

## Immutep Ltd. ADR

NASDAQ: IMMP

Rating: BUY

Price Target: \$7.00

Last (Feb. 18, 2020): \$3.03

### Efti + Pembro Value Proposition in NSCLC is Crystallizing as TACTI-002 Suggests Combo is Competitively Effective and Far More Tolerable

Immutep's latest interim update from the TACTI-002 study (reported after yesterday's close) of lead candidate eftilagimod alpha (efti) in combination with pembrolizumab (pembro) in three treatment settings (1<sup>st</sup>- and 2<sup>nd</sup>-line NSCLC and 2<sup>nd</sup>-line head and neck cancer) delivered a significant amount of contextual data which we feel now frames efti + pembro as a truly competitive IO therapy, particularly in frontline NSCLC where data is currently most mature. In addition to a reported 47.1% ORR in frontline NSCLC (up from 41.2% as presented at SITC last November), updated safety results and patient PD-L1 expression status breakdown now provide a cohesive picture of the combination's profile – one we believe is compelling relative to competitive benchmarks and which presents Immutep with notable optionality (full analysis below). Patient enrollment for all three cohorts is ongoing, with 13 of 23 patients enrolled in the first stage of the 2<sup>nd</sup>-line NSCLC cohort (Part B) and a number already entering the expanded Stage 2 portions in frontline NSCLC (Part A, 7 of 19 patients recruited for Stage 2) and 2<sup>nd</sup>-line head and neck cancer (Part C, 1 of 19 recruited for Stage 2). Results from the first 19 head and neck cancer patients treated in Stage 1 of Part C are a bit more preliminary (three patients are not yet evaluable), but appear to provide some additional support for the broad utility of the efti + pembro combo, with a 33.3% ORR reported thus far. We maintain our BUY rating and 12-month price target of \$7.00/ADS.

**High tolerability and balanced PD-L1 expression provide key perspective on response performance in frontline NSCLC.** Beginning with what we previously indicated was most crucial to assessing the efficacy of efti + pembro relative to the landscape, PD-L1 expression status was provided in Immutep's latest TACTI-002 update (Exhibit 1) and reflects a fairly balanced distribution of patients similar to what was reported in Merck's (MRK; not rated) KEYNOTE-189 and KEYNOTE-407 studies. Compared to the KEYNOTE studies, where an effectively 1:1:1 ratio of patients by PD-L1 expression status (<1%, 1-49%, or ≥50%) was observed, patients with medium expression (1-49%) were slightly overrepresented among the 17 patients in Stage 1 of TACTI-002's Part A (while patients with expression <1% were seemingly underrepresented) but we believe these results are about as close to real-world distribution as possible when considering the rather small sample size (n=13, as four patients were not evaluable for PD-L1 expression). This limited number of evaluable patients makes it too early to draw any final conclusions, but it is also worth noting that one of the three patients with <1% PD-L1 expression responded to the combination, suggesting that patients who are not expected to respond to pembro monotherapy (pembro monotherapy is indicated for patients with ≥1% PD-L1 expression in the US and for patients with ≥50% expression in the EU) may be addressable via inclusion of efti in treatment. As a whole, the 47% ORR (which scales from 33% all the way to 75% depending on PD-L1 expression status, as expected) puts the efti + pembro effectively on par with pembro + chemo combinations already approved for frontline NSCLC (48-58% ORR reported in the aforementioned KEYNOTE studies) and well beyond the 27-39% ORRs (scaling by PD-L1 expression, KEYNOTE-042) reported for pembro monotherapy or platinum doublet chemo (26% ORR reported in CheckMate 227). And while the efti + pembro combo is neck and neck with pembro + chemo from an efficacy standpoint, updated safety results from TACTI-002 (Exhibit 2) indicate it is a vastly more tolerable therapy, with the potential for physicians to tack on additional therapies (if needed) to further bolster the odds of a response. (Continued on next page).

