Biotechnology

IMMP - NASDAQ November 3, 2020

Intraday Price 11/3/20	**$1.79**
Rating:	Buy
12-Month Target Price:	$2.00
52-Week Range:	$0.53 - $3.10
Market Cap (M):	88.2
Shares O/S (M):	49.3
Float:	NA
Avg. Daily Volume (000):	389.3
Debt (M):	$6.2
Dividend:	$0.00
Dividend Yield:	0.0%
Risk Profile:	Speculative
Fiscal Year End:	June

Total Expenses ('000)

	2020A	2021E	2022E
H1	9,572	8,713	9,148
H2	7,715	9,439	9,911
FY	17,287	18,151	19,059
Prior	18,222	19,133	20,090

The company is domiciled in Australia and reports in A$. All financial data is converted into USD, unless noted.

EVENT INFORMATION

Society for Immunotherapy of Cancer (SITC) meeting 11/9 -11/14, Virtual Event

Immutep Abstract #790

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Immutep Limited

Buy

TACTI-002 Data (efti + pembro) to be Presented at SITC Meeting; Late Breaker Poster

Summary

- **Immutep announced that the company will presenting data from the TACTI-002 trial at the SITC (Society for Immunotherapy of Cancer) next week; 11/9 -11/14.**
- **Recall that at ESMO in September, the company presented positive data for the combo of efti and keytruda (pembrolizumab) in 1st line lung cancer and 2nd line head & neck cancer. The key takeaway, as we have seen previously at AACR and ASCO this year, is that the efti/pembro combination is demonstrating potential synergy, with overall response rates exceeding historical comps to pembro and/or chemotherapy ORRs in these patient populations.**
- **As important for Immutep, the company is seeing its valuation return to the pre-P2b efti breast cancer readout in 1Q, which combined with a COVID pandemic selloff in the broader markets, sent IMMP shares to a 52-week low. The breast cancer story is far from over for efti, and we expect to see an update at the San Antonio Breast Cancer Symposium in December. That said, focus remains on the efti + keytruda work in lung and head & neck cancer, where the positive data continues to build.**
- **In addition, and something to watch for in the checkpoint space, is progress Bristol (BMY- NR) makes with its LAG-3 programs, now at 30+ clinical trials and used in over 10,000 patients. Much of the focus remains on PD1/L1 related combinations and utility expansion, as well as TIGIT, not so much LAG-3, in our view, a space which includes Immutep and remains undervalued.**

Details

Upcoming TACTI-002 update at SITC next week; 11/9 -11/14. Immutep will present data for eftillagimod + pembrolizumab (Keytruda):

Abstract title: "A phase II study (TACTI-002) of eftilagimod alpha (a soluble LAG-3 protein) with pembrolizumab in PD-L1 unselected patients with metastatic non-small cell lung (NSCLC) or head and neck carcinoma (HNSCC).

Abstract #790, Monday, November 9, 2020, 8am ET.

Presenter: Dr. Matthew Krebs, The Christie NHS Foundation Trust, Manchester, UK.

Eftilagimod (efti) is a soluble dimeric recombinant form of LAG-3Ig, a fusion protein used to increase the immune response to tumors by stimulating dendritic cells through high affinity binding to MHC class II molecules on the dendritic cell surface. LAG-3 is one of two proteins shown to be able to properly condition dendritic cells (and monocytes) to undergo maturation and step up the stimulation of antigen targeting T-cells (the other is CD40 ligand). LAG-3 is emerging as the next potential blockbuster checkpoint target with groups like Immutep in leading positions alongside larger checkpoint players like Bristol which has 30+ clinical programs around LAG-3. The TACTI-002 program is being conducted with Merck (MRK - NR).

TACTI-002 data was presented in two posters at the ESMO meeting in September (9/18 - 9/22); data from both non-small cell lung cancer (NSCLC) and head & neck cancer (HNSCC). The TACTI-002 study across all three parts (A- NSCLC 1st line, B- NSCLC 2nd line, C- HNSCC) has enrolled 109 patients though at the time of the data cutoff, the N value was at 88. The primary endpoint of the P2 study is an objective response rate (ORR) in accordance with iRECIST. The two posters of note at ESMO were in 1st line lung and 2nd line H&N and track with data presented previously at AACR and ASCO last spring.

