Biotechnology

IMMP - NASDAQ March 16, 2021

Closing Price 3/15/21	**$2.74**
Rating:	Buy
12-Month Target Price:	$8.00
52-Week Range:	$0.53 - $7.95
Market Cap (M):	135.0
Shares O/S (M):	49.3
Float:	NA
Avg. Daily Volume (000):	1,314.2
Debt (M):	$6.2
Dividend:	$0.00
Dividend Yield:	0.0%
Risk Profile:	Speculative
Fiscal Year End:	June

Total Expenses ('000)

	2020A	2021E	2022E
H1	9,572	9,707A	9,650
H2	7,715	9,439	10,454
FY	17,287	19,146	20,104
Prior	—	18,151	19,059

Immutep Limited

Buy

Success in 2L H&N Cancer Leads to Second Collaboration to Move into 1L – Reiterate Buy

Summary

- **Immutep announced a second collaboration agreement with Merck (known as "MSD" ex-US, ex-Canada) for a P2b trial (TACTI-003) evaluating eftilagimod (efti) in combination with Keytruda in 1L head and neck (H&N) squamous cell carcinoma (HNSCC). Recall the company had earlier success in 2L HNSCC patients in the ongoing P2 TACTI-002 trial, which formed the bases of the expansion into 1L and this second collaboration.**
- **The TACTI-002 trial is also being conducted via a collaboration agreement with Merck (MRK - NR). The trial is evaluating the efficacy of efti+Keytruda in 1L and 2L non-small cell lung cancer (NSCLC) and 2L HNSCC. Earlier data from the 1L NSCLC cohort was also positive, driving expansion to another N=74 patients. The willingness of a big player like Merck to collaborate with Immutep speaks to the validity of the efti platform, and in-part de-risks the efti story.**
- **Over 2021, we expect updates around multiple programs, including TACTI-002, AIPAC and the path forward in breast cancer, and now the start of a P2b in 1L H&N. Positive updates should continue to support a higher valuation.**

Details

Efti and Keytruda – a "one-two punch" combination treatment. Both Efti and Keytruda serve to heighten the immune system's response to cancer. However, each drug goes about it from two different angles. Efti is predicated on the LAG-3 immune modulation control mechanism, which could play a role in the T-cell immune response. Efti is a soluble dimeric recombinant form of LAG-3Ig, a fusion protein used to increase the immune response to tumors by stimulating dendritic cells through high affinity binding to MHC class II molecules on the dendritic cell surface. LAG-3 is one of two proteins shown to be able to properly condition dendritic cells (and monocytes) to undergo maturation and step-up the stimulation of antigen targeting T-cells (the other is CD40 ligand). Coming in from the other angle, Keytruda is an anti-PD-1 monoclonal antibody designed to "unblind" the patient's immune system to cancer cells. This differentiated combination of attenuating immune evasion mechanisms combined with the stimulation of T-cells via antigen presentation could provide superior therapeutic benefit to patients.

The upcoming TACTI-003 builds upon earlier success observed in TACTI-002. Positive early-stage safety and efficacy data was noted in 2L HNSCC patients in the TACTI-002 trial (N=109), which is evaluating the therapeutic potential of efti +Keytruda in three different indications: 1L NSCLC, 2L NSCLC, and 2L HNSCC. During the first eight, three-week cycles, patients are administered 30 mg of efti every two weeks; starting at cycle 9, patients receive efti every three weeks. In addition, patients receive 200mg of pembrolizumab every three weeks. The primary objective of the study will be the objective response rate (ORR).

At the 10/8 data cutoff, in the 2L HNSCC cohort, an ORR of ~36% was observed among the intent-to-treat (ITT) population of Stage 1 and 2 N=28 patients, comparing favorably to KEYNOTE studies with comparable patient populations, in which an ORR of ~15% was noted, highlighting synergistic potential. Three patients exhibited CR, seven PR, three SD, and 10 PD. A disease control rate of 46.4% was observed. Responses were also noted in patients with low PD-L1 status, a subgroup of patients who typically fail to respond to PD-L1 therapy. Of the 28 patients assessed, 10 were still undergoing treated, seven for six or more months, with positive progressive-free survival (PFS) and overall survival (OS). Five patients were not evaluable.

The Phase 2b TACTI-003 trial (N=160) will evaluate the efficacy of efti and Keytruda in N=160 patients with 1L HNSCC compared to those who receive Keytruda in a single-agent capacity. The first patient is expected to enroll in mid-2021.