#### STOCK DATA (\$ USD)

Market Cap (Mil)	105.5
ADR Shares Outstanding (Mil)	39.2
Float (Mil)	35.6
52-Week Range	\$1.27- \$3.23
3-Month Avg. Daily Vol.	123,302
Short Interest (Mil)	0.43
Short Interest (% of Float)	1.2%
Institutional Holdings	0.5%
Insider Holdings	0.0%

#### BALANCE SHEET DATA (\$ AUD)

Cash & Cash Eq. (Mil)	\$16.6
Securities, Short & Long (Mil)	\$0.0
Total Assets (Mil)	\$40.5
Total Debt (Mil)	\$7.6
Cash/Share	\$0.42
Est. Fiscal 2020 Cash Burn (Mil)	\$27.2
Fiscal Year End	June

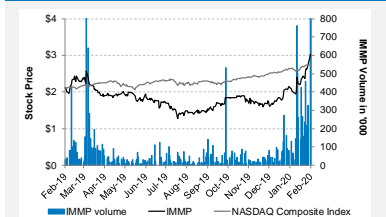
#### REVENUE (\$ AUD, MIL)

	2018	2019	2020
1H	2.58A	0.00A	0.00E
2H	0.05A	0.14A	0.00E
FY	2.63A	0.14A	0.00E

#### EPS (\$ AUD)

	2018	2019	2020
1H	(0.18)A	(0.28)A	(0.44)E
2H	(0.31)A	(0.29)A	(0.35)E
FY	(0.49)A	(0.57)A	(0.78)E

#### STOCK CHART - 1 Year History



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Grade 3+ adverse events were quite rare among patients treated with efti + pembro, and presented as fairly manageable complications (diarrhea, constipation, fatigue, and shortness of breath), while more common side effects were similarly benign in nature (cough, muscle weakness, decreased appetite) and did not appear in excess of 20-30% of patients. By comparison, patients treated with pembro + chemo in KEYNOTE-189 experienced a laundry list of more serious adverse events and at much higher rates, as one would anticipate from a therapy which is broadly cytotoxic (Exhibit 3). The fact that efti + pembro is exhibiting an equivalent ORR to approved pembro + chemo combinations, while remaining as tolerable as interim TACTI-002 data suggests, is a significant point of differentiation in our view, particularly now that results can be compared more directly with the backdrop of PD-L1 expression status. It is also worth noting that 10 of the 17 patients remain on therapy and median PFS has not yet been established, despite the fact that all patients have had at least seven months of follow-up (median PFS for pembro + chemo was 8.8 months in KEYNOTE-189 and 6.4 months in KEYNOTE-407). Further insights from the TACTI-002 interim readout (as well as an update on other pipeline programs) are expected during a webcast Immutep will hold on February 25<sup>th</sup>, at which point more concrete discussion of the positioning of efti + pembro in NSCLC and beyond may take place.

#### Exhibit 1: PD-L1 Expression Status Among 17 Frontline NSCLC Patients in TACTI-002

Patients by PD-L1 category	No. of Responses <sup>1</sup>	ORR <sup>1</sup>	Frequency in TACTI-002 N (%) <sup>2</sup>	Historical <sup>3</sup> Distribution
Low (< 1%)	1	33%	3 (23%)	35%
Medium (1-49%)	3	50%	6 (46%)	35%
High (≥ 50%)	3	75%	4 (31%)	30%
NE <sup>4</sup>	1	25%	4 (n/a)	n/a
<b>Overall</b>	<b>8</b>	<b>47%</b>	<b>17</b>	

Source: Company presentation (February 2020).

#### Exhibit 2: Safety Table for TACTI-002 Part A Stage 1

TEAEs occurred in > 10 % of pts (N=48 in total)

Adverse event (PT)	Any Grade N (%)	Grade 2 N (%)	Grade 3 N (%)
Cough	15 (31.3)	5 (10.4)	-
Asthenia	11 (22.9)	4 (8.3)	-
Decreased appetite	9 (18.8)	5 (10.4)	-
Fatigue	9 (18.8)	2 (4.2)	1 (2.1)
Dyspnoea	8 (16.7)	2 (4.2)	3 (6.3)
Diarrhea	7 (14.6)	2 (4.2)	1 (2.1)
Constipation	6 (12.5)	1 (2.1)	1 (2.1)

Source: Company presentation (February 2020).

