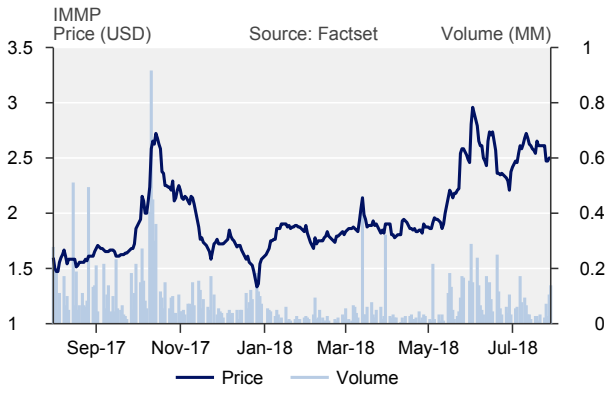
Biotechnology

IMMP - NASDAQ July 30, 2018

Intraday Price 07/30/2018	**$2.47**
Rating:	Buy
12-Month Target Price:	$7.00
52-Week Range:	$1.25 - $3.06
Market Cap (M):	75
Shares O/S (M):	30.3
Float:	100.0%
Avg. Daily Volume (000):	87
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

Reports June Quarter: Cash Runway Through Several Data Points in the LAG-3 Pipeline

Summary

- **Immutep reported the June quarter with $17.4M in cash and cash equivalents. At the current burn rate of $3-4M per quarter, we estimate that Immutep has sufficient cash runway into 2H19 and through several data (catalysts) points.**
- **We expect to see multiple data updates in 2H18/2019 from the ongoing studies with Immutep's lead LAG-3 asset, IMP321 (eftilagimod alpha or "efti"):**
  - **Breast Cancer (AIPAC): the P2b (N=226) registration study evaluating IMP321 + chemotherapy demonstrated 87% disease control rate in the first 15 patients. The randomized portion of the trial is now underway with enrollment expected to complete YE18. Data is expected in 1H19.**
  - **Melanoma (TACI-mel): the ongoing P1 study (N=24) combining efti with Keytruda has already demonstrated positive data (see details below), with more data expected 2H18.**
  - **NSCLC, head and heck, ovarian (TACTI-002): the P2 collaboration (N=120) with Merck is expected to initiate 2H18.**
- **Conclusion: Immutep's internal LAG-3 clinical programs continue to advance and data updates are expected over the next several quarters which if positive should continue to drive a higher valuation. We are also watching Immutep's partner's Novartis (NVS - NR) in oncology and GlaxoSmithKline (GSK - NR) in autoimmune disease (see note from 7/27) for updates, which also represent catalysts for the IMMP shares.**

Details

AIPAC (**A**ctive **I**mmunotherapy **PAC**litaxel): This is a randomized, double-blind, placebo-controlled 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. In the first phase, 15 patients (n=6 at 6-mg; n=9 at 30 mg) were evaluated primarily for safety. IMP321 was safe and well-tolerated at both dosage levels, where 47% overall response rate (ORR) and 87% disease control rate (DCR) seen with the combination in the run-in phase of the study. ORR is consistent with historical data for Avastin with paclitaxel (48.9%) in metastatic breast cancer. Interestingly, 2 of the responses observed occurred relatively late into the treatment (~6 months), which is unsurprising since delayed responses have been observed with other immunotherapies. The second phase of the trial entails randomization of 226 patients. Data is expected 1H19. Positive data may support registration of efti in metastatic breast cancer.

TACTI-mel (**T**wo **ACT**ive **I**mmunotherapies in **mel**anoma): This is a multi-center, open-label dose-escalation Phase 1 study in patients with unresectable or metastatic melanoma that have had poor responses or disease progression on Keytruda monotherapy. In the study so far, the overall response rate was 61% (11/18), including two complete responses. The data are suggestive that efti, as an immune activator, is enhancing the immune response to otherwise "cold tumors". More data is expected 2H18.