Head & neck (H&N) cancer, 2nd line. In the H&N group, N=18 were enrolled though disease locations included oropharynx, hypopharynx, oral cavity or larynx. The objective response rate (ORR) was 39% (7/18), including 2 complete responses and 4 partials. Note 2 patients achieved stable disease, 7 experienced progression

and 2 were not evaluable. Overall, the disease control rate was 50%. Keytruda (pembrolizumab) in this space has an ORR of <20% whereas chemo is ~10%. As such, an ORR of 39% is suggestive of synergy between efti and pembro.

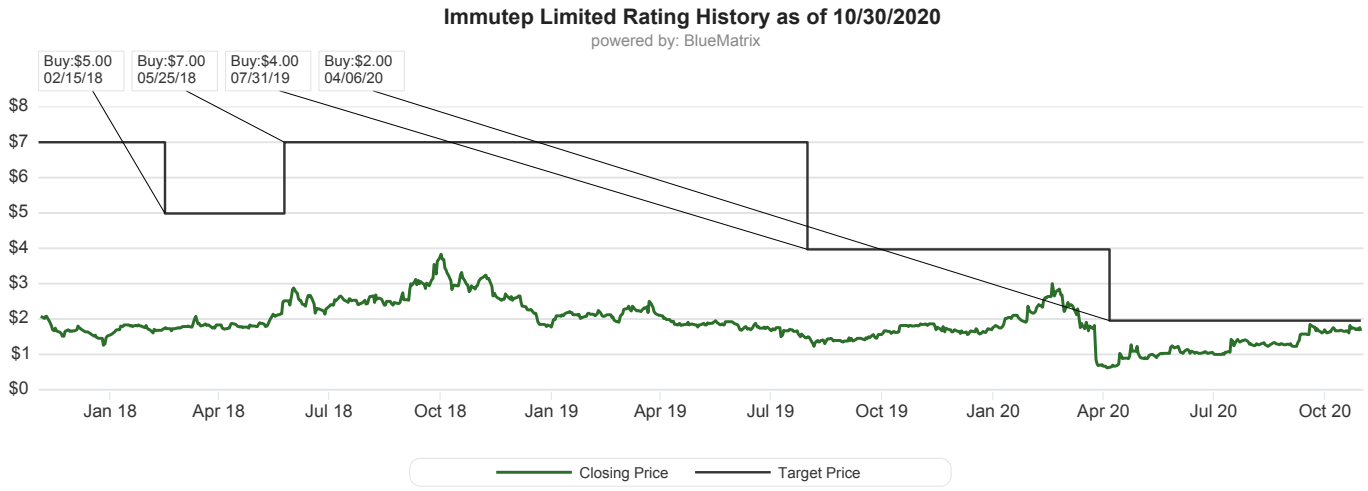
Lung cancer, 1st line. In the 1st line lung cancer portion of the study, 17 patients were evaluated for response to the combination. The ORR was 53% (9/17) including 1 complete response and 8 partials, with 4 experiencing stable disease and 4 progressing. Media progression free survival is 11.8 months with 12 months overall survival at 71% (median not reached at 14 month followup). Keytruda in a PD-L1 high expressor population has shown ORR of 40% but in all-comers for PD-L1, expression is 20-25%. As the efti + pembro data is from all-comers in terms of PD-L1 expression, the data are again suggestive of synergy between these two therapies.

Model update. We have updated our model for FY20 (June) results (reported on 9/18). Net loss was reported at ($6.7M USD). The company has ~$18M USD in cash on the balance sheet and expects to have runway into late CY21.