**Exhibit 3: Safety Table for Keytruda (Pembrolizumab) in KEYNOTE-189**

**Table 8: Adverse Reactions Occurring in ≥20% of Patients in KEYNOTE-189**

Adverse Reaction	KEYTRUDA 200 mg every 3 weeks Pemetrexed Platinum Chemotherapy n=405		Placebo Pemetrexed Platinum Chemotherapy n=202	
	All Grades*	Grades 3-4	All Grades	Grades 3-4
	(%)	(%)	(%)	(%)
<b>Gastrointestinal</b>				
Nausea	56	3.5	52	3.5
Constipation	35	1.0	32	0.5
Diarrhea	31	5	21	3.0
Vomiting	24	3.7	23	3.0
<b>General</b>				
Fatigue <sup>†</sup>	56	12	58	6
Pyrexia	20	0.2	15	0
<b>Metabolism and Nutrition</b>				
Decreased appetite	28	1.5	30	0.5
<b>Skin and Subcutaneous Tissue</b>				
Rash <sup>‡</sup>	25	2.0	17	2.5
<b>Respiratory, Thoracic and Mediastinal</b>				
Cough	21	0	28	0
Dyspnea	21	3.7	26	5

\* Graded per NCI CTCAE v4.03

<sup>†</sup> Includes asthenia and fatigue

<sup>‡</sup> Includes genital rash, rash, rash generalized, rash macular, rash maculo-papular, rash papular, rash pruritic, and rash pustular.

**Table 9: Laboratory Abnormalities Worsened from Baseline Occurring in ≥20% of Patients in KEYNOTE-189**

Laboratory Test*	KEYTRUDA 200 mg every 3 weeks Pemetrexed Platinum Chemotherapy		Placebo Pemetrexed Platinum Chemotherapy	
	All Grades <sup>†</sup>	Grades 3-4	All Grades	Grades 3-4
	%	%	%	%
<b>Hematology</b>				
Anemia	85	17	81	18
Lymphopenia	64	22	64	25
Neutropenia	48	20	41	19
Thrombocytopenia	30	12	29	8
<b>Chemistry</b>				
Hyperglycemia	63	9	60	7
Increased ALT	47	3.8	42	2.6
Increased AST	47	2.8	40	1.0
Hypoalbuminemia	39	2.8	39	1.1
Increased creatinine	37	4.2	25	1.0
Hyponatremia	32	7	23	6
Hypophosphatemia	30	10	28	14
Increased alkaline phosphatase	26	1.8	29	2.1
Hypocalcemia	24	2.8	17	0.5
Hyperkalemia	24	2.8	19	3.1
Hypokalemia	21	5	20	5

\* Each test incidence is based on the number of patients who had both baseline and at least one on-study laboratory measurement available: KEYTRUDA/pemetrexed/platinum chemotherapy (range: 381 to 401 patients) and placebo/pemetrexed/platinum chemotherapy (range: 184 to 197 patients).

<sup>†</sup> Graded per NCI CTCAE v4.03

Source: Keytruda product labeling.

**Valuation and risks.** Our one-year price target of \$7.00/ADS is derived from a standard DCF valuation analysis in which we project cash flows out to fiscal 2027 with an assumed 2% terminal growth rate, discounted back at 37% over 7 years (please refer to our Discounted Cash Flow analysis on page 7 of this report). Risks include: failure to demonstrate positive results in ongoing and future clinical trials, failure to secure regulatory approval for one or more product candidates, and/or failure to secure sufficient funding from partnerships or the capital markets necessary to complete development of product candidates.

