Biotechnology

IMMP - NASDAQ July 16, 2021

Closing Price 7/15/21	**$3.53**
Rating:	Buy
12-Month Target Price:	$8.00
52-Week Range:	$1.22 - $7.95
Market Cap (M):	264.1
Shares O/S (M):	74.8
Float:	NA
Avg. Daily Volume (000):	697.4
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

Immutep is listed on the ASX (IMM) and with ADR's traded on NASDAQ (IMMP). 1 ADR= 10 shares of common stock.

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Immutep Limited

Buy

Unlocking the Synergistic Benefits of Efti (LAG-3), the Next Checkpoint – Transferring Coverage with a Buy Rating and $8 PT

Summary

- **Maxim Group is transferring primary coverage of Immutep Limited to Naureen Quibria with a Buy rating and $8 PT.**
- **Immutep has a pipeline of LAG-3 assets. While its lead candidate, eftilagimod (efti), is wholly-owned, Immutep also has two large pharma partnerships for separate antibodies: GSK'781 with GlaxoSmithKline (GSK - NR) and LAG525 with Novartis (NVS - NR).**
- **Competitor data validating. At ASCO, Bristol (BMY - NR) reported significant benefit in progression free survival with modest toxicity with its LAG-3/PD-1 combination in 1L melanoma over monotherapy, from the RELATIVITY study. In our view, the positive results from a late-stage clinical trial validate LAG-3 as a checkpoint target.**
- **What's the value of a LAG-3? We've seen a lot of activity around another checkpoint (TIGIT), with most recently a licensing deal by Bristol for Agenus' (AGEN - NR) pre-clinical asset, for $200M upfront/up to $1.36B in milestones. Thus far, TIGIT has shown to work only in PD-L1 high expressors. The question is, with Bristol's recent LAG-3 (relatlimab) data and Immutep's efti data starting to unfold (which has also shown signals in PD-L1 low expressors), will we start to see more partnering activity around LAG-3?**
- **Strong balance sheet. Immutep announced an equity financing in June that should occur via two tranches. If both tranches materialize as expected, Immutep will be in the strongest cash position it has ever been with ~$80M+ (~A$100M+) with runway to CY4Q23. Broadly, we believe positive LAG-3 data should also continue to drive valuation higher.**

Details

The next immune checkpoint: LAG-3. As immunotherapy (IO) continues to be widely adopted across tumor types (especially checkpoint inhibitors such as PD-(L)1s), combinatorial strategies continue to be actively investigated to build beyond single agent (and in some cases PD-1/CTLA-4) activity. In our view, the LAG-3 (lymphocytic-activation gene 3) checkpoint is emerging as the next potential IO pillar, beyond PD-1/CTLA-4. Like PD-1, LAG-3 is expressed on effector T cells and Tregs, on activated B cells and NK cells and functions as an inhibitory receptor to negatively modulate T-cells and immune response. While LAG-3 is distinct from PD-1, its blockade can also prevent T-cell exhaustion through a pathway complementary to PD-1; and as such, can act synergistically with PD-1 inhibition to restore T cell effector function. The PD-1:PD-L1 axis is a well-validated target that is expected to cross $25 billion in annual sales by 2022. Bristol's recent positive data of its LAG-3 (relatlimab) in combination with anti-PD1, nivo, in a late-stage trial in 1L melanoma (described further below) has reignited interest in and lends validity to LAG-3 as a target. More data from Immutep's ongoing studies with its lead LAG-3 targeted drug candidate, efti, are expected over 2H21/2022. As has been the case for the PD-(L)1s, there is likely to be room for multiple players in the LAG-3 space.

