

# Immutep

A second big pharma collaboration for efiti

Merck/Pfizer collaboration

Pharma & biotech

Immutep has entered into a clinical trial collaboration and supply agreement with Merck/Pfizer to investigate the combination of its APC activator efitilagimod alpha (efiti) with avelumab in patients with advanced solid tumours. Avelumab is the big pharma pair's investigational anti-PD-L1 immune checkpoint inhibitor (ICI). We view the additional validation from big pharma as a very positive development for Immutep, which could bring the added bonus of early identification of additional target indications. We maintain our valuation at A\$510m or A\$0.17/share.

Year end	Revenue (A\$m)	PBT* (A\$m)	EPS* (c)	DPS* (c)	P/E (x)	Yield (%)
06/17	4.1	(8.4)	(0.4)	0.0	N/A	N/A
06/18	6.9	(10.9)	(0.5)	0.0	N/A	N/A
06/19e	10.9	(6.8)	(0.2)	0.0	N/A	N/A
06/20e	2.8	(14.9)	(0.5)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding exceptional items.

## Additional validation from big pharma

Immutep already has an ongoing clinical trial collaboration with the US-based Merck and Company (known as MSD outside the US), which is totally separate from Merck KGaA, including the TACTI-mel and TACTI-002 studies. It now has the additional validation of having a second big pharma team review the efiti data and conclude that there is a potentially meaningful benefit from efiti/ICI combination therapy. The encouraging results from the first three TACTI-mel cohorts included a 33% response rate from the start of efiti/Keytruda combination therapy and 61% response rate from the start of the Keytruda monotherapy screening period.

## Avelumab combination to be added to INSIGHT trial

The study of avelumab plus subcutaneous (SC) efiti in patients with a range of advanced solid tumours will be included as an arm of the INSIGHT study ([NCT03252938](#)), which is underway at a single site in Germany. The combination would fit neatly into INSIGHT, which already includes arms investigating intra-tumoural and intraperitoneal administration of efiti, as well as a third arm investigating SC efiti in combination with chemo in solid tumours. This strategy should allow the efiti/avelumab combination study to start before the end of CY18.

## Competitive tension a potential added bonus

Having a deep level of engagement with two big pharma companies (or three counting Pfizer) could bring the added bonus of increased competitive tension when the time comes to negotiate a partnership deal for efiti.

## Valuation: Unchanged at A\$510m, 17c per share

Our valuation is unchanged at A\$510m, 17c/share (undiluted), or 12c/share after diluting for options and convertible notes. Our valuation includes a modest allowance for expansion of efiti indications beyond the ongoing studies in breast, head and neck, melanoma and lung cancers. Gross cash at 30 June was A\$23.5m. We assume Immutep will receive a risk-adjusted US\$6m IMP731 milestone payment from GSK in FY19, which would extend its cash reach to the end of FY20.

27 September 2018

Price **A\$0.048**

Market cap **A\$145m**

US\$0.76/A\$

Gross cash (A\$m) at 30 June 2018 23.5

Shares in issue 3,026.1m

Free float 87%

Code IMMX

Primary exchange ASX

Secondary exchange NASDAQ

### Share price performance



% 1m 3m 12m

Abs 41.2 60.0 128.6

Rel (local) 42.3 59.6 107.6

52-week high/low A\$0.05 A\$0.02

### Business description

Immutep is an ASX-listed biotech company focused on cancer immunotherapy. Its pipeline is based on four products using an LAG-3 immune control system: efitilagimod alpha for cancer chemo-immunotherapy, and partnered products IMP731 (GSK) and IMP701 (Novartis) and IMP761 (preclinical).