FINANCIAL TABLES

<b>IMMP Income Statement, with Projections</b>		<i>Projections are shaded light gray</i>														
(\$ AU, in thousands; FY end June)	2016A	2017A	2018A	1H:19A	2H:19A	2019A	1H:20E	2H:20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
<b>Operating Revenue</b>																
Product Sales	-	-	-	-	-	-	-	-	-	-	5,989	64,175	249,793	485,318	709,394	916,223
Milestone Revenues	175	-	2,630	-	140	140	-	-	-	-	-	-	-	-	-	-
<b>TOTAL Revenue</b>	<b>175</b>	<b>-</b>	<b>2,630</b>	<b>-</b>	<b>140</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,989</b>	<b>64,175</b>	<b>249,793</b>	<b>485,318</b>	<b>709,394</b>	<b>916,223</b>
<b>Operating costs and expenses</b>																
Cost of products sold	-	-	-	-	-	-	-	-	-	-	898	9,626	37,469	72,798	99,315	119,109
Depreciation and amortization	1,993	1,702	1,809	943	936	1,879	1,893	2,640	4,533	2,659	2,332	2,242	2,204	2,314	2,524	2,652
Research and development	7,060	7,526	9,990	7,582	9,009	16,591	8,558	6,847	15,405	17,716	19,487	18,123	19,029	24,738	37,107	51,950
Selling, general and administrative	6,983	4,347	7,242	3,254	3,112	6,366	3,423	2,910	6,333	6,649	7,314	10,240	13,312	15,974	19,968	25,958
<b>TOTAL Operating Expenses</b>	<b>65,225</b>	<b>14,326</b>	<b>20,098</b>	<b>11,544</b>	<b>13,328</b>	<b>24,872</b>	<b>14,390</b>	<b>13,027</b>	<b>27,417</b>	<b>28,343</b>	<b>31,548</b>	<b>41,974</b>	<b>74,019</b>	<b>118,130</b>	<b>161,566</b>	<b>202,719</b>
<b>TOTAL Operating Income (Loss)</b>	<b>(65,050)</b>	<b>(14,326)</b>	<b>(17,467)</b>	<b>(11,544)</b>	<b>(13,188)</b>	<b>(24,732)</b>	<b>(14,390)</b>	<b>(13,027)</b>	<b>(27,417)</b>	<b>(28,343)</b>	<b>(25,559)</b>	<b>22,201</b>	<b>175,774</b>	<b>367,188</b>	<b>547,828</b>	<b>713,504</b>
<b>Other income (expense):</b>																
Grant income	887	3,316	3,214	2,124	2,218	4,342	-	-	-	-	-	-	-	-	-	-
Interest income	264	104	177	198	199	397	127	44	171	634	1,108	768	893	3,095	7,389	14,561
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous income	703	800	1,009	157	998	1,155	-	-	-	-	-	-	-	-	-	-
<b>Total Other Income (Expenses)</b>	<b>1,854</b>	<b>4,222</b>	<b>4,723</b>	<b>2,871</b>	<b>3,518</b>	<b>6,388</b>	<b>127</b>	<b>44</b>	<b>171</b>	<b>634</b>	<b>1,108</b>	<b>768</b>	<b>893</b>	<b>3,095</b>	<b>7,389</b>	<b>14,561</b>
<b>Profit or Loss Before Taxes</b>	<b>(63,196)</b>	<b>(10,105)</b>	<b>(12,744)</b>	<b>(8,674)</b>	<b>(9,670)</b>	<b>(18,344)</b>	<b>(14,264)</b>	<b>(12,983)</b>	<b>(27,246)</b>	<b>(27,709)</b>	<b>(24,450)</b>	<b>22,969</b>	<b>176,667</b>	<b>370,283</b>	<b>555,218</b>	<b>728,065</b>
Income tax (expense) / gain	(1,181)	(737)	2	5	(5)	-	-	-	-	-	-	-	-	89,898	152,685	200,218
<b>Net Profit or Loss</b>	<b>(62,015)</b>	<b>(9,367)</b>	<b>(12,746)</b>	<b>(8,678)</b>	<b>(9,665)</b>	<b>(18,344)</b>	<b>(14,264)</b>	<b>(12,983)</b>	<b>(27,246)</b>	<b>(27,709)</b>	<b>(24,450)</b>	<b>22,969</b>	<b>176,667</b>	<b>280,384</b>	<b>402,533</b>	<b>527,847</b>
Basic weighted average common shares	2,236,251	2,072,450	2,608,328	3,099,461	3,351,691	3,225,576	3,273,960	3,722,344	3,498,152	4,330,677	4,652,485	4,885,110	5,129,365	5,385,834	5,655,125	5,937,881
Diluted weighted average common shares	2,236,251	2,072,450	2,608,328	3,099,461	3,351,691	3,225,576	3,273,960	3,722,344	3,498,152	4,330,677	4,652,485	4,885,110	5,129,365	5,385,834	5,655,125	5,937,881
Basic net (loss) / income per common share \$	(0.03)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	0.00	0.03	0.05	0.07	0.09
Diluted net (loss) / income per common share \$	(0.03)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	0.00	0.03	0.05	0.07	0.09
Basic net (loss) / income per ADR \$	(2.77)	(0.45)	(0.49)	(0.28)	(0.29)	(0.57)	(0.44)	(0.35)	(0.78)	(0.64)	(0.53)	0.47	3.44	5.21	7.12	8.89
Diluted net (loss) / income per ADR \$	(2.77)	(0.45)	(0.49)	(0.28)	(0.29)	(0.57)	(0.44)	(0.35)	(0.78)	(0.64)	(0.53)	0.47	3.44	5.21	7.12	8.89