Compelling valuation. We arrive at our $8 PT by employing a blended methodology that consists of free cash flow, discounted EPS, and sum-of-the-parts (SOTP) models. We forecast risk-adjusted sales for efti in metastatic breast cancer in 2025 (EU, US) and in 2027 (China), in non-small-cell lung cancer in 2025 (EU, US), and in head and neck in 2024 (EU, US). We assume royalty revenues for LAG525 in 2025 (EU, US) and for GSK'781 in 2027 (EU, US). We use a 30% discount rate and attribute equal weighting to our FCF, discounted EPS and SOTP models to derive a 12-month price target of $8. (*continued on page 2*)

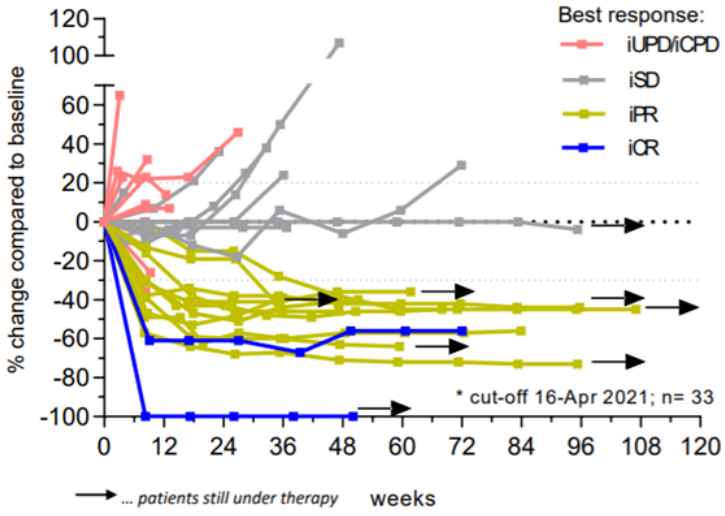
Finances. On 7/13, the company reported a 4Q FY2021 cash balance of ~$45.1M USD (~A$60.6M), which includes A$13.7M from the first tranche of an equity financing announced on 6/21 and A$605k from the exercise of US warrants over American Depository Shares. The equity offering totaling ~$45M USD (A$60M) is expected to occur via a two-tranche placement of new ordinary shares at A$0.52/new share: 1) New shares ($13.7 million) issued within the company's available placement capacity of 15,848,340; and 2) 88,970,717 new shares ($46.3 million), conditional on Immutep's shareholder approval at the company's general meeting on July 26. If the second tranche is approved (which is expected) and another A$5M is raised under the SPP (Share Purchase Plan), post-raise Immutep should have ~$80+M US (~A$100+M), which should provide runway into CY4Q23.

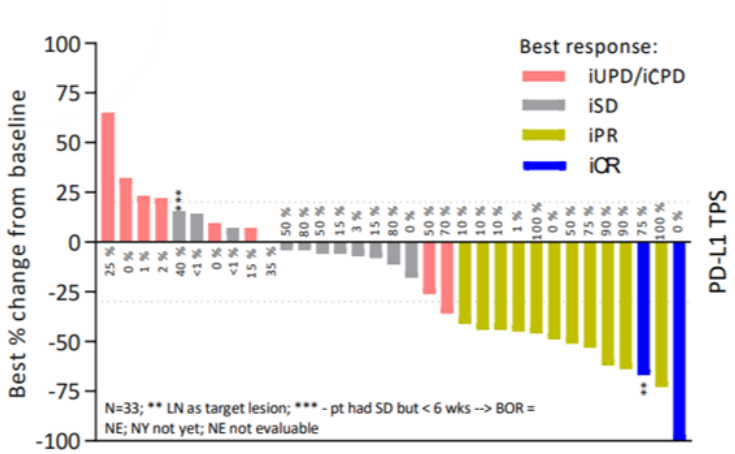
RELATIVY-047 study is a positive readthrough for efti. When Bristol reported topline data from its Phase 2/3 RELATIVITY study (N=520) on March 25, announcing that the trial had met its primary endpoint of progression free survival (PFS), Immutep shares rose ~40% (vs. XBI +2.9%). After that, at this year's ASCO, Bristol released more granular data from the study. RELATIVITY is evaluating fixed dose relatlimab (anti-lag 3) in combination with anti-PD-1 antibody, nivolumab (nivo), in 1L advanced melanoma patients. The trial design is also stratified by both PD-L1 and LAG-3 expression. Overall, the combination of relatlimab + nivo demonstrated a significant PFS (progression-free benefit) benefit over nivo monotherapy: 10.12 months vs. 4.63 months. (HR=0.75). Importantly, there were no significant safety signals (SAEs Grade 3/4 of 18.9% observed with combo vs. 9.7% with monotherapy). On efficacy, 1-year PFS of relatlimab/nivo (47.7%) was numerically lower to cross trial to CheckMate-067 comparison of nivo/ipi (50%). On safety, the combo demonstrated a significantly better safety profile cross trial (18.9% vs. 59%, respectively). That said, overall survival (OS) data is still needed for confirmation of benefit. Even so, we believe the positive combination data showing superior efficacy to monotherapy treatment broadly: (1) validates LAG-3 as a checkpoint target, (2) represents a third checkpoint inhibitor (following nivo/ipi) to show benefit in a late-stage study, underscoring the synergy of an anti-PD-1/LAG-3 combo, (3) demonstrates that such a combination may offer a more tolerable regimen to nivo/ip, and/or (4) could offer an additional treatment combination option.