Income Statement ($'000, USD)				July-Dec	Jan-Jun							
Immutep I: YE June 30	**2017A**	**2018A**	**2019A**	**1H-2020A**	**2H-2020A**	**2020A**	**1H-2021E**	**2H-2021E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Revenue (000's)													
Total Revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
License revenue		1,947	95	4,420	72	4,492							
Miscellaneous income	616	746	785	48	120	168							
Grant Income	2,553	2,379	2,953	1,291	2,293	3,584							
Milestones and Royalties:													
IMP321 (Melanoma)							-	-	-	-	10,580	20,652	30,732
IMP731 (Psoriasis)							1,325	1,436	2,761	4,741	22,518	35,902	47,798
IMP701 (Solid tumors)							2,241	2,428	4,669	8,016	18,996	24,462	30,241
CVac													
Total Revenues	3,169	5,072	3,833	5,759	2,485	8,244	3,566	3,863	7,430	12,756	52,094	81,016	108,770
Expenses													
Cost Of Goods Sold													
COGS % Sales													
Research & Development	5,585	7,392	11,282	7,139	5,098	12,238	6,168	6,682	12,849	13,492	14,167	14,875	15,619
R&D % Rev's													
General & Administrative Expense	3,347	5,359	4,329	1,853	1,949	3,801	1,916	2,076	3,991	4,191	4,401	4,621	4,852
SG&A %													
Depreciation and amortization	1,702	1,339	1,278	579	669	1,248	629	681	1,310	1,376	1,444	1,517	1,593
Total expenses	**10,633**	**14,090**	**16,889**	**9,572**	**7,715**	**17,287**	**8,713**	**9,439**	**18,151**	**19,059**	**20,012**	**21,012**	**22,063**
Oper. Inc. (Loss)	(7,464)	(9,019)	(13,056)	(3,813)	(5,231)	(9,043)	(5,146)	(5,575)	(10,722)	(6,302)	32,083	60,004	86,708
Other income and expenses													
Interest income	80	131	270	79	41	120							
Loss on foreign exchange	333	239	336	135	73	208							
Finance cost					(6)	(6)							
Changes in fair value of comparability milestone					-								
Net Change in fair value of financial liability	(579)	(641.47)	(678)	(343)	1,031	688							
Gain/Loss on fair value change of warrants		(141)	654	372	957	1,329							
Loss on disposal of assets													
Exchange differences on the translation of foreign operations													
Total other income	(165)	(412)	582	243	107	2,338	-	-	-	-	-	-	-
Pre-tax income	**(7,629)**	**(9,431)**	**(12,474)**	**(3,570)**	**(5,123)**	**(6,705)**	**(5,146)**	**(5,575)**	**(10,722)**	**(6,302)**	**32,083**	**60,004**	**86,708**
Pretax Margin													
Taxes (or benefits)	738	(1)		(0)		(0)				-	-	3,000	8,671
Tax Rate												5%	10%
Exchange differences on the tranasations of foreign operations	209	1,329	558	(257)	(50)	(100)							
GAAP Net Income (loss)	**(7,101)**	**(9,432)**	**(12,474)**	**(3,570)**	**(5,123)**	**(6,705)**	**(5,146)**	**(5,575)**	**(10,722)**	**(6,302)**	**32,083**	**57,004**	**78,037**
Total Comprehensive Income (loss)	**(7,101)**	**(8,103)**	**(11,915)**	**(3,827)**	**(5,123)**	**(6,705)**	**(5,146)**	**(5,575)**	**(10,722)**	**(6,302)**	**32,083**	**57,004**	**78,037**
GAAP -EPS	**(0.32)**	**(0.40)**	**(0.49)**	**(0.09)**	**(0.13)**	**(0.17)**	**(0.12)**	**(0.13)**	**(0.24)**	**(0.14)**	**0.73**	**1.29**	**1.76**
Wgtd Avg Shrs (Bas) - '000s	22,111	23,799	25,414	38,880	38,919	38,899	43,958	44,002	43,980	44,068	44,156	44,244	44,333
Wgtd Avg Shrs (Dil) - '000s	22,111	23,799	25,414	38,880	38,919	38,899	43,958	44,002	43,980	44,068	44,156	44,244	44,333

Source: Company reports and Maxim

DISCLOSURES



Maxim Group LLC Ratings Distribution		As of: 11/02/20	
		% 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%**	**52%**
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.	**18%**	**47%**
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	**0%**	**0%**
	**See valuation section for company specific relevant indices*		

I, Jason McCarthy, Ph.D., attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

The research analyst(s) primarily responsible for the preparation of this research report have received compensation based upon various factors, including the firm's total revenues, a portion of which is generated by investment banking activities.

Maxim Group makes a market in Immutep Limited

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 2021 and followed by IMP321 in 2023 (melanoma)(breast cancer is not factored in, nor is indications in lung or H&N at this time. 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.

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

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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

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