WILSONS

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Theme Alert

Sector Healthcare

Company

Immutep Limited (IMM)

Chemo-free efficacy – yes please!

Recommendation OVERWEIGHT

12-mth target price (AUD) $0.91

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Announcement Highlights

Immutep have released updated data from their Phase II TACTI-002 study in patients with refractory non-small cell lung cancer (NSCLC) evaluating their LAG-3 asset, Efti (Part B data). Data presented at the IASLC World Conference on Lung Cancer in Vienna, continues to highlight the efficacy benefit achieved with the addition of Efti to Merck's Keytruda. Importantly, this data, whilst being in a 2nd line setting, provides valuable insight into the broad-ranging efficacy potential of Efti in challenging patient populations where first line options (i.e. Keytruda & other anti-PD-1 agents) have failed to work. Being able to revert a subset of patients from non-responders into responders whilst achieving comparable Overall Survival (OS) outcomes to 2nd line chemotherapy options is a coup – comparable efficacy without chemo-associated side effects which are detrimental to patient quality of life is a key focus for new treatment options. Couple this with the efficacy superiority seen in their 1st line NSCLC data, and we can see clear support for Efti's ability to grow the existing TAM for blockbuster anti-PD-1 drugs (Keytruda) making Immutep's Efti a highly attractive strategic IO asset in our view.

Wilsons' View

Initial analysis

Efti delivers efficacy of chemo without the associated side effects. Latest data from TACTI-002 Part B continues to show benefit of adding Efti to Keytruda in 2nd line NSCLC patients (n=36) that have failed anti-PD-1/L1 and chemotherapy standard of care (SoC) options. These patients have no option but to move to 2nd line chemotherapy which carries significant side effects. OS benefit of 9.7months compares to ~7-8 months with 2nd line chemo options. Impressively 8.7 – 9.6 months OS in those with nil to low PD-1 expression, respectively, supports the mechanism of Efti to reinvigorate the immune system to attack tumours. Whilst response rates (ORR) are low (5.6%) this is not unexpected given the type of progressive disease facing these 2nd line patients. Stabilisation of disease in 30.6% of patients is a material clinical effect. 25% of patients had long term (≥6 month) disease control with two-thirds (36.5%) still alive at 18 months (vs 15-25% in SoC). This highlights the potential for Efti to expand Keytruda's NSCLC addressable market by 25% or more – which for a >US$17B annual sales drug is material to MSD.

Approved LAG-3 drug, *Opdualag*, shows good adoption & pricing. Bristol Myers Squibb's recently approved (Mar 22) combo anti-PD-1/LAG-3 drug *Opdualag* has seen strong clinical adoption in the metastatic melanoma setting with 2Q22 sales of US$58M (vs 1Q22 launch Q US$6M) noting that BMY are guiding to it reaching US$4B peak sales. Pricing achieved has also been favourable – US$27,000 per dose – equating to >100% upside to our ASP estimates for Efti in our modelling (including gross to net discounts) representing significant forecast upside potential.

Merck's Phase III hopes recently dashed in HNSCC. On the development front MSD have had a setback with their Phase III KEYNOTE-412 trial in head and neck cancer (HNSCC) failing its primary endpoint. This trial aimed to show superiority of Keytruda in combination with chemoradiation in a 1st line setting. Its failure continues to be a reminder of how challenging the HNSCC indication is. Importantly it moves up the relative importance of IMM's TACTI-003 Phase IIb study with Keytruda + Efti, now that MSD have lost one of their shots on goal with their P3 Keytruda combo. As a reminder we see a US$2.2B TAM opportunity for Efti in HNSCC.

Earnings implications

None.

Investment view

We maintain our OVERWEIGHT rating and risked $0.91 per share PT on Immutep. Unrisked PT is $2.45 per share.

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