Biotechnology

PBMD - NASDAQ November 15, 2016

Closing Price 11/14/2016	**$0.81**
Rating:	Buy
12-Month Target Price:	$5.00
52-Week Range:	$0.72 - $1.54
Market Cap (M):	56
Shares O/S (M):	69.1
Float:	0.0%
Avg. Daily Volume (000):	79
Debt (M):	$0.0
Dividend:	$0.00
Dividend Yield:	0.00%
Risk Profile:	Speculative
Fiscal Year End:	June

Total Expenses ('000)

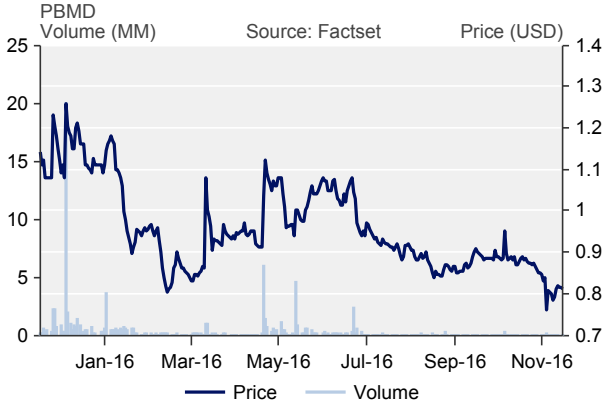
	2016A	2017E	2018E
H1	7,006	6,725	7,061
H2	5,181	7,285	7,650
FY	12,187	14,010	14,711
Prior	13,343	—	—

Pretax Income ('000)

	2016A	2017E	2018E
H1	(6,928)	(1,925)	2,539
H2	(5,079)	(2,085)	2,750
FY	(12,006)	(4,010)	5,289
Prior	(13,343)	—	—

GAAP EPS

	2016A	2017E	2018E
H1	(0.11)	(0.03)	0.04
H2	(0.08)	(0.03)	0.04
FY	(0.20)	(0.06)	0.08
Prior	—	—	0.07



Jason McCarthy, Ph.D.
(212) 895-3556
jmccarthy@maximgrp.com

Jason Kolbert
(212) 895-3516
jkolbert@maximgrp.com

Prima Biomed Ltd.

Buy

Bristol's LAG-3 + PD1 Combo Demonstrates Positive Data in Solid Tumors - It's a Positive For Prima, Too

Summary

- **We note that at the SITC (Society for Immunotherapy of Cancer) meeting (November 9-13), a poster presented by Lipson et. al. titled "Initial Experience Administering BMS-986016, a Monoclonal Antibody That Targets Lymphocyte Activation Gene (LAG)-3, Alone and in Combination With Nivolumab to Patients With Hematologic and Solid Malignancies" demonstrated positive safety and early signs of efficacy across a variety of solid tumors. In our view this is a positive for Prima and partner Novartis.**
- **Recall that Prima licensed a LAG-3 checkpoint to Novartis, IMP701, which is currently in a phase I study (N=240) in solid tumors. In addition, Prima is conducting a phase I ("TACTI-mel") study (N=24) in melanoma of IMP321 (soluble LAG-3) in combination with Merck's Keytruda (anti-PD1). Interim data from this study are expected in the coming months.**
- **Model update. We have updated our model for Prima's year-end, which was June 30, 2016. In addition, as of September 30, 2016, Prima reported the company had $14M on the balance sheet, sufficient runway into 2H17 (summer) and through multiple data points, on our estimates.**
- **Conclusion. The immune therapy space continues to shift towards combination approaches, and we see Prima as a leader in this space with three LAG-3s and the right pharma partners. In our view, LAG-3 could be the next blockbuster checkpoint and Prima is ideally positioned to capture the opportunity.**

Details

The LAG-3 platform. The LAG-3 (lymphocyte activation gene-3) checkpoint is rapidly emerging behind PD1 and CTLA-4, in our view. LAG-3 has a multi-functional role, which can be exploited in different ways to alter immune responses, and is potentially synergistic with other immunotherapies (vaccines, other checkpoint, CAR-T) and chemotherapy. Prima BioMed's acquisition of Immutep SA (private) in 2014 brought a portfolio of LAG-3-targeting assets into the Prima pipeline and positioned the company as the LAG-3 leader. In addition, Immutep's founder, Frédéric Triebel, MD, PhD has joined Prima as Chief Medical Officer to oversee LAG-3 product development. Dr. Treibel discovered the LAG-3 gene in 1990 (**click here for the paper**) and developed IMP321 (soluble LAG-3, immune stimulant), IMP731 (LAG-3-depleting antibody for autoimmune disease), and IMP701 (LAG-3 checkpoint inhibitor).