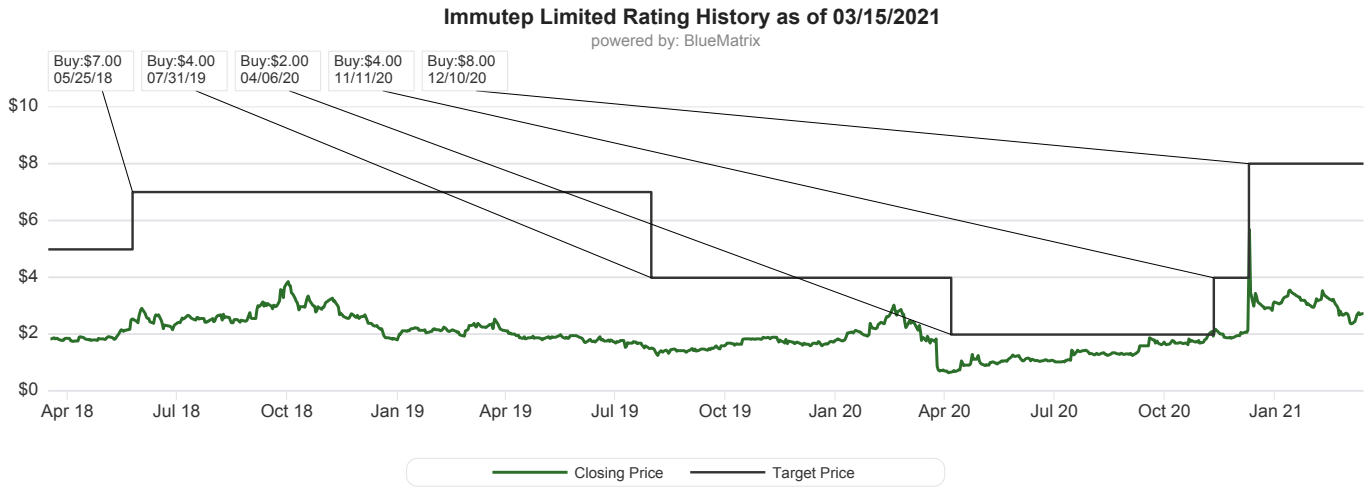
Jason McCarthy, Ph.D.
(212) 895-3556
jmccarthy@maximgrp.com

Model update. On 2/23, the company reported 1H21 results with a net loss of ($15.3M) and ended the period with $42.3M in cash on the balance sheet.

