Biotechnology

IMMP - NASDAQ February 27, 2019

Intraday Price 02/27/2019	**$2.15**
Rating:	Buy
12-Month Target Price:	$7.00
52-Week Range:	$1.70 - $4.21
Market Cap (M):	71.8
Shares O/S (M):	33.4
Float:	NA
Avg. Daily Volume (000):	34
Debt (M):	$6.2
Dividend:	$0.00
Dividend Yield:	0.0%
Risk Profile:	Speculative
Fiscal Year End:	June

Total Expenses ('000)

	2018A	2019E	2020E
H1	7,058	8,364A	8,515
H2	7,032	8,531	9,225
FY	14,090	16,895	17,739
Prior	—	14,795	15,534

EVENT INFORMATION

European Crohn's and Colitis Organisation Conference (ECCO)
March 6-9
Copenhagen, Denmark

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Immutep Limited

Buy

Half Year Update: Expecting Data Updates from the LAG3 Pipeline in 2019

Summary

- **Immutep reported 1H19 with ~$19M (A$26M) in cash and cash equivalents. This includes the $5.2M in proceeds from a private placement in December 2018. At the current burn rate of ~$4M per quarter, we estimate that Immutep has sufficient cash runway into mid-2020.**
- **Pipeline update - data points (catalysts) ahead in 2019:**
  - **AIPAC Phase 2b- efti + paclitaxel combination in metastatic breast cancer; first clinical data, primary endpoint of progression free survival (PFS) is expected in 4Q19.**
  - **TACTI-mel Phase 1- efti + Keytruda combination in melanoma: final data from Part B expected in 2019.**
  - **TACTI-002 Phase 2- efti + Keytruda combination in lung (1L, 2L) and head & neck cancer (2L); commencing recruitment in 1Q19; first data expected 2H19.**
  - **INSIGHT-004 Phase 1- efti + avelumab in solid tumor; trial to initiate 1H19, with initial data in 2019.**
  - **The company is also developing (preclinical stage) an in-house agonist LAG3 antibody (IMP761) for autoimmune disease. This is independent of the partnered LAG3 depleting antibody IMP731 with GlaxoSmithKline (GSK – NR, P2 underway in ulcerative colitis, update 2020). Updates expected in 2019**
- **Conclusion. As investment in LAG-3 continues to increase among large pharma and biotech (e.g., Novartis {NVS-NR} expanding its LAG-3 partnered program now to a 5th trial, highlighted in NVS 4Q18 earnings call, see below for details), we continue to view Immutep as an emerging leader in the LAG-3 space. Bottom line is that at a ~$70M market cap, IMMP shares remain undervalued, in our view.**

Details

Eftilagimod, TACTI-mel study. P1 (N=24) efti + Keytruda in patients with unresectable or metastatic melanoma. TACTI-mel is now fully enrolled with the final patient in Part B recruited and dosed with treatment. The study has reported positive data from Part A and early positive data from Part B. Final data is expected later in 2019.

Eftilagimod, TACTI-002 study. The P2 **collaboration with Merck (MRK – NR)** in NSCLC (1L and 2L) and H&N cancer (2L) will enroll up to N=110, across ~15 sites in US, EU and Australia. Patient recruitment expected in 1Q19; initial data 2H19.

Eftilagimod, AIPAC study: P2b registration study (N=226) of efti as adjuvant in combination with paclitaxel therapy in metastatic breast cancer. Progression-free survival (PFS) is the primary endpoint. As of early February, 193 patients have enrolled (85% of target). PFS data is expected in 4Q19.

Eftilagimod, INSIGHT-004 trial, collaboration with Merck KGaA (MKKGY - NR) / Pfizer (PFE - NR). The P1 INSIGHT trial of efti + avelumab (PD-L1) in solid tumors (also evaluating different routes of administration) is underway (N=13 enrolled) by partner IKF. The trial expansion (INSIGHT-004) in collaboration with Merck KGaA and Pfizer should initiate in 1H19 (N=12), data updates expected in 2019.

Eftilagimod-based cancer vaccine, collaboration with Cytlimic (private). $500K upfront, may receive up to $4.5M in milestones; Cytlimic to cover the costs of clinical trials of efti as a cancer vaccine in CYT001.

IMP731 (depleting antibody), partnered to GlaxoSmithKline (GSK - NR). GSK2831781 is derived from IMP731. POC data expected in 2020 in ulcerative colitis.

IMP701 (antagonist antibody), partnered to Novartis (NVS - NR). Novartis has 4 active studies ongoing with LAG525 (a.k.a. IMP701), with a fifth now recruiting in TNBC to assess LAG525 in combination +/- spartalizumab (PD-1), +/- carboplatin (chemo). Across the trials, N=1100 patients are expected to be evaluated.