Source: Company reports and JonesTrading projections.

**IMMP Balance Sheet, with Projections**

*Projections are shaded light gray*

(\$ AU, in thousands; FY end June)	2016A	2017A	2018A	1H:19A	2019A	1H:20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
<b>ASSETS</b>														
Cash and cash equivalents	20,880	12,237	23,476	26,002	16,568	5,746	36,314	63,471	44,001	51,154	177,230	423,155	833,849	1,341,317
Short-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid and other current assets	623	1,488	1,736	669	1,780	1,564	1,074	1,113	1,239	1,648	2,899	4,639	6,344	7,960
Accounts receivable	168	2,194	3,432	3,665	5,194	5,714	6,285	7,605	9,202	21,099	61,424	93,075	97,177	125,510
Inventories	-	-	-	-	-	-	-	-	-	6,330	18,427	27,922	27,210	32,633
<b>TOTAL current assets</b>	<b>21,671</b>	<b>15,919</b>	<b>28,643</b>	<b>30,336</b>	<b>23,542</b>	<b>13,024</b>	<b>43,672</b>	<b>72,189</b>	<b>54,442</b>	<b>80,230</b>	<b>259,980</b>	<b>548,791</b>	<b>964,580</b>	<b>1,507,419</b>
Property and equipment, net	32	24	26	38	53	80	95	120	155	202	264	344	446	576
Intangibles	20,852	19,020	18,329	17,865	16,947	16,076	15,250	13,723	12,349	11,112	9,999	8,998	8,097	7,286
Long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL long-term assets</b>	<b>20,883</b>	<b>19,045</b>	<b>18,356</b>	<b>17,903</b>	<b>17,000</b>	<b>16,156</b>	<b>15,345</b>	<b>13,842</b>	<b>12,504</b>	<b>11,314</b>	<b>10,264</b>	<b>9,343</b>	<b>8,543</b>	<b>7,862</b>
<b>TOTAL assets</b>	<b>42,554</b>	<b>34,964</b>	<b>46,999</b>	<b>48,239</b>	<b>40,541</b>	<b>29,180</b>	<b>59,017</b>	<b>86,031</b>	<b>66,945</b>	<b>91,545</b>	<b>270,244</b>	<b>558,133</b>	<b>973,123</b>	<b>1,515,282</b>
<b>LIABILITIES</b>														
Accounts payable	1,423	2,589	3,664	3,970	5,060	5,375	4,919	5,099	5,675	7,551	13,280	21,252	29,066	36,469
Employee benefits	28	43	190	161	239	235	242	254	267	280	294	309	324	341
<b>TOTAL current liabilities</b>	<b>1,472</b>	<b>2,632</b>	<b>3,853</b>	<b>4,131</b>	<b>5,299</b>	<b>5,610</b>	<b>5,161</b>	<b>5,353</b>	<b>5,942</b>	<b>7,831</b>	<b>13,574</b>	<b>21,561</b>	<b>29,390</b>	<b>36,810</b>
Convertible note liability	5,027	5,779	6,646	7,143	7,643	8,216	8,832	10,207	11,795	9,436	3,774	-	-	-
