WILSONS ADVISORY

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Theme Company Update

Sector Healthcare

Company

Immutep Limited (IMM)

Efti boosts Keytruda response 5x

We maintain our OVERWEIGHT recommendation and lift our risked PT to $1.04/sh. Immutep's initial data release from their Phase IIb TACTI-003 HNSCC trial has dazzled, boosting the response rate of the most challenging to treat patients (those lacking PD-L1 expression on their tumours) by ~5-fold when Efti was combined with Keytruda (in comparison to Keytruda alone). Efficacy in this cohort of patients is material upside to our expectations, purely based on the challenge to stimulate immune attack of cancer in these "cold" tumours – and the fact that the target for Keytruda to bind (being PD-L1) is absent in these patients. This data so clearly demonstrates the entire proof of principle of Efti – turning cold tumours hot in order to prime them for immuno-oncology agent response and remove the need for chemotherapy as a 1L option for all patients (bringing with it a material side effect burden). This Part B data is just the beginning. Immutep are on track to deliver mature data from this cohort as well as topline ORR data from Part A (the randomized portion) with PD-L1 expressing patients this quarter, remembering the Part A RCT data really is the re-rate catalyst in our mind for IMM this year. The stellar data read in Part B has just given material confidence in demonstrating consistent benefit in Part A that could be practice changing for mHNSCC. Time to get excited – very excited!

Key Points

Data reflects a 5x uplift in response with Efti addition. KEYNOTE-048 is the relevant comparator trial where Keytruda monotherapy in CPS<1 1L HNSCC patients delivered an Objective Response Rate (ORR) of 4.5-5.4%. This compares to TACTI-003 Part B data demonstrating the combination of Efti + Keytruda in comparable CPS<1 1L patients was 26.9% (based on 26 of 33 patients total). Even in the event all 7 remaining patients were to progress we are still looking at an ORR of at least ~21% 'worst case'. Efti has boosted Keytruda response 4-5x fold in this impossible to treat cohort delivering ORR and disease control rate (DCR = 57.7%) data that supports this being a considered new 1L SOC in these patients – as opposed chemotherapy 1L.

Efficacy in the most challenging to treat cohort. Part B enrolled 33 patients with absent expression of Keytruda's target, PD-L1 (with a CPS<1). These are the most challenging to treat patients with a very low response to Keytruda (& other anti-PD-L1 monotherapy) and are typically given chemotherapy regimens as SOC, which carry a high side effect burden. The ability for Efti to boost immune response of these patients to the point they can respond to Keytruda treatment is astounding and frankly has beaten our own positive expectations. This data is a positive readthrough for Part A (CPS>1, CPS>20) patients which known PD-L1 tumour expression that are already anticipated to have a more positive response to Keytruda monotherapy (albeit inadequate) with ORR ~17%.

Forecasts. Minor changes reflect post 1H24 model maintenance only.

Valuation. Maintain O/W. We de-risk our TACTI-003 probability of success from 60% to 100% on the back of today's data as a strong readthrough for Part A data that is imminent this 1H. All else consistent. Updated risked PT of $1.04/sh comprises: a) Efti 1L NSCLC ($0.67/sh); b) Efti in mBC ($0.25/share); and c) Efti in HNSCC ($0.13/sh). Unrisked valuation $6.09/sh.

Financial summary (Y/E Jun, AUD)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales ($m)	0.0	0.0	0.0	0.0	26.1
EBITDA norm ($m)	(34.7)	(40.8)	(43.1)	(36.9)	(25.6)
Consensus EBITDA ($m)			(47.2)	(50.0)	(23.6)
EPS norm (cents)	(4.3)	(4.7)	(3.6)	(3.2)	(1.6)

Source: Company data, Wilsons Advisory estimate, Refinitiv, IRESS.
All amounts are in Australian Dollar (A$) unless otherwise stated.