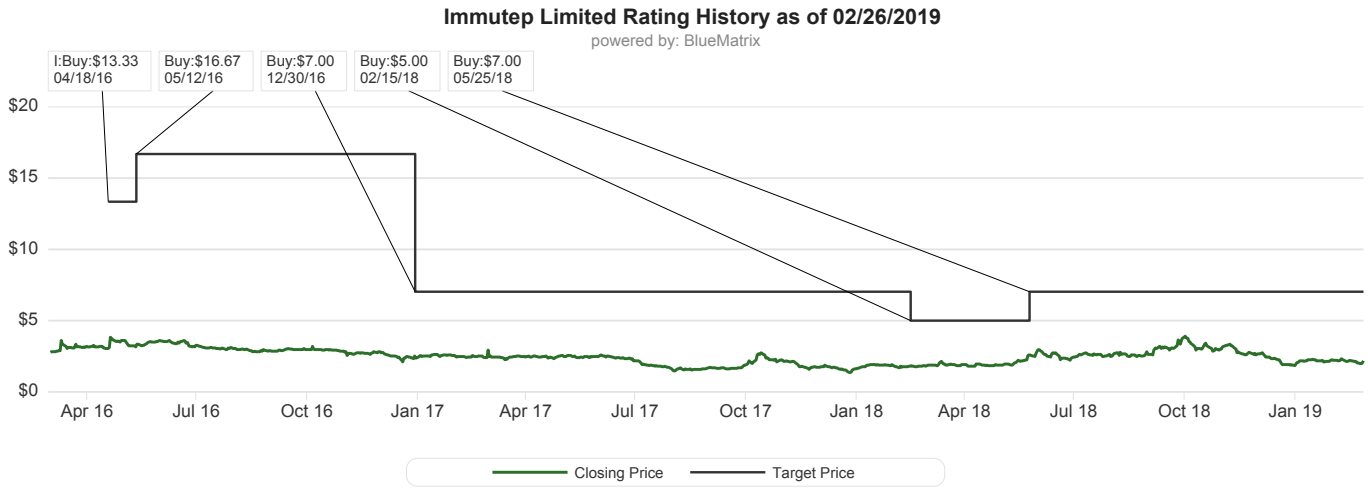
Eftilagimod (IMP321) with partner EOC Pharma (private). EOC commenced a Phase 1 study in metastatic breast cancer in 4Q18. First patient dosed, updates on study expected in 2019.

IMP761 (agonist antibody) in auto-immune disease. Preclinical data to be reported in 1Q19 at the European Crohn's and Colitis Organization Conference (ECCO) in Copenhagen, March 6-9.

Income Statement ($'000, USD)		July-Dec	Jan-Jun										
Immutep I: YE June 30	**2017A**	**1H-2018A**	**2H-2018A**	**2018A**	**1H-2019A**	**2H-2019E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Revenue (000's)													
Total Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
License revenue		1,910	37	1,947	-		-						
Miscellaneous income	616	246	501	746	112	123	235						
Grant Income	2,553	981	1,398	2,379	1,508	872	2,380						
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	3,169	3,136	1,936	5,072	1,620	995	2,614	2,434	13,089	27,332	96,520	138,156	174,385
Expenses													
Cost Of Goods Sold													
COGS % Sales													
Research & Development	5,585	3,439	3,953	7,392	5,384	5,491	10,875	11,418	11,989	12,589	13,218	13,879	14,573
R&D % Rev's													
General & Administrative Expense	3,347	2,957	2,402	5,359	2,311	2,357	4,667	4,901	5,146	5,403	5,673	5,957	6,255
SG&A %													
Depreciation and amortization	1,702	662	677	1,339	670	683	1,353	1,420	1,491	1,566	1,644	1,726	1,813
Total expenses	**10,633**	**7,058**	**7,032**	**14,090**	**8,364**	**8,531**	**16,895**	**17,739**	**18,626**	**19,558**	**20,536**	**21,562**	**22,641**
Oper. Inc. (Loss)	(7,464)	(3,922)	(5,096)	(9,019)	(6,744)	(7,536)	(14,280)	(15,305)	(5,538)	7,774	75,984	116,594	151,744
Other income and expenses													
Interest income	80	28	103	131	141	144	285						
Loss on foreign exchange	333	28	211	239	277	283	560						
Finance cost			-										
Changes in fair value of comparability milestone			-										
Net Change in fair value of financial liability	(579)	320	(961)	(641.47)	353	360	713						
Loss on fair value change of warrants			(141)	(141)									
Loss on disposal of assets			-										
Exchange differences on the translation of foreign operations			-										
			-										
Total other income	(165)	375	(788)	(412)	771	787	1,558	-	-	-	-	-	-
Pre-tax income	**(7,629)**	**(3,547)**	**(5,884)**	**(9,431)**	**(5,973)**	**(6,750)**	**(12,723)**	**(15,305)**	**(5,538)**	**7,774**	**75,984**	**116,594**	**151,744**
Pretax Margin													
Taxes (or benefits)	738	0	(1)	(1)	(3)	(3)	(7)			777	11,398	20,987	30,349
Tax Rate										10%	15%	18%	20%
Exchange differences on the tranasations of foreign operations	209	375	954	1,329	370	370	741						
GAAP Net Income (loss)	**(7,101)**	**(3,547)**	**(5,885)**	**(9,432)**	**(5,976)**	**(6,753)**	**(12,729)**	**(15,305)**	**(5,538)**	**6,996**	**64,587**	**95,607**	**121,396**
Total Comprehensive Income (loss)	**(7,101)**	**(3,172)**	**(4,931)**	**(8,103)**	**(5,976)**	**(6,753)**	**(12,729)**	**(15,305)**	**(5,538)**	**6,996**	**64,587**	**95,607**	**121,396**
GAAP -EPS	**(0.32)**	**(0.15)**	**(0.25)**	**(0.40)**	**(0.25)**	**(0.25)**	**(0.50)**	**(0.54)**	**(0.18)**	**0.23**	**2.13**	**3.15**	**3.99**
Wgtd Avg Shrs (Bas) - '000s	22,111	23,608	23,990	23,799	24,214	26,614	25,414	28,404	30,213	30,273	30,334	30,394	30,455
Wgtd Avg Shrs (Dil) - '000s	22,111	23,608	23,990	23,799	24,214	26,614	25,414	28,404	30,213	30,273	30,334	30,394	30,455

Source: Company reports and Maxim

DISCLOSURES



Maxim Group LLC Ratings Distribution		As of: 02/26/19	
		% 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.	**84%**	**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.	**15%**	**25%**
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	**1%**	**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.

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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 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.

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

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