Biotechnology

IMMP - NASDAQ August 7, 2018

Intraday Price 08/7/2018	**$2.71**
Rating:	Buy
12-Month Target Price:	$7.00
52-Week Range:	$1.25 - $3.06
Market Cap (M):	82
Shares O/S (M):	30.3
Float:	100.0%
Avg. Daily Volume (000):	86
Debt (M):	$6.2
Dividend:	$0.00
Dividend Yield:	0.00%
Risk Profile:	Speculative
Fiscal Year End:	June

Total Expenses ('000)

	2017A	2018E	2019E
H1	3,716	7,440A	6,864
H2	6,917	6,877	7,436
FY	10,633	14,317	14,300

Immutep Limited

Buy

Pipeline Update: Eftilagimod Moves Forward, Partners are Busy - Novartis, GSK, EOC (China)

Summary

- **Immutep provided a clinical update for its in-house and partnered LAG-3 programs; Eftilagimod (Efti, IMP321), GSK'781 (formerly IMP731) and LAG525.**
- **Watching the partners:**
  - **GlaxoSmithKline (GSK - NR) is moving GSK'781 (derived from Immutep's IMP731) forward into a P2 study in ulcerative colitis with data expected in 2020. Important to note is that this antibody was featured in the GSK 2Q earnings call slides and in our view, the selection of an initial indication is a positive.**
  - **Novartis (NVS - NR) presented the first set of data for LAG525 (derived from Immutep's IMP701) at ASCO in June and initiated the first of two new P2 trials. The N=96 study in triple negative breast cancer (TNBC) is underway and the N=135 study in melanoma should initiate this month.**
- **In-House, Efti continues to move forward in two ongoing studies with a third expected to initiate in 2H18. The P1 study in melanoma evaluating Efti + Keytruda enrolled the final patient in the expansion cohort (which has already been positive in first 18 patients); data expected 2019. In breast cancer, the P2b registration study in breast cancer of Efti + chemotherapy has enrolled 126 of 226 patients, remains on track for data in 2019.**
- **Conclusion: Is LAG-3 the next blockbuster checkpoint? It could be as companies like Bristol (BMY - NR), Novartis, GSK and others advance LAG-3 programs. Immutep with internal and partnered LAG-3 assets is well-positioned to potentially capture value in the checkpoint space and at an $80M market capitalization, shares remain undervalued, in our view.**

Details

Partnered programs: 1) GSK; nominated ulcerative colitis as lead indication for GSK2831781 (a humanized version of IMP731), proof of concept data expected 2020; Immutep secured a Canadian patent for IMP731 for the treatment or prevention of organ transplant rejection and autoimmune disease entitled "Cytotoxic anti-LAG-3 monoclonal antibody and its use in the treatment or prevention of organ transplant rejection and autoimmune disease." We view this as a positive strategic step as its partner moves ahead with GSK2831781 2) Novartis initiated a Ph2 study with LAG525 (a humanized antibody of IMP701) in TNBC, enrollment expected 3Q18; 3) EOC Pharma (partner in China - private) is expected to initiate a Phase 1 trial of efti with paclitaxel in metastatic breast cancer in 3Q18.

TACTI-mel: Phase 1 (N=24) combining efti + Keytruda in patients with unresectable or metastatic melanoma. Part A consists of a single injection of 1mg (cohort 1), 6mg (cohort 2) or 30mg (cohort 3) of efti administered every 2 weeks in addition to Keytruda. In Part B, all patients will receive a single injection of 30mg of efti every 2 weeks in addition to Keytruda, starting at cycle 1 of Keytruda. TACTI-mel is now fully enrolled with the final patient in Part B recruited and dosed with treatment. The study has already demonstrated positive data (from Part A). More data is expected 2H18.

TACTI-002: The Phase 2 collaboration with Merck (MRK - NR) in lung cancer and H&N cancer that will enroll up to N=120 . Patients will receive the combination therapy of efti at the 30mg dose + Keytruda - Initiate 2H18; initial data 2019.

AIPAC: Phase 2b registration study (N=226) of IMP321 (eftilagimod alpha or "efti") as an adjuvant therapy in combination with frontline paclitaxel therapy in metastatic breast cancer. Progression-free survival (PFS) is the primary endpoint. The randomized portion of the trial is now underway with enrollment expected to complete YE18. Data is expected in 1H19.