Large indications and the right partners. Novartis has licensed IMP701 for development as a combination therapy with PD1 inhibitors in solid tumors. We believe that the ongoing phase I study (N=240) will expand in its indications, taking a more aggressive timeline to approval (likely by 2020). GSK is evaluating IMP731 in a phase I study in psoriasis (data are expected in 1Q17). Prima will receive single-digit royalties from each partnership. The lead in-house program IMP321, an APC (antigen-presenting cell) activator that ramps up T-cell production following chemotherapy, already demonstrated POC in breast cancer and is currently in a phase IIb registration study. IMP321 could launch in 2020. A phase I study of an IMP321 combination with Keytruda in melanoma patients is also underway. IMP321 could ramp up T-cells for Keytruda to take the brakes off and turn Keytruda non-responders into responders.

Valuation. We assume a royalty stream for each product, initially with IMP321 and IMP701 in 2020 and followed by IMP731 in 2023. We apply a 30% discount to our free-cash-flow, discounted EPS, and sum-of-the-parts models, which are equally weighted to derive a 12-month price target of $5.

Income Statement ($'000, USD)		July-Dec	Jan-Jun										
Prima Biomed LTD, I: YE June 30	**2015A**	**1H-2016A**	**2H-2016A**	**2016A**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Revenue (000's)													
Total Revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
License revenue			133	133									
Miscellaneous income	130	286	248	534									
Grant Income	899	675	(0)	674									
Milestones and Royalties:													
IMP321 (Breast cancer)								11,767	36,651	60,412	86,372	112,203	123,848
IMP321 (Melanoma)								-	-	41,902	51,801	66,707	91,629
IMP731 (Psoriasis)					5,000	10,000	10,000	10,000	10,000	15,000	45,036	71,804	95,595
IMP701 (Solid tumors)					5,000	10,000	10,000	10,000	10,000	15,000	37,991	48,923	60,481
CVac							5,000	10,000	12,000	40,000	50,000	75,000	100,000
Total Revenues	1,028	961	380	1,341	10,000	20,000	25,000	41,767	68,651	172,314	271,201	374,637	471,553
Expenses													
Cost Of Goods Sold	-												
COGS % Sales													
Research & Development	6,893	3,049	2,317	5,365	6,823	7,164	7,522	7,898	8,293	8,708	9,143	9,601	10,081
R&D % Rev's													
General & Administrative Expense	4,407	3,177	2,129	5,307	7,187	7,547	7,924	8,321	8,737	9,173	9,632	10,114	10,619
SG&A %													
Depreciation and amortization	1,033	780	735	1,515									
Total expenses	**12,333**	**7,006**	**5,181**	**12,187**	**14,010**	**14,711**	**15,447**	**16,219**	**17,030**	**17,881**	**18,776**	**19,714**	**20,700**
Oper. Inc. (Loss)	(11,305)	(6,045)	(4,801)	(10,845)	(4,010)	5,289	9,553	25,548	51,621	154,433	252,426	354,923	450,853
Other income and expenses													
Interest income	169	125		125									
Loss on foreign exhange	(414)	(378)	(51)	(429)									
Finance cost	(14,140)	(6)		(6)									
Changes in fair value of comparability milestone	619	(412)	23	(389)									
Net Change in fair value of financial liability		(212)	(250)	(462)									
Loss on disposal of assets	(4)												
Exchange differences on the tranlation of foreign operations	(43)												
Total other income	(13,767)	(883)	(278)	(1,161)	-	-	-	-	-	-	-	-	-
Pre-tax income	**(25,071)**	**(6,928)**	**(5,079)**	**(12,006)**	**(4,010)**	**5,289**	**9,553**	**25,548**	**51,621**	**154,433**	**252,426**	**354,923**	**450,853**
Pretax Margin													
Taxes (or benefits)											12,621	28,394	45,085
Tax Rate											5%	8%	10%
GAAP Net Income (loss)	**(25,071)**	**(6,928)**	**(5,079)**	**(12,006)**	**(4,010)**	**5,289**	**9,553**	**25,548**	**51,621**	**154,433**	**239,804**	**326,529**	**405,768**
Non GAAP Net Income (loss)	**(25,071)**	**(24,244)**	**(23,838)**	**(48,082)**	**(4,010)**	**5,289**	**9,553**	**25,548**	**51,621**	**154,433**	**265,047**	**383,317**	**495,938**
GAAP -EPS	**(0.41)**	**(0.11)**	**(0.08)**	**(0.20)**	**(0.06)**	**0.08**	**0.13**	**0.35**	**0.69**	**2.06**	**3.19**	**4.34**	**5.38**
Wgtd Avg Shrs (Bas) - '000s	60,530	60,621	60,682	60,651	64,273	69,405	71,045	72,937	74,835	74,985	75,135	75,285	75,436
Wgtd Avg Shrs (Dil) - '000s	60,530	60,621	60,682	60,651	64,273	69,405	71,045	72,937	74,835	74,985	75,135	75,285	75,436

