

Biotechnology

IMMP - NASDAQ

October 28, 2019

Intraday Price 10/28/2019

\$1.84

Rating:	Buy
12-Month Target Price:	\$4.00
52-Week Range:	\$1.27 - \$3.35
Market Cap (M):	71.4
Shares O/S (M):	38.8
Float:	NA
Avg. Daily Volume (000):	38.0
Debt (M):	\$6.2
Dividend:	\$0.00
Dividend Yield:	0.0%
Risk Profile:	Speculative
Fiscal Year End:	June

Total Expenses ('000)

	2018A	2019A	2020E
H1	7,058	8,364	8,512
H2	7,032	8,525	9,221
FY	14,090	16,889	17,733
Prior	—	16,895	17,739



Immutep Limited

Buy

Runway Through CY20, Upcoming Catalysts Should Continue to Drive a Higher Valuation

Summary

- Immutep provided a corporate update highlighting its ongoing LAG-3 programs including eftilagimod (efti) and partnered programs. We estimate the company has ~\$23M in cash, which should provide runway into through calendar year 2020.
- Valuation- IMMP shares have risen in value since late summer from the 52-week low as the company has reached milestones and data points, and management having continued executing on strengthening the balance sheet and streamlining operating expenses. As such, the bottom line is that with over a year of capital and multiple trials (both internal and partnered) moving closer to key data readouts, Immutep is well-positioned to realize valuation inflection as data emerges, in our view.
- Catalysts ahead. The AIPAC P2b in metastatic breast cancer: efti + paclitaxel combination is fully enrolled, PFS data expected 1Q20. The TACTI-002 P2 in 1L & 2L lung and 2L head & neck cancer study (efti + Keytruda combination); additional cohort 1 data (N=17, 1L lung) expected in Nov. at SITC and also additional data in 1Q20. The INSIGHT-004 P1 in solid tumors (efti + avelumab) has enrolled N=6 patients; initial safety data expected in 4Q19.
- Partnered programs. The GlaxoSmithKline (GSK - NR) P2 trial in ulcerative colitis (UC) for GSK781 (derived from Immutep's IMP731) has initiated dosing, triggering a £4M milestone. Novartis (NVS - NR) has 5 ongoing programs with LAG525 (derived from Immutep's IMP701).

Details

AIPAC Phase 2b - Potentially pivotal EU trial for eftilagimod (efti) + paclitaxel combination in metastatic breast cancer (mBC). The trial is fully enrolled with N=227 patients across 30 sites and PFS primary endpoint data expected in 1Q20. This trial is particularly important as the primary endpoint data, if positive, would be the first successful randomized trial for an antigen presenting cell activator in solid tumors, helping to validate the drug class. Furthermore, if approved, efti would be the first IO in this setting, placing it in a "sweet spot" that could help adoption.

TACTI-002 Phase 2 - Initial data from Part A (1L Lung cancer) was positive with N=17 patients out of N=36 targeted. At the interim release, patients in cohort 1 had a partial response rate of 41.2% and a stable disease rate of 35.3% for a disease control rate (DCR) of 76.5%. Typical Keytruda response rates in NSCLC for patients with high PD-L1 expression are ~40%, and considerably lower for low PD-L1 expressors (15-20%); we note that patients were enrolled regardless of PD-L1 status. Parts B (2L lung) and C (2L head & neck) continue to enroll with N=4 and N=5 thus far, respectively. Additional data is expected in November at SITC and in 1Q20.

Phase 1 Trials- INSIGHT-004 in solid tumor (efti + avelumab) is underway with N=6 patients enrolled (cohort 1, 6mg dose) and N=6 remaining (cohort 2, 30 mg dose), initial safety data is 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 final efficacy data for both Part A (N=18, doses ranging from 1 mg to 30 mg) and Part B (N=6, 30 mg dose). Overall, the data demonstrated a deep (12/24 patients had a decrease of ≥75% in the target lesions) and durable (9/24 patients were treated for 12+ months) response. The overall response rate (ORR) for the trial was 58%, and 71% of patients demonstrated tumor shrinkage. A PFS of 58% was reported for the combined analysis. For cohort B, ORR was 50%, while tumor shrinkage, DCR, and PFS were 66%. Safety data expected in 1H20.

Jason McCarthy, Ph.D.