Recommendation	**OVERWEIGHT**
12-mth target price (AUD)	$1.04
Share price @ 24-Apr-24 (AUD)	$0.39
Forecast 12-mth capital return	170.1%
Forecast 12-mth dividend yield	0.0%
12-mth total shareholder return	**170.1%**
Market cap ($m)	457.7
Enterprise value ($m)	334.3
Shares on issue (m)	1,189
Sold short (%)	0.0
ASX All Ords weight (%)	0.0
Median turnover/day ($m)	0.4

Dr Melissa Benson
melissa.benson@wilsonsadvisory.com.au
Tel. +61 2 8247 6639

Dr Shane Storey
shane.storey@wilsonsadvisory.com.au
Tel. +61 7 3212 1351

Madeleine Williams
madeleine.williams@wilsonsadvisory.com.au
Tel. +61 3 9640 3834

12-mth price performance ($)

	1-mth	6-mth	12-mth
Abs return (%)		20.3	53.4
Rel return (%)	1.1	6.8	45.1

Key changes		23-Oct	After	Var %
EBITDA	FY24E	(42.7)	(43.1)	-1%
norm	FY25E	(38.0)	(36.9)	3%
($m)	FY26E	(25.6)	(25.6)	0%
EPS	FY24E	(3.7)	(3.6)	3%
norm	FY25E	(3.4)	(3.2)	4%
(cents)	FY26E	(1.7)	(1.6)	2%
Price target		0.90	1.04	16%
Rating		O/W	O/W	

Business Description

Immutep (IMM:ASX) is a clinical stage Australian biopharma operating in the immuno-oncology (IO) sector with their portfolio of LAG-3 directed biologics. Immutep have four assets under development, all with strong IP protection; two of which are out-licensed (LAG525 - Novartis, IMP731 - GSK) with attached milestone and royalty revenue optionality, with the remaining two (Efti and IMP761) being developed in-house for a range of oncology (incl. HNSCC, NSCLC, mBC) and autoimmune indications.

Investment Thesis

We maintain our OVERWEIGHT recommendation and lift our risked PT to $1.04/sh. Immutep's initial data release from their Phase IIb TACTI-003 HNSCC trial has dazzled, boosting the response rate of the most challenging to treat patients. The stellar data read in Part B has just given material confidence in demonstrating consistent benefit in Part A that could be practice changing for mHNSCC.

Catalysts

a) achievement of clinical trial endpoints; b) partnership opportunities; c) regulatory approvals (including IND approvals); d) corporate activity.

Risks

a) adverse clinical trial outcomes; b) negative regulator interactions; c) competitive intensity of immuno-oncology field; d) available capital.

P&L ($m)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	0.0	0.0	0.0	0.0	26.1
EBITDA norm	(34.7)	(40.8)	(43.1)	(36.9)	(25.6)
EBIT norm	(36.8)	(42.9)	(45.1)	(39.1)	(28.1)
PBT norm	(36.7)	(42.0)	(42.6)	(38.4)	(27.7)
NPAT norm	(36.7)	(42.0)	(42.6)	(38.4)	(19.4)
NPAT reported	(36.7)	(42.0)	(42.6)	(38.4)	(19.4)
EPS norm (cents)	(4.3)	(4.7)	(3.6)	(3.2)	(1.6)
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Growth (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	n/m	n/m	n/m	n/m	n/m
EBITDA norm	24.4	17.5	5.5	(14.3)	(30.5)
NPAT norm	22.6	14.4	1.5	(9.8)	(49.5)
EPS norm (cents)	(14.2)	9.0	(23.6)	(9.8)	(49.5)
DPS (cents)	n/m	n/m	n/m	n/m	n/m

Margins and returns (%)	FY22A	FY23A	FY24E	FY25E	FY26E
EBITDA margin	n/m	n/m	n/m	n/m	(98.3)
EBIT margin	n/m	n/m	n/m	n/m	(107.8)
PBT margin	n/m	n/m	n/m	n/m	(106.2)
NPAT margin	n/m	n/m	n/m	n/m	(74.4)

