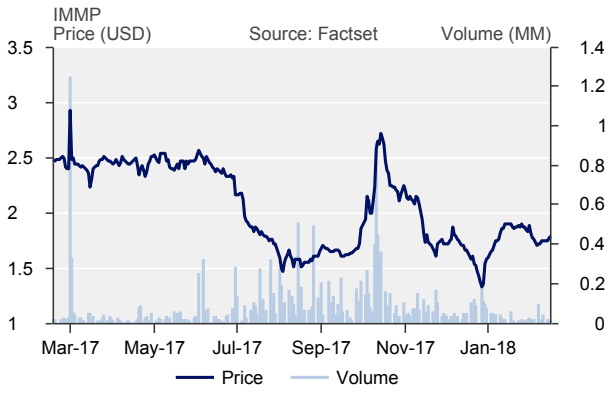
Biotechnology

IMMP - NASDAQ February 15, 2018

Closing Price 02/14/2018	**$1.77**
Rating:	Buy
12-Month Target Price:	*(prior $7.00)* $5.00
52-Week Range:	$1.25 - $3.24
Market Cap (M):	42
Shares O/S (M):	24.0
Float:	0.0%
Avg. Daily Volume (000):	49
Debt (M):	$0.0
Dividend:	$0.00
Dividend Yield:	0.00%
Risk Profile:	Speculative
Fiscal Year End:	June

Total Expenses ('000)

	2017A	2018E	2019E
H1	3,716	6,437	6,759
H2	6,917	6,974	7,322
FY	10,633	13,411	14,081



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

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

Immutep Limited

Buy

Lowering Price Target to $5, from $7; LAG-3 Could be the Next Checkpoint but it will Take Time to Get There

Summary

- **While we maintain a positive view on the LAG-3 space and the progress that Immutep is making to develop its LAG-3 pipeline, it is going to take more time and capital. Given the early stage of the trials in breast cancer and melanoma, we have extended our timelines to approval. Specifically, we now anticipate commercialization for IMP321 in breast cancer in 2021 (from 2020) in Europe and 2023 (from 2021) in the U.S. These changes in combination with other model adjustments result in a 12-month price target of $5, reduced from $7. In addition, we note that the company has ~$12M in cash on the balance sheet, which at the current burn rate of $3-4M per quarter is sufficient runway into 2H18, but we should expect to see a capital raise at some point this year.**
- **The company is expected to provide data updates in 2018 for IMP321 in both the P1/2 trial in melanoma (+ Keytruda) and the P2b study in breast cancer (+ chemotherapy), which if positive should represent catalysts for a higher valuation (and/or an opportunity to raise capital at a higher valuation). We could also see data updates from partners Novartis (NVS - NR) and GlaxoSmithKline (GSK - NR) for IMP701 and IMP731, respectively, though timing of such has not been disclosed.**
- **The early data thus far for IMP321 in breast cancer and melanoma has been positive and our fundamental positive bias on the potential of the LAG-3 space remains. We continue to believe that LAG-3 is likely the next checkpoint to emerge to be paired with the PD1s and PD-L1s, but like other immunotherapies, it is going to take time and capital to establish definitive proof of concept for IMP321.**

Details

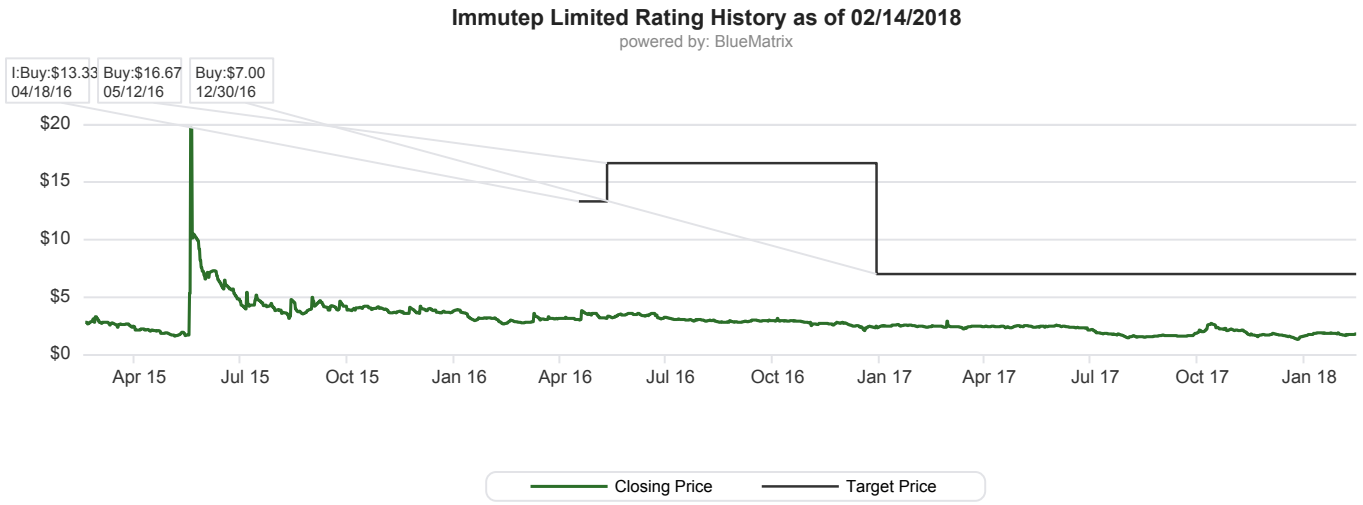
IMP321 is Immutep's lead LAG-3 candidate, and it is in development as an immune adjuvant or immune stimulator. IMP321 is a soluble dimeric recombinant form of LAG-3Ig, a fusion protein used to increase the immune response to tumors by stimulating dendritic cells through high affinity binding to MHC class 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). What's important to note is that both LAG-3 and CD40 can do this without inflammation. IMP321 was developed by Dr. Frédéric Triebel in the late 1990s as a dendritic-cell activator. When used at low doses, it can be used as a T-cell adjuvant for cancer vaccines. At higher doses, IMP321 can be combined with cancer chemotherapy to ramp up the immune response by driving dendritic cells and monocytes to increase tumor antigen presentation.