(212) 895-3556

jmccarthy@maximgrp.com

Income Statement (\$'000, USD)		July-Dec		Jan-Jun		July-Dec		Jan-Jun					
Immutep I: YE June 30	2017A	2018A	1H-2019A	2H-2019A	2019A	1H-2020E	2H-2020E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue (000's)													
Total Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
License revenue		1,947	-	95	95	5,025		5,025					
Miscellaneous income	616	746	112	674	785								
Grant Income	2,553	2,379	1,508	1,445	2,953								
Milestones and Royalties:													
IMP321 (Breast cancer)									-	5,716	11,546	31,796	43,411
IMP321 (Melanoma)									-	-	10,580	20,652	30,732
IMP731 (Psoriasis)							893	893	2,761	4,741	22,518	35,902	47,798
IMP701 (Solid tumors)							1,541	1,541	4,669	8,016	18,996	24,462	30,241
CVac													
Total Revenues	3,169	5,072	1,620	2,213	3,833	5,025	2,434	7,459	7,430	18,472	63,640	112,811	152,181
Expenses													
Cost Of Goods Sold													
COGS % Sales													
Research & Development	5,585	7,392	5,384	5,899	11,282	5,686	6,160	11,846	12,438	13,060	13,713	14,399	15,119
R&D % Rev's													
General & Administrative Expense	3,347	5,359	2,311	2,018	4,329	2,182	2,364	4,545	4,773	5,011	5,262	5,525	5,801
SG&A %													
Depreciation and amortization	1,702	1,339	670	608	1,278	644	698	1,342	1,409	1,479	1,553	1,631	1,712
Total expenses	10,633	14,090	8,364	8,525	16,889	8,512	9,221	17,733	18,620	19,551	20,528	21,555	22,633
Oper. Inc. (Loss)	(7,464)	(9,019)	(6,744)	(6,312)	(13,056)	(3,487)	(6,787)	(10,274)	(11,190)	(1,079)	43,112	91,257	129,549
Other income and expenses													
Interest income	80	131	141	129	270								
Loss on foreign exchange	333	239	277	58	336								
Finance cost													
Changes in fair value of comparability milestone													
Net Change in fair value of financial liability	(579)	(641.47)	353	(1,031)	(678)								
Gain/Loss on fair value change of warrants		(141)		654	654								
Loss on disposal of assets													
Exchange differences on the translation of foreign operations													
Total other income	(165)	(412)	771	(190)	582	-	-	-	-	-	-	-	-
Pre-tax income	(7,629)	(9,431)	(5,973)	(6,501)	(12,474)	(3,487)	(6,787)	(10,274)	(11,190)	(1,079)	43,112	91,257	129,549
Pretax Margin													
Taxes (or benefits)	738	(1)	(3)	3						-	-	4,563	12,955
Tax Rate												5%	10%
Exchange differences on the transactions of foreign operations		1,329	370	188	558								
GAAP Net Income (loss)	(7,101)	(9,432)	(5,976)	(6,498)	(12,474)	(3,487)	(6,787)	(10,274)	(11,190)	(1,079)	43,112	86,694	116,594
Total Comprehensive Income (loss)	(7,101)	(8,103)	(5,606)	(6,310)	(11,915)	(3,487)	(6,787)	(10,274)	(11,190)	(1,079)	43,112	86,694	116,594
GAAP -EPS	(0.32)	(0.40)	(0.25)	(0.24)	(0.49)	(0.11)	(0.22)	(0.33)	(0.31)	(0.03)	1.18	2.36	3.17
Wgtd Avg Shrs (Bas) - '000s	22,111	23,799	24,214	26,614	25,414	31,420	31,452	31,436	36,501	36,574	36,648	36,721	36,794
Wgtd Avg Shrs (Dil) - '000s	22,111	23,799	24,214	26,614	25,414	31,420	31,452	31,436	36,501	36,574	36,648	36,721	36,794

Source: Company reports and Maxim

DISCLOSURES

Immutep Limited Rating History as of 10/25/2019

powered by: BlueMatrix



Maxim Group LLC Ratings Distribution		As of: 10/27/19	
		% 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%	44%
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%	41%
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.

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.

DISCLAIMERS

Some companies that Maxim Group LLC follows are emerging growth companies whose securities typically involve a higher degree of risk and more volatility than the securities of more established companies. The securities discussed in Maxim Group LLC research reports may not be suitable for some investors. Investors must make their own determination as to the appropriateness of an investment in any securities referred to herein, based on their specific investment objectives, financial status and risk tolerance.

This communication is neither an offer to sell nor a solicitation of an offer to buy any securities mentioned herein. This publication is confidential for the information of the addressee only and may not be reproduced in whole or in part, copies circulated, or disclosed to another party, without the prior written consent of Maxim Group, LLC ("Maxim").

Information and opinions presented in this report have been obtained or derived from sources believed by Maxim to be reliable, but Maxim makes no representation as to their accuracy or completeness. The aforementioned sentence does not apply to the disclosures required by FINRA Rule 2241. Maxim accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that such liability arises under specific statutes or regulations applicable to Maxim. This report is not to be relied upon in substitution for the exercise of independent judgment. Maxim may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and Maxim is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by Maxim and are subject to change without notice. The price, value of and income from any of the securities mentioned in this report can fall as well as rise. The value of securities is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities. Investors in securities such as ADRs, the values of which are influenced by currency volatility, effectively assume this risk. Securities recommended, offered or sold by Maxim: (1) are not insured by the Federal Deposit Insurance Company; (2) are not deposits or other obligations of any insured depository institution; and (3) are subject to investment risks, including the possible loss of principal invested. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support these losses.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST



Corporate Headquarters

The Chrysler Building
405 Lexington Ave., 2nd FL
New York, NY 10174
Tel: 212-895-3500

Capital Markets/Syndicate: 212-895-3695

Corporate Finance: 212-895-3811

Corporate Services: 212-895-3631

Equity/Options Trading: 212-895-3790

Equity Research: 212-895-3736

Fixed Income Trading: 212-895-3875

Global Equity Trading: 212-895-3623

Institutional Sales: 212-895-3873

Institutional Sales Trading: 212-895-3873

Portfolio/Transition Trading: 212-895-3567

Prime Brokerage: 212-895-3723

Wealth Management: 212-895-3624

Woodbury, Long Island

20 Crossways Park Drive North
Suite 304
Woodbury, NY 11797
Tel: 516-393-8300

Red Bank, New Jersey

246 Maple Avenue
Red Bank, NJ 07701
Tel: 732-784-1900

Florida Offices

105 South Narcissus Avenue
Suite 222
West Palm Beach, FL 33401
Tel: 561-508-4433

San Rafael, California

4040 Civic Center Drive
Suite 200
San Rafael, CA 94903
Tel: 212-895-3670

20801 Biscayne Blvd
Suite 432 / 433
Aventura, FL 33180
Tel: 516-396-3120