Warrant liability	-	-	2,945	3,393	3,164	3,323	3,489	3,846	4,241	3,392	2,035	1,221	305	-
Employee benefits	43	20	32	42	48	48	48	48	48	48	48	48	48	48
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL liabilities</b>	<b>7,237</b>	<b>8,431</b>	<b>13,477</b>	<b>14,709</b>	<b>16,154</b>	<b>17,196</b>	<b>17,529</b>	<b>19,454</b>	<b>22,026</b>	<b>20,708</b>	<b>19,432</b>	<b>22,830</b>	<b>29,743</b>	<b>36,858</b>
<b>TOTAL stockholders' equity (deficit)</b>	<b>35,318</b>	<b>26,532</b>	<b>33,522</b>	<b>33,530</b>	<b>24,388</b>	<b>11,984</b>	<b>41,488</b>	<b>66,577</b>	<b>44,920</b>	<b>70,837</b>	<b>250,813</b>	<b>535,304</b>	<b>943,380</b>	<b>1,478,424</b>
<b>Total liabilities and stockholders' equity</b>	<b>42,554</b>	<b>34,964</b>	<b>46,999</b>	<b>48,239</b>	<b>40,541</b>	<b>29,180</b>	<b>59,017</b>	<b>86,031</b>	<b>66,945</b>	<b>91,545</b>	<b>270,244</b>	<b>558,133</b>	<b>973,123</b>	<b>1,515,282</b>
End of period shares used in computation (thousands)	2,236,251	2,072,450	2,608,328	3,099,461	3,225,576	3,322,344	4,122,344	4,539,010	4,765,961	5,004,259	5,254,472	5,517,195	5,793,055	6,082,708
<b>SELECTED METRICS</b>														
Current ratio	14.72x	6.05x	7.43x	7.34x	4.44x	2.32x	8.46x	13.49x	9.16x	10.24x	19.15x	25.45x	32.82x	40.95x
Working capital	\$20,199	\$13,287	\$24,790	\$26,205	\$18,243	\$7,414	\$38,511	\$66,836	\$48,500	\$72,399	\$246,407	\$527,230	\$935,190	\$1,470,609
Book value per share	\$0.02	\$0.01	\$0.01	\$0.01	\$0.01	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.05	\$0.10	\$0.16	\$0.24
Cash, cash equivalents and current investment	\$20,880	\$12,237	\$23,476	\$26,002	\$16,568	\$5,746	\$36,314	\$63,471	\$44,001	\$51,154	\$177,230	\$423,155	\$833,849	\$1,341,317
Cash, cash equivalents and all investment	\$20,880	\$12,237	\$23,476	\$26,002	\$16,568	\$5,746	\$36,314	\$63,471	\$44,001	\$51,154	\$177,230	\$423,155	\$833,849	\$1,341,317
Cash, cash equivalents/common share	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.03	\$0.08	\$0.14	\$0.22
Debt														
Debt to (stockholder's) equity ratio														

Source: Company reports and JonesTrading projections.