Source: Company reports and Maxim

DISCLOSURES

Prima Biomed Ltd. Rating History as of 11/14/2016

powered by: BlueMatrix

Maxim Group LLC Ratings Distribution		As of: 11/14/16	
		% 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.	**78%**	**26%**
Hold	Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither significantly outperform nor underperform its relevant index over the next 12 months.	**20%**	**21%**
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%**	**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.

I, Jason Kolbert, 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 Prima Biomed Ltd.

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

PBMD: For Prima Biomed, we use the BTK (Biotechnology Index) as the relevant index.

Valuation Methods

PBMD: Our therapeutic model assumes a royalty structure for each LAG-3 product, initially with IMP701 and IMP321 in 2020 and followed by IMP731 in 2023. Our models assume risk adjustments for each product based on the stage(s) of development. 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

PBMD: Aside from general market and other economic risks, risks particular to our price target and rating for Prima Biomed 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.

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.

DISCLAIMERS

Some companies that Maxim Group LLC follows are emerging growth companies whose securities typically involve a higher degree of risk and more volatility than the securities of more established companies. The securities discussed in Maxim Group LLC research reports may not be suitable for some investors. Investors must make their own determination as to the appropriateness of an investment in any securities referred to herein, based on their specific investment objectives, financial status and risk tolerance.

This communication is neither an offer to sell nor a solicitation of an offer to buy any securities mentioned herein. This publication is confidential for the information of the addressee only and may not be reproduced in whole or in part, copies circulated, or disclosed to another party, without the prior written consent of Maxim Group, LLC (“Maxim”).

Information and opinions presented in this report have been obtained or derived from sources believed by Maxim to be reliable, but Maxim makes no representation as to their accuracy or completeness. The aforementioned sentence does not apply to the disclosures required by FINRA Rule 2241. Maxim accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that such liability arises under specific statutes or regulations applicable to Maxim. This report is not to be relied upon in substitution for the exercise of independent judgment. Maxim may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and Maxim is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by Maxim and are subject to change without notice. The price, value of and income from any of the securities mentioned in this report can fall as well as rise. The value of securities is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities. Investors in securities such as ADRs, the values of which are influenced by currency volatility, effectively assume this risk. Securities recommended, offered or sold by Maxim: (1) are not insured by the Federal Deposit Insurance Company; (2) are not deposits or other obligations of any insured depository institution; and (3) are subject to investment risks, including the possible loss of principal invested. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support these losses.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

Corporate Headquarters

The Chrysler Building
405 Lexington Ave., 2nd FL
New York, NY 10174
Tel: 212-895-3500

Capital Markets/Syndicate: 212-895-3695

Corporate Finance: 212-895-3811

Equity/Options Trading: 212-895-3790

Equity Research: 212-895-3736

Event Driven/Risk Arb Group: 212-895-3878

Fixed Income Trading: 212-895-3875

Global Equity Trading: 212-895-3623

Institutional Sales: 212-895-3745

Institutional Sales Trading: 212-895-3873

Prime Brokerage: 212-895-3755

Wealth Management: 212-895-3624

Woodbury, Long Island

20 Crossways Park Drive North
Suite 304
Woodbury, NY 11797
Tel: 516-393-8300

Red Bank, New Jersey

246 Maple Avenue
Red Bank, NJ 07701
Tel: 732-784-1900

San Francisco, Bay Area

Lafayette, California

3732 Mt. Diablo Blvd
Suite 158
Lafayette, CA 94549
Tel: 415-762-0114

Boca Raton, Florida

7900 Glades Road
Suite 505
Boca Raton, FL 33434
Tel: 561-465-2605