Biotechnology

IMMP - NASDAQ May 25, 2018

Closing Price 05/24/2018	**$2.58**
Rating:	Buy
12-Month Target Price:	*(prior $5.00)* $7.00
52-Week Range:	$1.25 - $2.85
Market Cap (M):	78
Shares O/S (M):	30.3
Float:	100.0%
Avg. Daily Volume (000):	50
Debt (M):	$6.2
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

EVENT INFORMATION

Webcast: May 29, 2018 @ 6pm ET (log in by 5:30); LINK, ID# pjkYJ5Qh

ASCO: June 1-5, 2018, Chicago, Illinois

Immutep Limited

Buy

IMP321 + Keytruda Data Continues to be Positive in Melanoma, ASCO Next - Raising Price Target to $7

Summary

- **Immutep announced updated positive data from the ongoing TACTI-mel (P1) study of IMP321 (soluble LAg-3 fragment, eftilagimod) + Keytruda in melanoma. The data demonstrated in N=18 overall response rate of 33%, 50% of patients with tumor shrinkage and 66% with disease control. These data, in our view, further validate the IMP321 mechanism of action via stimulating immune activation and compliment data from the breast cancer study (P1 complete, P2b ongoing + chemotherapy). We have reduced the risk in our therapeutic models from 75%, to 50% which increases our price target to $7, from $5.**
- **Two events coming up:**
  - **Webcast: Immutep will host a webcast on 5/29 at 6pm ET to discuss its LAG-3 pipeline programs (log in by 5:30).**
  - **ASCO: American Society of Clinical Oncology meeting 6/1 - 6/5. Three IMP321 posters will be presented (see below). We are also watching for activity in the LAG-3 space, particularly from Bristol Myers Squibb (BMY - NR) which has a LAG-3 (relatimab) in late stage development). Positive data from BMY should be viewed as a positive for IMMP, in our view.**
- **Conclusion: Immutep continues to advance its LAG-3 pipeline forward, particularly in combination therapies. For diseases like melanoma and other cancers, checkpoint monotherapy has been successful, but only in a minority of patients, leaving the larger market yet to be unlocked. In our view, LAG-3 is likely to be the next checkpoint to emerge to be paired with the PD1s/PD-L1s and Immutep may have the deepest LAG-3 pipeline in the space.**

Details

ASCO 2018 Presentations: Posters to be presented are focused on lead-in-house program IMP321 (eftilagimod alpha). Recall that Immutep has out-licensed two LAG-3 antibodies to pharma partners, including IMP701 to Novartis (NVS - NR) which is currently conducting combination studies with a PD1 inhibitor.

Abstract Number and Title: 1050, "*Combination of paclitaxel and a LAG-3 fusion protein (eftilagimod alpha), as a first-line chemoimmunotherapy in patients with metastatic breast carcinoma (MBC): Final results from the run-in phase of a placebo-controlled randomized phase II.*" Poster Session: Breast Cancer—Metastatic Session Data and Time: Saturday, Jun 2, 8:00 - 11:30am CDT. Location: Hall A, Poster Board Number: #131

Abstract Number and Title: TPS1109, *"AIPAC (Active Immunotherapy PAClitaxel): A randomized, double blind, placebo controlled, multinational phase IIb trial evaluating the efficacy of eftilagimod alpha (a soluble LAG-3 fusion protein) in combination with paclitaxel in hormone receptor positive metastatic breast cancer."* Poster Session: Breast Cancer—Metastatic Session Data and Time: Saturday, Jun 2, 8:00 - 11:30am CDT. Location: Hall A, Poster Number: #185b

Abstract Number and Title: TPS3129, *"The "INSIGHT" trial: An explorative, open-labeled phase I study to evaluate the feasibility and safety of intra-tumoral, intra-peritoneal, and subcutaneous injections with IMP321 (LAG-3Ig fusion protein) for advanced stage solid tumor entities."* Poster Session: Developmental Therapeutics—Immunotherapy Session Data and Time: Monday, Jun 4, 8:00 - 11:30am CDT. Location: Hall A, Poster Board Number: #329a