<b>IMMP Cash Flow Statement, with Projections</b>													<i>Projections are shaded light gray</i>	
(\$ AU, in thousands; FY end June)	2016A	2017A	2018A	2019A	1H:20E	2H:20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
<b>OPERATING ACTIVITIES</b>														
Net Profit / (Loss)	(62,015)	(9,367)	(12,746)	(18,344)	(14,264)	(12,983)	(27,246)	(27,709)	(24,450)	22,969	176,667	280,384	402,533	527,847
<b>Reconciliation of net loss to net cash:</b>														
Depreciation and amortization	1,993	1,702	1,809	1,879	1,893	2,640	4,533	2,659	2,332	2,242	2,204	2,314	2,524	2,652
Stock-based compensation expense	2,059	862	2,264	1,582	826	672	1,498	1,679	1,847	1,954	2,229	2,805	3,933	5,369
Change in fair value of convertible note liability	608	752	867	997	573	616	1,189	1,374	1,588	(2,359)	(5,662)	(3,774)	-	-
Change in fair value of warrants	-	-	190	(961)	158	166	324	358	394	(848)	(1,357)	(814)	(916)	(305)
<b>Changes in operating assets and liabilities:</b>														
Account receivables	(395)	(2,026)	(1,238)	(1,762)	(519)	(571)	(1,091)	(1,320)	(1,597)	(11,897)	(40,326)	(31,650)	(4,103)	(28,333)
Inventories	-	-	-	-	-	-	-	-	-	(6,330)	(12,098)	(9,495)	713	(5,423)
Prepaid expenses and other current assets	325	(865)	(247)	(44)	216	491	706	(39)	(126)	(409)	(1,250)	(1,740)	(1,706)	(1,616)
Accounts payable	(1,492)	1,377	1,075	1,397	314	(456)	(142)	180	577	1,876	5,729	7,972	7,814	7,403
Change in employee benefits	(45)	(7)	158	64	(4)	7	3	12	13	13	14	15	15	16
<b>NET OPERATING CASH FLOWS</b>	<b>(11,310)</b>	<b>(8,507)</b>	<b>(7,777)</b>	<b>(15,286)</b>	<b>(10,807)</b>	<b>(9,418)</b>	<b>(20,224)</b>	<b>(22,805)</b>	<b>(19,423)</b>	<b>7,211</b>	<b>126,150</b>	<b>246,017</b>	<b>410,808</b>	<b>507,611</b>
<b>INVESTING ACTIVITIES</b>														
Purchase of property and equipment	(27)	(7)	(12)	(41)	(15)	(15)	(30)	(38)	(47)	(59)	(73)	(92)	(114)	(143)
Purchases of investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maturities of investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET INVESTING CASH FLOWS</b>	<b>103</b>	<b>(7)</b>	<b>(12)</b>	<b>(41)</b>	<b>(15)</b>	<b>(15)</b>	<b>(30)</b>	<b>(38)</b>	<b>(47)</b>	<b>(59)</b>	<b>(73)</b>	<b>(92)</b>	<b>(114)</b>	<b>(143)</b>
<b>FINANCING ACTIVITIES</b>														
Net proceeds from the issuance of common stock and options	13,761	0	16,968	4,871	-	40,000	40,000	50,000	-	-	-	-	-	-
Share issue transaction costs	(283)	(9)	(1,319)	(773)	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET FINANCING CASH FLOWS</b>	<b>25,720</b>	<b>(9)</b>	<b>18,405</b>	<b>8,013</b>	<b>-</b>	<b>40,000</b>	<b>40,000</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,513</b>	<b>(8,522)</b>	<b>10,616</b>	<b>(7,315)</b>	<b>(10,822)</b>	<b>30,567</b>	<b>19,746</b>	<b>27,157</b>	<b>(19,470)</b>	<b>7,152</b>	<b>126,076</b>	<b>245,925</b>	<b>410,694</b>	<b>507,468</b>
Cash and cash equivalents at beginning of year or period	6,760	20,880	12,237	23,476	16,568	5,746	16,568	36,314	63,471	44,001	51,154	177,230	423,155	833,849
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b>20,880</b>	<b>12,237</b>	<b>23,476</b>	<b>16,568</b>	<b>5,746</b>	<b>36,314</b>	<b>36,314</b>	<b>63,471</b>	<b>44,001</b>	<b>51,154</b>	<b>177,230</b>	<b>423,155</b>	<b>833,849</b>	<b>1,341,317</b>

Source: Company reports and JonesTrading projections.