Large indications and the right partners. Novartis has licensed IMP701 for development as a combination therapy with PD1 inhibitors in solid tumors. The ongoing clinical study in multiple cancer types has (as of January 2018) expanded to enroll another 99 patients, now N=515. Novartis will also initiate another N=160 program in hematological and solid cancer in combination with its PD1 inhibitor PDR001. GSK is evaluating IMP731 in a phase I study in psoriasis with that trial expected to complete in March 2018. Immutep will receive single-digit royalties from each partnership. The lead in-house program, IMP321, an antigen-presenting cell (APC) 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 positive so far and demonstrated tumor reductions in 58% of patients.

Income Statement ($'000, USD)	July-Dec	Jan-Jun								
Prima Biomed LTD, I: YE June 30	**1H-2017A**	**2H-2017A**	**2017A**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Revenue (000's)											
Total Revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
License revenue											
Miscellaneous income	173	443	616								
Grant Income	1,051	1,503	2,553								
Milestones and Royalties:											
IMP321 (Breast cancer)							5,659	14,575	44,426	57,141	65,615
IMP321 (Melanoma)						-	-	-	10,580	20,652	30,732
IMP731 (Psoriasis)						893	2,761	4,741	22,518	35,902	47,798
IMP701 (Solid tumors)						1,541	4,669	8,016	18,996	24,462	30,241
CVac											
Total Revenues	1,224	1,945	3,169	-	-	2,434	13,089	27,332	96,520	138,156	174,385
Expenses											
Cost Of Goods Sold											
COGS % Sales											
Research & Development	2,086	3,499	5,585	5,864	6,157	6,465	6,788	7,128	7,484	7,858	8,251
R&D % Rev's											
General & Administrative Expense	1,630	1,717	3,347	7,547	7,924	8,321	8,737	9,173	9,632	10,114	10,619
SG&A %											
Depreciation and amortization		1,702	1,702								
Total expenses	**3,716**	**6,917**	**10,633**	**13,411**	**14,081**	**14,785**	**15,525**	**16,301**	**17,116**	**17,972**	**18,870**
Oper. Inc. (Loss)	(2,492)	(4,972)	(7,464)	(13,411)	(14,081)	(12,351)	(2,436)	11,031	79,404	120,185	155,515
Other income and expenses											
Interest income	49	31	80								
Loss on foreign exhange	(156)	490	333								
Finance cost											
Changes in fair value of comparability milestone											
Net Change in fair value of financial liability	(288)	(291)	(579)								
Loss on disposal of assets											
Exchange differences on the tranlation of foreign operations											
Total other income	(395)	521	(165)	-	-	-	-	-	-	-	-
Pre-tax income	**(2,887)**	**(4,451)**	**(7,629)**	**(13,411)**	**(14,081)**	**(12,351)**	**(2,436)**	**11,031**	**79,404**	**120,185**	**155,515**
Pretax Margin											
Taxes (or benefits)	425	313	738					552	7,940	18,028	27,993
Tax Rate								5%	10%	15%	18%
Exchange differences on the tranlation of foreign operations		209	209								
GAAP Net Income (loss)	**(2,462)**	**(4,347)**	**(7,101)**	**(13,411)**	**(14,081)**	**(12,351)**	**(2,436)**	**10,479**	**71,464**	**102,157**	**127,522**
Non GAAP Net Income (loss)	**(2,462)**	**(4,347)**	**(7,101)**	**(13,411)**	**(14,081)**	**(12,351)**	**(2,436)**	**10,479**	**71,464**	**102,157**	**127,522**
GAAP -EPS	**(0.12)**	**(0.18)**	**(0.32)**	**(0.53)**	**(0.53)**	**(0.43)**	**(0.08)**	**0.35**	**2.35**	**3.35**	**4.18**
Wgtd Avg Shrs (Bas) - '000s	20,637	23,585	22,111	25,120	26,672	28,475	30,284	30,345	30,405	30,466	30,527
Wgtd Avg Shrs (Dil) - '000s	20,637	23,585	22,111	25,120	26,672	28,475	30,284	30,345	30,405	30,466	30,527

Source: Company reports and Maxim

DISCLOSURES



Maxim Group LLC Ratings Distribution		As of: 02/14/18	
		% 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.	**81%**	**36%**
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%**	**23%**
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%**	**25%**
	**See valuation section for company specific relevant indices*		

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.

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 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 Prima Biomed, 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 IMP321 in 2020 and followed by IMP731 in 2023. 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 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.

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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

Fixed Income Trading: 212-895-3875

Global Equity Trading: 212-895-3623

Institutional Sales: 212-895-3873

Institutional Sales Trading: 212-895-3873

Prime Brokerage: 212-895-3723

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

West Palm Beach, Florida

105 South Narcissus Avenue
Suite 222
West Palm Beach, FL 33401
Tel: 561-508-4433