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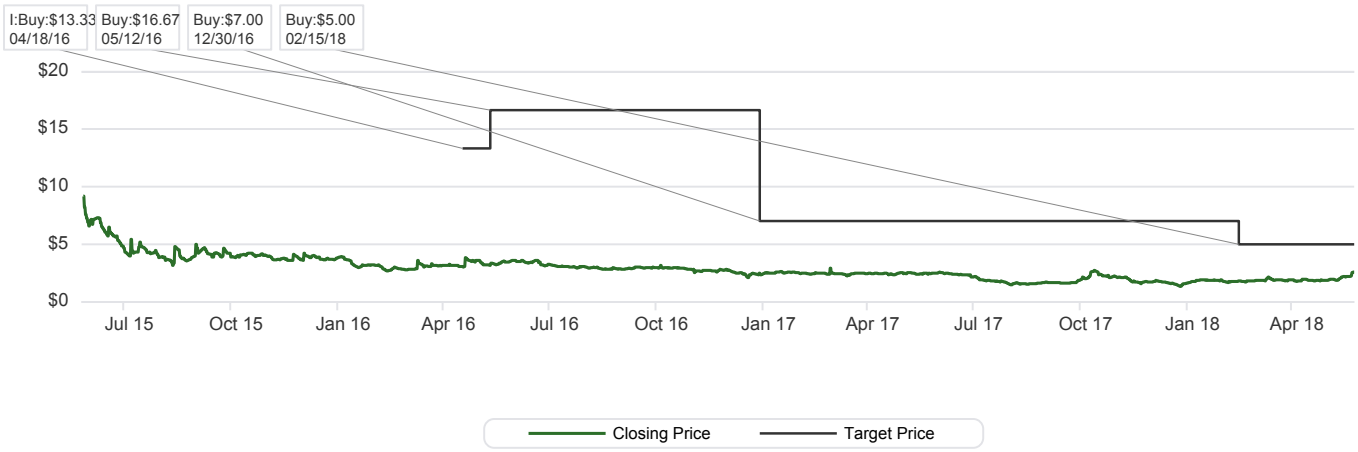
Income Statement ($'000, USD)	July-Dec	Jan-Jun		July-Dec	Jan-Jun								
Immutep I: YE June 30	**1H-2017A**	**2H-2017A**	**2017A**	**1H-2018A**	**2H-2018E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Revenue (000's)													
Total Revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
License revenue				2,013	2,000	4,013							
Miscellaneous income	173	443	616	259	250	509							
Grant Income	1,051	1,503	2,553	1,034	1,000	2,034							
Milestones and Royalties:													
IMP321 (Breast cancer)									5,659	14,575	52,815	70,968	83,421
IMP321 (Melanoma)								-	-	-	21,161	41,305	61,464
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	3,305	3,250	6,555	-	2,434	13,089	27,332	115,489	172,637	222,924
Expenses													
Cost Of Goods Sold													
COGS % Sales													
Research & Development	2,086	3,499	5,585	3,625	3,698	7,323	7,689	8,073	8,477	8,901	9,346	9,813	10,304
R&D % Rev's													
General & Administrative Expense	1,630	1,717	3,347	3,117	3,179	6,296	6,611	6,941	7,288	7,653	8,035	8,437	8,859
SG&A %													
Depreciation and amortization		1,702	1,702	698		698							
Total expenses	**3,716**	**6,917**	**10,633**	**7,440**	**6,877**	**14,317**	**14,300**	**15,015**	**15,765**	**16,554**	**17,381**	**18,251**	**19,163**
Oper. Inc. (Loss)	(2,492)	(4,972)	(7,464)	(4,134)	(3,627)	(7,761)	(14,300)	(12,581)	(2,677)	10,778	98,108	154,386	203,761
Other income and expenses													
Interest income	49	31	80	29		29							
Loss on foreign exchange	(156)	490	333	29		29							
Finance cost													
Changes in fair value of comparability milestone													
Net Change in fair value of financial liability	(288)	(291)	(579)	337		337							
Loss on disposal of assets													
Exchange differences on the translation of foreign operations													
Total other income	(395)	521	(165)	396	-	396	-	-	-	-	-	-	-
Pre-tax income	**(2,887)**	**(4,451)**	**(7,629)**	**(3,739)**	**(3,627)**	**(7,366)**	**(14,300)**	**(12,581)**	**(2,677)**	**10,778**	**98,108**	**154,386**	**203,761**
Pretax Margin													
Taxes (or benefits)	425	313	738	0		0				-	1,962	7,719	20,376
Tax Rate											2%	5%	10%
Exchange differences on the tranasations of foreign operations		209	209	395		395							
GAAP Net Income (loss)	**(2,462)**	**(4,347)**	**(7,101)**	**(3,344)**	**(3,627)**	**(6,970)**	**(14,300)**	**(12,581)**	**(2,677)**	**10,778**	**96,146**	**146,667**	**183,385**
Non GAAP Net Income (loss)	**(2,462)**	**(4,347)**	**(7,101)**	**(3,344)**	**(3,627)**	**(7,365)**	**(14,300)**	**(12,581)**	**(2,677)**	**10,778**	**96,146**	**146,667**	**183,385**
GAAP -EPS	**(0.12)**	**(0.18)**	**(0.32)**	**(0.14)**	**(0.13)**	**(0.28)**	**(0.53)**	**(0.44)**	**(0.09)**	**0.35**	**3.13**	**4.77**	**5.96**
Wgtd Avg Shrs (Bas) - '000s	20,637	23,585	22,111	23,608	26,894	25,251	26,934	28,738	30,548	30,609	30,670	30,731	30,793
Wgtd Avg Shrs (Dil) - '000s	20,637	23,585	22,111	23,608	26,894	25,251	26,934	28,738	30,548	30,609	30,670	30,731	30,793

Source: Company reports and Maxim

DISCLOSURES

Immutep Limited Rating History as of 05/24/2018

powered by: BlueMatrix



Maxim Group LLC Ratings Distribution		As of: 05/24/18	
		% 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.	**80%**	**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.	**18%**	**20%**
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 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 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 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; (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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