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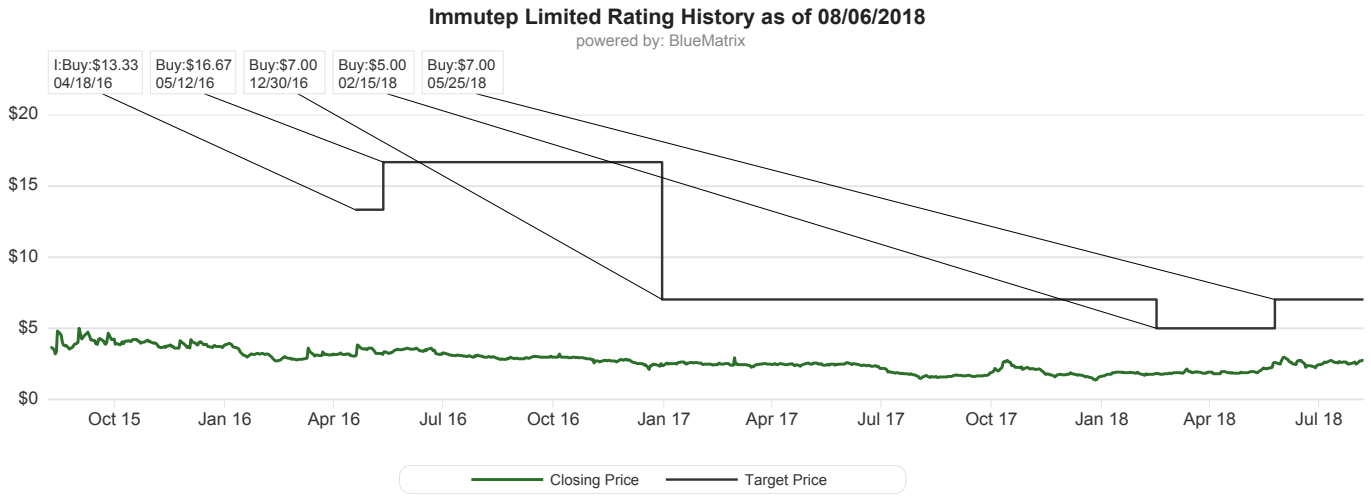

Maxim Group LLC Ratings Distribution		As of: 08/06/18	
		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
Buy	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	**82%**	**35%**
Hold	Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither outperform nor underperform its relevant index over the next 12 months.	**17%**	**17%**
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	**2%**	**33%**
	**See valuation section for company specific relevant indices*		

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Maxim Group makes a market in Immutep Limited

Maxim Group managed/co-managed/acted as placement agent for an offering of the securities for Immutep Limited in the past 12 months.

Maxim Group received compensation for investment banking services from Immutep Limited in the past 12 months.

Maxim Group expects to receive or intends to seek compensation for investment banking services from Immutep Limited in the next 3 months.

IMMP: For Immutep, we use the BTK (Biotechnology Index) as the relevant index.

Valuation Methods

IMMP: Our therapeutic model assumes a royalty structure for each LAG-3 product, initially with IMP701 and IMP731 in 2020 and followed by IMP321 in 2023 (breast cancer). Our models assume risk adjustments for each product based on the stage(s) of development. Our therapeutic models assume a risk adjustment. We then apply a 30% discount to our free-cash-flow, discounted EPS, and sum-of-the-parts models, which are equally weighted to derive a price target.

Price Target and Investment Risks

IMMP: Aside from general market and other economic risks, risks particular to our price target and rating for Immutep include: (1) Development—To date, LAG-3 checkpoint modulators have not been approved; (2) Regulatory—The company's ongoing and future studies may not be sufficient to gain approval; (3) Commercial—The company lacks commercial infrastructure to support a launch if approved; (4) Financial—The company is not yet profitable and may need to raise additional capital to fund operations; (5) Collaborative—The company has ongoing collaborations with large pharmaceutical companies who could back out of the partnerships, setting back development on product lines and increasing costs; (6) High volatility of the company's stock price.

RISK RATINGS

Risk ratings take into account both fundamental criteria and price volatility.

Speculative – Fundamental Criteria: This is a risk rating assigned to early-stage companies with minimal to no revenues, lack of earnings, balance sheet concerns, and/or a short operating history. Accordingly, fundamental risk is expected to be significantly above the industry. Price Volatility: Because of the inherent fundamental criteria of the companies falling within this risk category, the price volatility is expected to be significant with the possibility that the investment could eventually be worthless. Speculative stocks may not be suitable for a significant class of individual investors.

High – Fundamental Criteria: This is a risk rating assigned to companies having below-average revenue and earnings visibility, negative cash flow, and low market cap or public float. Accordingly, fundamental risk is expected to be above the industry. Price Volatility: The price volatility of companies falling within this category is expected to be above the industry. High-risk stocks may not be suitable for a significant class of individual investors.

Medium – Fundamental Criteria: This is a risk rating assigned to companies that may have average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to approximate the industry average.

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