TACTI-002 (**T**wo **ACT**ive **I**mmunotherapies): The Phase 2 collaboration with Merck will enroll up to N=120 in 15 centers across the US, EU. Patients with NSCLC, head and neck cancer or ovarian cancer will receive the combination therapy of efti at the 30mg dose + Keytruda. The study is expected to initiate 2H18; initial data readout 2019.

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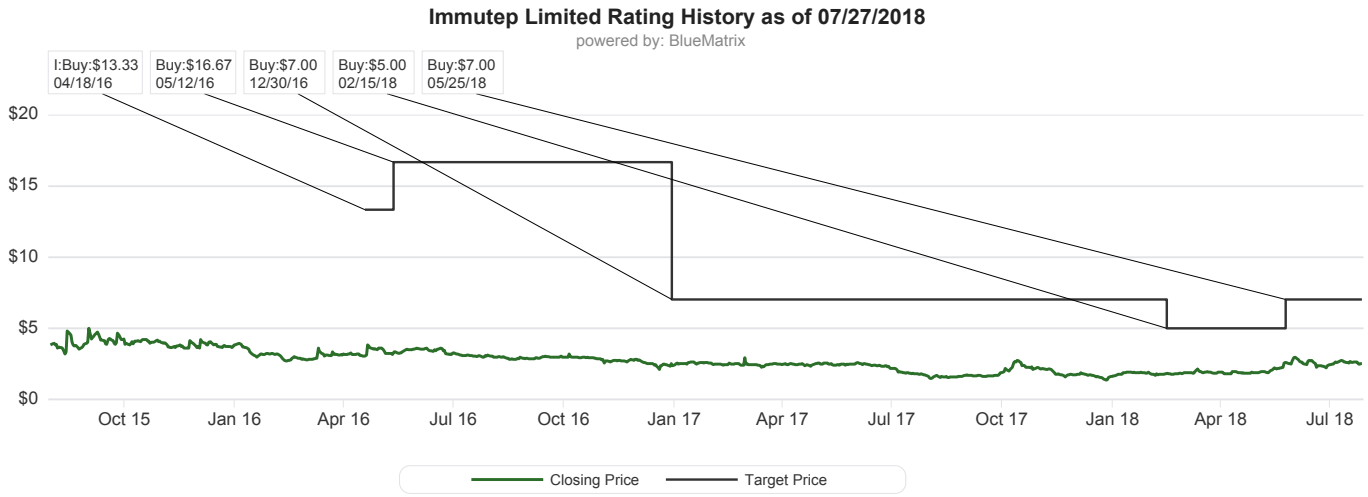
Income Statement ($'000, USD)	July-Dec	Jan-Jun		July-Dec	Jan-Jun								
Immutep I: YE June 30	**1H-2017A**	**2H-2017A**	**2017A**	**1H-2018A**	**2H-2018E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Revenue (000's)													
Total Revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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	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	3,305	3,250	6,555	-	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	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	79,139	119,906	155,222
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**	**79,139**	**119,906**	**155,222**
Pretax Margin													
Taxes (or benefits)	425	313	738	0		0				539	7,914	17,986	27,940
Tax Rate										5%	10%	15%	18%
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)**	**10,239**	**71,225**	**101,920**	**127,282**
Non GAAP Net Income (loss)	**(2,462)**	**(4,347)**	**(7,101)**	**(3,344)**	**(3,627)**	**(7,365)**	**(14,300)**	**(12,581)**	**(2,677)**	**10,239**	**71,225**	**101,920**	**127,282**
GAAP -EPS	**(0.12)**	**(0.18)**	**(0.32)**	**(0.14)**	**(0.13)**	**(0.28)**	**(0.53)**	**(0.44)**	**(0.09)**	**0.33**	**2.32**	**3.32**	**4.13**
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



Maxim Group LLC Ratings Distribution		As of: 07/29/18	
		% 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%**	**34%**
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.	**16%**	**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*		

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, Caroline Palomeque, 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 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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