**IMMP Discounted Cash Flow Analysis**

(\$ AU, in thousands; FY end June)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Terminal Value
EBIT	(27,417)	(28,343)	(25,559)	22,201	175,774	367,188	547,828	713,504	
Effective Tax Rate	0%	0%	0%	0%	0%	24%	28%	28%	
Tax	-	-	-	-	-	89,898	152,685	200,218	
EBIT after tax	(27,417)	(28,343)	(25,559)	22,201	175,774	277,289	395,144	513,286	
Add: Depreciation and amortization	6,031	4,338	4,179	4,196	4,433	5,120	6,457	8,021	
Add: Changes in working capital	(523)	(1,167)	(1,134)	(16,747)	(47,931)	(34,899)	2,734	(27,952)	
Less: Capex	30	38	47	59	73	92	114	143	
<b>Free cash flow to the firm (FCFF)</b>	<b>(21,939)</b>	<b>(25,209)</b>	<b>(22,561)</b>	<b>9,591</b>	<b>132,202</b>	<b>247,419</b>	<b>404,220</b>	<b>493,212</b>	<b>1,433,350</b>
Time period (years)	-	1	2	3	4	5	6	7	7
PV Factor	1.000	0.729	0.532	0.388	0.283	0.206	0.151	0.110	0.110
<b>Discounted FCFF</b>	<b>(21,939)</b>	<b>(18,387)</b>	<b>(12,003)</b>	<b>3,722</b>	<b>37,421</b>	<b>51,083</b>	<b>60,874</b>	<b>54,177</b>	<b>157,448</b>

Terminal Value and NPV Worksheet (\$ AU, thousands)	
Discounted FCFF (Fiscal 2021-2027)	176,887
Terminal Value	157,448
<b>Implied Enterprise Value</b>	<b>334,335</b>
Less: Net Debt \ (Cash)	(27,481)
Add: Investments	-
<b>Implied Market Cap (\$ USD)</b>	<b>246,035</b>
<b>NPV per ADR (target price)</b>	<b>\$7.00</b>

Sensitivity Table		Terminal Growth Rate				
		0.0%	1.0%	2.0%	3.0%	4.0%
Discount Rate	27%	\$12.75	\$13.00	\$13.25	\$13.75	\$14.00
	32%	\$9.25	\$9.25	\$9.50	\$9.75	\$10.00
	37%	\$6.75	\$7.00	\$7.00	\$7.25	\$7.25
	42%	\$5.25	\$5.25	\$5.25	\$5.50	\$5.50
	47%	\$4.00	\$4.25	\$4.25	\$4.25	\$4.25

(Rounded to nearest \$0.25)

Current Market Price per ADR (Last Closing Price)	\$3.03
Upside/(Downside)	131.0%
Common shares outstanding (est. at fiscal year-end 2020)	3,498,151,746
Common share to ADR ratio	100:1
Discount Rate	37%
Terminal Growth Rate	2%

Source: Company reports and JonesTrading projections.

## IMPORTANT DISCLOSURES APPENDIX

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I, Matthew Cross, the analyst principally responsible for the preparation of this research report hereby certify that the views expressed in this research report accurately reflect my personal views about the subject security(ies) or issuer(s) and that my compensation was not, is not, or will not be directly or indirectly related to the specific recommendations or views contained in this research report.

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Rating	JonesTrading Company Coverage		Investment Banking Services Within Past 12 Months	
	Count	Percent	Count	Percent
BUY	39	87%	14	36%
HOLD	6	13%	2	33%
SELL	0	0%	0	0%

Date:	Action:	Target Price:
November 9, 2018	Initiation of Coverage with a BUY rating	\$9.00
September 3, 2019	Lower target price	\$7.00

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