Biotechnology

IMMP - NASDAQ September 23, 2019

Intraday Price 09/23/2019	**$1.60**
Rating:	Buy
12-Month Target Price:	$4.00
52-Week Range:	$1.27 - $4.16
Market Cap (M):	61.9
Shares O/S (M):	38.7
Float:	NA
Avg. Daily Volume (000):	31.2
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

Immutep Limited

Buy

GSK Initiates New Trial for IMP731-Derived Therapy, Triggers Milestone to Immutep

Summary

- **Immutep announced that it has received a £4M (~$5M) milestone payment from GlaxoSmithKline (GSK - NR) related to the initiation of dosing in the P2 trial for GSK2831781 (derived from IMP731) in ulcerative colitis. Immutep is eligible to receive up to £64M (~$79M) in development milestones as well as single digit royalties.**

- **Runway should extend into CY21. In addition to the $5M milestone, Immutep has also raised A$10M (~$6.8M) from a July financing. The financing consisted of a A$4M private placement for ~190M shares (~1.9M ADR) and a A$6M entitlement offer for ~290M shares (~2.9M ADR), both at A$0.021 per share (~ $1.42/ADR). We estimate the company has ~$18M of cash on hand. As such the company should be positioned to reach key catalysts which, if positive, should support a higher valuation.**

Details

Pipeline update:

- **AIPAC Phase 2b** - Potentially pivotal EU trial for eftilagimod (efti) + paclitaxel combination in metastatic breast cancer (mBC). Fully enrolled in June with N=227 patients across 30 sites. PFS primary endpoint data expected in 1Q20.

- **TACTI-002 Phase 2** – Collaboration with Merck (MRK - NR) for efti + Keytruda. Part A (1L Lung cancer) has completed enrollment with N=17. Parts B (2L lung) and C (2L head & neck) continue to enroll with N=4 and N=5 thus far, respectively. Initial data expected in 2H19.

- **Phase 1 Trials**- INSIGHT-004 in solid tumor (efti + avelumab) is now underway; initial data in 4Q19. Additional data from the INSIGHT trial is expected in late 2019 as well. TACTI-mel trial in melanoma (efti + keytruda) is ongoing, final data expected in 4Q19.

TACTI-mel data update. The P1 efti/keytruda combination unresectable/metastatic melanoma study in poor/non-responders (N=24) to keytruda is ongoing and reported positive interim (9-month) data from part B in May 2019. Part B patients (N=6) receive 30 mg of efti in combination with pembrolizumab, starting at cycle 1, day 1 and with a treatment duration of 12 months. Consistent with previous data, patients continue to demonstrate tumor reductions after 9 months with an overall response rate of 50% and a disease control rate of 66%. The data thus far are suggestive that efti, as an immune activator, is enhancing the immune response to otherwise "cold tumors". Final data is expected later in 2019.

Watching the partnered programs as well. In addition to its internal programs (i.e. AIPAC, TACTI-002, TACTI-mel, INSIGHT, and INSIGHT-004), we also watch Immutep's out-licensed programs, not only for the potential milestones/royalties, but also as validation of Immutep's LAG3 targeting platform. **GSK** has initiated dosing in its phase 2 trial with GSK2831781 (derived from IMP731) in ulcerative colitis (N=280), triggering a milestone payment (announced 9/23). A P1 is also ongoing in healthy volunteers in Japan, bringing the total number of 781 trials to three. **Novartis (NVS - NR)** is conducting five trials with LAG525 (derived from IMP701). Recruitment is ongoing for a P2 in triple negative breast cancer (TNBC), a P2 in melanoma, as well as a P1b in combination in TNBC. A P1/2 in advanced solid tumors and a P2 in a number of advanced malignancies are also ongoing. **Eddingpharm (private)** is running a Chinese P1 study for efti in mBC with an update expected in 2019.

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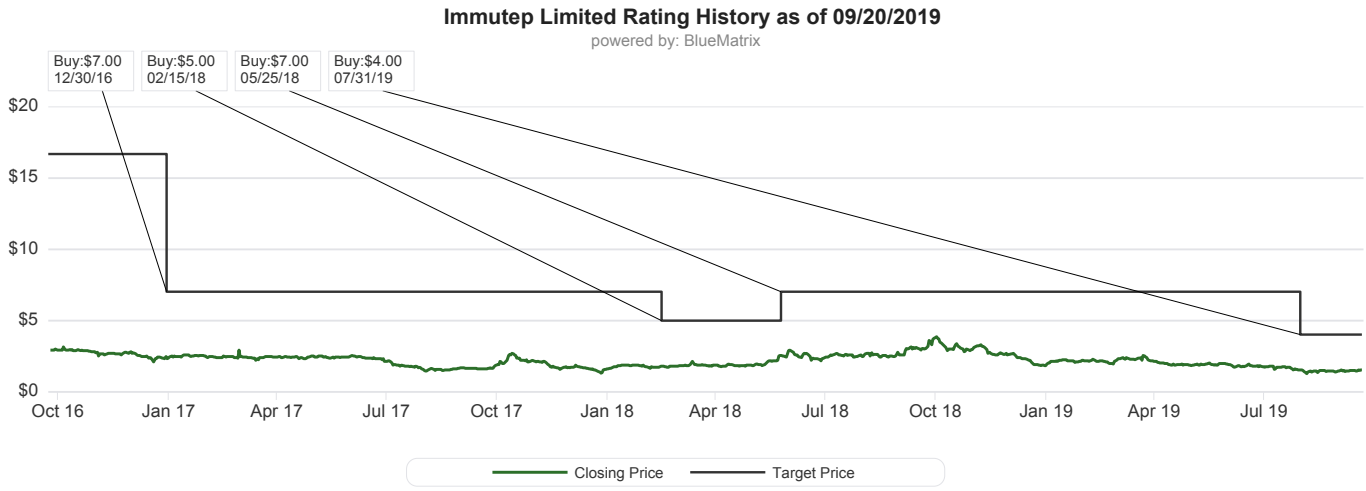
DISCLOSURES



Maxim Group LLC Ratings Distribution		As of: 09/22/19	
		% 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.	**83%**	**41%**
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%**	**42%**
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	**0%**	**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.

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.

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