did not provide financial guidance for Q4/2011 but we project that results will be similar to those of Q3/2011. We have not yet implemented estimates for 2012 for Nabi, but will wait until the pending strategic review is completed.

Conclusion/Stock Valuation

We are lowering our rating on NABI shares to Neutral due to the lack of near-term catalysts for the Company, as its major clinical programs and products have been sold or concluded. The Company does have plenty of cash remaining and in fact we expect operating expenses to be reduced significantly next year, thus we see little risk of further share depreciation until the strategic review is completed. Therefore, we will maintain our coverage on Nabi until a decision is made to liquidate the Company or alternatively go forward through a potential recapitalization, acquisition, joint venture or strategic alliance.

Risk Factors

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

- **Low share price** – Nabi shares have declined this year and could dip below \$1 if current trading trends continue through next year. Such an occurrence would put these shares in danger of being delisted from their current home on the Nasdaq Global Market, thus reducing share liquidity for investors.
- **Ongoing strategic review** – Currently Nabi's Board of Directors is conducting a strategic review of the Company's future direction, a review which could end with one or more of a number of different alternatives. The future direction of the Company, therefore is very much undetermined and thus Nabi shares could have very different investment aspects when the strategic review is completed in the future.
- **FDA and Regulatory risks** – Nabi's products are ultimately reliant on approvals by the U.S. FDA and other national regulatory bodies. There can be no guarantee of timely or definite regulatory approvals for any of their pipeline products in the future.
- **Reliance on joint venture partners** — In the future, Nabi may be reliant on sales royalties from Fresenius for the PhosLo and Phoslyra product line, and there can be no assurance that Fresenius will be successful in its efforts to market these products.
- **History of unprofitable operations** – As a biopharmaceutical development company, Nabi has a history of unprofitable operations, and is forecast to continue to be unprofitable in the near future. While the Company has plenty of cash on hand at the present time, there can be no assurance that future losses will not diminish these cash balances without adding long-term asset value for investors.

Nabi Biopharmaceuticals, Inc.
Consolidated Statements of Income
(in \$000s, except EPS)

Robert M. Wasserman

FYE December	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011E</u>
Revenues							
Licensing agreements and grants	\$0	\$0	\$0	\$0	\$10,489	\$35,005	\$15,000
Cost of services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,988</u>	<u>3,951</u>	<u>2,000</u>
Gross profit	0	0	0	0	<u>8,501</u>	<u>31,054</u>	<u>13,000</u>
Expenses							
General and administrative	37,042	32,576	26,090	12,415	9,987	6,174	5,000
Research and development	57,788	28,745	18,841	12,556	16,490	26,078	20,500
One-time and other	<u>27,810</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenses	122,640	61,321	44,931	<u>24,971</u>	<u>26,477</u>	<u>32,252</u>	<u>25,500</u>
Income (loss) from operations	(122,640)	(61,321)	(44,931)	(24,971)	(17,976)	(1,198)	(12,500)
Interest income	4,094	4,148	6,026	4,578	368	230	200
Interest expense	(2,460)	(3,467)	(3,454)	(3,127)	(1,071)	(210)	0
Other expense, net	<u>(478)</u>	<u>(66)</u>	<u>3,576</u>	<u>1,454</u>	<u>(48)</u>	<u>291</u>	<u>100</u>
Loss from continuing operations before taxes	(121,484)	(60,706)	(38,783)	(22,066)	(18,727)	(887)	(12,200)
Income tax benefit	<u>2,916</u>	<u>753</u>	<u>14,265</u>	<u>1,742</u>	<u>0</u>	<u>1,765</u>	<u>2,000</u>
Income (loss) from continuing operations	(118,568)	(59,953)	(24,518)	(20,324)	(18,727)	878	(10,200)
Loss from discontinued operations	<u>(9,881)</u>	<u>1,250</u>	<u>71,587</u>	<u>5,268</u>	<u>0</u>	<u>0</u>	<u>3,000</u>
Net income (loss)	(128,449)	(58,703)	47,069	(15,056)	(18,727)	878	(7,200)
Basic and diluted income (loss) per share							
Continuing operations	<u>(\$1.98)</u>	<u>(\$0.98)</u>	<u>(\$0.41)</u>	<u>(\$0.39)</u>	<u>(\$0.37)</u>	<u>\$0.02</u>	<u>(\$0.24)</u>
Discontinued operations	<u>(\$0.17)</u>	<u>\$0.02</u>	<u>\$1.19</u>	<u>\$0.10</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.07</u>
Total	<u>(\$2.15)</u>	<u>(\$0.96)</u>	<u>\$0.78</u>	<u>(\$0.29)</u>	<u>(\$0.37)</u>	<u>\$0.02</u>	<u>(\$0.17)</u>
Basic and diluted shares outstanding	59,862	60,936	60,295	51,866	50,633	44,440	42,397
Key ratios:							
Cash Flow/share	(\$2.09)	(\$0.91)	\$0.84	(\$0.22)	(\$0.30)	\$0.06	(\$0.12)
EBITDA/share	(\$2.09)	(\$0.86)	\$0.66	(\$0.19)	(\$0.28)	\$0.03	(\$0.17)

Balance Sheets

(\$000s)

<i>Assets:</i>	<u>12/25/10</u>	<u>9/24/11</u>
Cash and marketable securities	\$108,167	\$102,013
Prepaid expenses & other	829	873
Receivables	<u>1,030</u>	<u>891</u>
Total current	110,026	103,777
Marketable securities	2,500	0
Property & equip., net	597	274
Other	<u>748</u>	<u>0</u>
TOTAL ASSETS	\$113,871	\$104,051
<i>Liabilities:</i>		
Accounts payable	\$552	\$983
Accrued expenses & other	7,377	4,564
Deferred revenue - current portion	7,797	2,526
Discontinued operations	<u>2,207</u>	<u>1,817</u>
Total current	17,933	9,890
Deferred revenue	35,368	33,474
Stockholders' equity	<u>60,570</u>	<u>60,687</u>
TOTAL LIAB & EQ	\$113,871	\$104,051

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

Important Disclosures:

Price Chart:



Price target and ratings changes over the past 3 years:

Initiated - November 28, 2006 – Strong Buy - Target \$12.00
 Update – October 5, 2009 – Buy – Price Target \$7.00
 Update – December 7, 2011 – Lowered to Neutral

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Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Buy	23	82%	8	35%
Neutral	4	14%	2	50%
Sell	1	4%	0	0%
Total	28	100%	10	36%

Information about valuation methods and risks can be found in the “STOCK VALUATION” and “RISKS” sections of this report.

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