Interims ($m)	1H23A	2H23A	1H24A	2H24E	1H25E
Sales	0.0	0.0	0.0	0.0	0.0
EBITDA norm	(20.9)	(19.9)	(22.2)	(20.8)	(25.9)
EBIT norm	(21.8)	(21.0)	(23.2)	(21.9)	(27.0)
PBT norm	(21.6)	(20.4)	(21.2)	(21.4)	(26.6)
NPAT norm	(21.6)	(20.4)	(21.2)	(21.4)	(26.6)
NPAT reported	(21.6)	(20.4)	(21.2)	(21.4)	(26.6)
EPS norm (cents)	(2.5)	(2.3)	(1.8)	(1.8)	(2.2)
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Stock specific	FY22A	FY23A	FY24E	FY25E	FY26E
R&D expense (m)	(31.3)	(36.3)	(40.4)	(35.0)	(20.0)
Licensing revenue (m)	0.2	0.0	0.0	0.0	0.0

Balance sheet ($m)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash & equivalents	80.0	123.4	85.6	43.7	26.7
Current receivables	8.4	8.0	5.0	5.0	5.1
Current inventory	0.0	0.0	0.0	0.0	0.2
PPE	0.0	0.1	0.1	0.1	0.1
Intangibles	10.6	9.5	9.5	9.5	9.5
Other assets	3.2	6.5	4.9	3.4	3.4
Total assets	102.2	147.4	105.2	61.7	45.1
Current payables	5.8	9.0	8.2	4.9	8.9
Total debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	2.2	1.8	2.1	2.1	3.1
Total liabilities	8.1	11.0	10.5	7.2	12.2
Minorities	0.0	0.0	0.0	0.0	0.0
Shareholders equity	94.1	136.5	94.7	54.5	32.9

Cash flow ($m)	FY22A	FY23A	FY24E	FY25E	FY26E
Operating cash flow	(30.2)	(35.4)	(36.4)	(41.7)	(16.8)
Maintenance capex	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)
Free cash flow	(30.3)	(35.4)	(36.4)	(41.7)	(16.8)
Growth capex	0.0	0.0	0.0	0.0	0.0
Acquisitions/disposals	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Other cash flow	(3.3)	(1.2)	(1.3)	(0.2)	(0.2)
Cash flow pre-financing	(33.6)	(36.6)	(37.8)	(41.9)	(17.1)
Funded by equity	53.0	80.1	0.0	0.0	0.0
Funded by cash/debt	(72.4)	(123.5)	37.8	41.9	17.1

Liquidity	FY22A	FY23A	FY24E	FY25E	FY26E
Cash conversion (%)	87.4	88.9	90.4	114.9	99.6
Net debt ($m)	(80.0)	(123.4)	(85.6)	(43.7)	(26.7)
Net debt / EBITDA (x)	2.3	3.0	2.0	1.2	1.0
ND / ND + Equity (%)	(568.1)	(945.6)	(947.3)	(406.3)	(427.9)
EBIT / Interest expense (x)	n/m	46.7	18.0	53.5	69.9

Valuation	FY22A	FY23A	FY24E	FY25E	FY26E
EV / Sales (x)	n/m	n/m	n/m	n/m	16.5
EV / EBITDA (x)	n/m	n/m	n/m	n/m	n/m
EV / EBIT (x)	n/m	n/m	n/m	n/m	n/m
P / E (x)	n/m	n/m	n/m	n/m	n/m
P / BV (x)	3.5	3.3	4.8		
FCF yield (%)	(9.2)	(7.8)	(8.0)		
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Weighted shares (m)	849.9	892.5	1,186	1,186	1,186

Source: Company data, Wilsons Advisory estimate, Refinitiv, IRESS.
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Wilsons Advisory contact

For more information please phone: 1300 655 015 or email: publications@wilsonsadvisory.com.au