### Next events

TACTI-mel data update including additional cohort November

Initiate TACTI-002 Phase II Q418

Fully recruit AIPAC breast cancer Phase II Q418/Q119

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**Exhibit 1: Financial summary**

A\$000s	2016	2017	2018	2019e	2020e
Year-end 30 June	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue	1,949	4,117	6,854	10,898	2,778
R&D expenses	(7,060)	(7,526)	(9,990)	(10,990)	(10,440)
SG&A expenses	(6,983)	(4,347)	(7,242)	(7,459)	(7,683)
EBITDA	(12,093)	(7,756)	(11,435)	(7,551)	(15,345)
Operating Profit (before GW and except.)	(12,275)	(7,770)	(11,446)	(7,554)	(15,350)
Intangible Amortisation	(1,993)	(1,688)	(1,798)	(1,650)	(1,501)
Exceptionals	(47,468)	0	0	0	0
Operating Profit	(61,736)	(9,458)	(13,244)	(9,204)	(16,851)
Other	(1,716)	(752)	323	0	0
Net Interest	256	104	177	704	498
Profit Before Tax (norm)	(13,735)	(8,417)	(10,946)	(6,850)	(14,851)
Profit Before Tax (IFRS)	(63,196)	(10,105)	(12,744)	(8,500)	(16,352)
Tax	1,181	737	(2)	0	0
Profit After Tax (norm)	(12,554)	(7,680)	(10,948)	(6,850)	(14,851)
Profit After Tax (IFRS)	(62,015)	(9,368)	(12,746)	(8,500)	(16,352)
Average Number of Shares Outstanding (m)	2,016.6	2,072.5	2,079.7	3,026.1	3,026.1
EPS - normalised (c)	(0.6)	(0.4)	(0.5)	(0.2)	(0.5)
EPS - IFRS (c)	(3.1)	(0.5)	(0.6)	(0.3)	(0.5)
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)	N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)	N/A	N/A	N/A	N/A	N/A
<b>BALANCE SHEET</b>					
Fixed Assets	20,883	19,045	18,356	16,715	15,223
Intangible Assets	20,852	19,020	18,329	16,680	15,178
Tangible Assets	32	24	26	36	45
Other	0	0	0	0	0
Current Assets	21,671	15,919	28,643	21,784	6,924
Stocks	0	0	0	0	0
Debtors	168	2,194	3,432	3,432	3,432
Cash	20,880	12,237	23,476	16,616	1,756
Other	623	1,488	1,736	1,736	1,736
Current Liabilities	(1,472)	(2,632)	(3,853)	(3,853)	(3,853)
Creditors	(1,444)	(2,589)	(3,664)	(3,664)	(3,664)
Short term borrowings	(0)	(0)	0	0	0
Short term leases	0	0	0	0	0
Other	(28)	(43)	(190)	(190)	(190)
Long Term Liabilities	(5,765)	(5,799)	(9,623)	(9,623)	(9,623)
Long term borrowings incl. conv. note	(5,027)	(5,779)	(6,646)	(6,646)	(6,646)
Long term leases	0	0	0	0	0
Other long term liabilities	(737)	(20)	(2,978)	(2,978)	(2,978)
Net Assets	35,317	26,532	33,522	25,022	8,670
<b>CASH FLOW</b>					
Operating Cash Flow	(11,594)	(8,611)	(7,954)	(7,551)	(15,345)
Net Interest	284	104	177	704	498
Tax	0	0	0	0	0
Capex	(27)	(7)	(12)	(12)	(13)
Acquisitions/disposals	130	0	0	0	0
Financing	27,229	(9)	18,898	0	0
Dividends	0	0	0	0	0
Other	0	0	(493)	0	0
Net Cash Flow	16,022	(8,522)	10,616	(6,859)	(14,860)
Opening net debt/(cash)	(5,251)	(15,852)	(6,458)	(16,830)	(9,970)
HP finance leases initiated	0	0	0	0	0
Other	(5,421)	(872)	(244)	0	0
Closing net debt/(cash)	(15,852)	(6,458)	(16,830)	(9,970)	4,889

Source: Immutep accounts, Edison Investment Research

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