Income Statement ($'000, USD)																	
Immutep I: YE June 30	**2017A**	**2018A**	**2019A**	**2020A**	**1H-2021A**	**2H-2021E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**
Revenue (000's)																	
Eftilagimod Alpha - Breast Cancer (US)										-	58,192	176,322	237,447	299,776	339,107	366,962	395,341
Eftilagimod Alpha - Breast Cancer (EU)									-	-	49,075	148,696	200,244	252,808	285,977	309,467	333,400
Eftilagimod Alpha - Lung Cancer (US)										67,547	139,174	215,066	295,414	349,986	391,909	436,044	499,125
Eftilagimod Alpha - Lung Cancer (EU)										69,082	142,336	219,952	302,126	357,938	400,812	445,950	510,464
Eftilagimod Alpha (IMP321) - HNSCC (US)										17,635	30,279	43,670	57,843	66,211	71,621	77,298	83,252
Eftilagimod Alpha (IMP321) - HNSCC (EU)										18,934	32,510	46,889	62,106	71,091	76,899	82,994	89,387
Total Revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**173,198**	**451,565**	**850,594**	**1,155,180**	**1,397,810**	**1,566,325**	**1,718,716**	**1,910,968**
License revenue		1,947	95	4,492													
Miscellaneous income	616	746	785	168	149		149										
Grant Income	2,553	2,379	2,953	3,584	1,555		1,555										
Milestones and Royalties:																	
IMP321 (Melanoma)					-	-	-	-	-	-	-	-	-	-	-	-	-
IMP731 (Psoriasis)					-	-	-	-	-	-	4,157	8,564	10,588	13,634	15,919	19,294	21,864
IMP701 (Solid tumors)					-	-	-	-	-	-	512	791	1,086	3,357	3,688	4,156	4,893
CVac																	
Total Revenues	3,169	5,072	3,833	8,244	1,704	-	1,704	-	-	173,198	456,234	859,949	1,166,854	1,414,801	1,585,932	1,742,165	1,937,725
Expenses																	
Cost Of Goods Sold									-	51,959	136,870	257,985	291,713	353,700	396,483	348,433	387,545
%Gross Margin									70%	70%	70%	70%	75%	75%	75%	80%	80%
Research & Development	5,585	7,392	11,282	12,238	6,497	6,682	13,179	13,838	14,530	15,256	16,019	16,820	17,661	18,544	19,471	20,445	21,467
R&D % Rev's																	
General & Administrative Expense	3,347	5,359	4,329	3,801	2,400	2,076	4,476	4,700	4,935	5,181	5,440	5,712	5,998	6,298	6,613	6,943	7,291
SG&A %																	
Depreciation and amortization	1,702	1,339	1,278	1,248	811	681	1,492	1,566	1,645	1,727	1,813	1,904	1,999	2,099	2,204	2,314	2,430
Total expenses	**10,633**	**14,090**	**16,889**	**17,287**	**9,707**	**9,439**	**19,146**	**20,104**	**21,109**	**74,123**	**160,142**	**282,421**	**317,371**	**380,641**	**424,771**	**378,135**	**418,732**
Oper. Inc. (Loss)	(7,464)	(9,019)	(13,056)	(9,043)	(8,004)	(9,439)	(17,443)	(20,104)	(21,109)	99,074	296,091	577,529	849,483	1,034,160	1,161,162	1,364,030	1,518,993
Other income and expenses																	
Interest income	80	131	270	120	34		34										
Loss on foreign exchange	333	239	336	208	(600)		(600)										
Net change in fair value of warrants					(6,204)		(6,204)										
Finance cost				(6)													
Changes in fair value of comparability milestone																	
Net Change in fair value of financial liability	(579)	(641.47)	(678)	688	(506)		(506)										
Gain/Loss on fair value change of warrants		(141)	654	1,329													
Loss on disposal of assets																	
Exchange differences on the translation of foreign operations																	
Total other income	(165)	(412)	582	2,338	(7,276)	-	(7,276)	-	-	-	-	-	-	-	-	-	-
Pre-tax income	**(7,629)**	**(9,431)**	**(12,474)**	**(6,705)**	**(15,280)**	**(9,439)**	**(24,719)**	**(20,104)**	**(21,109)**	**99,074**	**296,091**	**577,529**	**849,483**	**1,034,160**	**1,161,162**	**1,364,030**	**1,518,993**
Pretax Margin																	
Taxes (or benefits)	738	(1)		(0)	(0)		(0)	-	-	4,954	29,609	57,753	84,948	124,099	139,339	177,324	197,469
Tax Rate										5%	10%	10%	10%	12%	12%	13%	13%
Exchange differences on the tranasations of foreign operations	209	1,329	558	(100)	(478)		(478)										
GAAP Net Income (loss)	**(7,101)**	**(9,432)**	**(12,474)**	**(6,705)**	**(15,280)**	**(9,439)**	**(24,719)**	**(20,104)**	**(21,109)**	**94,121**	**266,482**	**519,776**	**764,534**	**910,061**	**1,021,822**	**1,186,706**	**1,321,524**
Total Comprehensive Income (loss)	**(7,101)**	**(8,103)**	**(11,915)**	**(6,705)**	**(15,758)**	**(9,439)**	**(24,719)**	**(20,104)**	**(21,109)**	**94,121**	**266,482**	**519,776**	**764,534**	**910,061**	**1,021,822**	**1,186,706**	**1,321,524**
GAAP -EPS	**(0.32)**	**(0.40)**	**(0.49)**	**(0.17)**	**(0.24)**	**(0.15)**	**(0.38)**	**(0.29)**	**(0.29)**	**1.28**	**3.63**	**7.07**	**10.37**	**12.32**	**13.81**	**16.01**	**17.79**
Wgtd Avg Shrs (Bas) - '000s	22,111	23,799	25,414	38,899	64,872	64,937	64,905	69,002	73,112	73,258	73,405	73,552	73,699	73,846	73,994	74,142	74,290
Wgtd Avg Shrs (Dil) - '000s	22,111	23,799	25,414	38,899	64,872	64,937	64,905	69,002	73,112	73,258	73,405	73,418	73,417	73,417	73,417	73,417	73,417

Source: Company reports and Maxim

DISCLOSURES



Maxim Group LLC Ratings Distribution		As of: 03/15/21	
		% 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.	**84%**	**55%**
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.	**16%**	**50%**
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 IMP701 and IMP731 with commercialization in 2025, eftilagomod (efti) (royalty-free) in 2024 for 1L and 2L NSCLC, as well as 2L HNSCC, and metastatic breast cancer (1L + chemo) in 2025. 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) foreign exchange fluctuations as the company reports in A$; (7) 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

West Palm Beach, Florida

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

Aventura, Florida

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

Stamford, Connecticut

700 Canal Street
Stamford, CT 06902