TACTI-002 at ASCO

At this year's ASCO, Immutep presented updated data from its ongoing Phase 2 TACTI-002 trial evaluating efti with pembrolizumab in 1L non-small cell lung cancer (NSCLC) and 2L head and neck squamous cell carcinoma (HNSCC). The compelling data overall from prior updates led to an expansion of the Merck (MRK - NR) collaboration, into a program in 1L HNSCC (TACTI-003) and an expansion of the 1L NSCLC arm (addition of 74 more patients). In addition, the safety profile remains modest.

Exhibit 1. Durable responses observed in 1L NSCLC. In NSCLC patients, efti + pembro achieved an overall response rate (ORR) of 41.7% (CR 5.6%, PR 36.1%, SD 27.8%). In a prior update, the ORR was 36.1%, thus demonstrating durability in response as well as some deepening of response. Although the patient numbers are still small, the data suggests not only superior activity to pembro alone but indicates that efti/pembro has activity in low-PD-L1 expressors. Given this initial activity (even in low PD-L1 expressors), the data suggests that the combination could potentially be employed in an "all-comer" setting. Further, if these responses continue to be durable, an efti/pembro combination with its benign safety profile could also be an ideal regimen for "less fit" patients who cannot undergo chemo/pembro treatment.

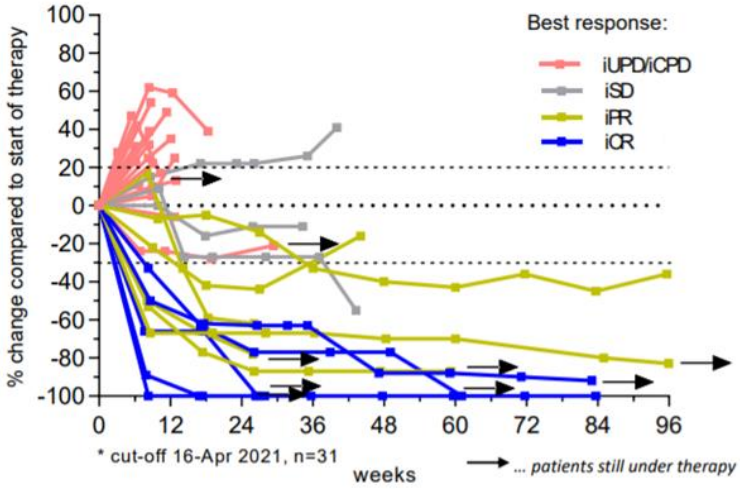


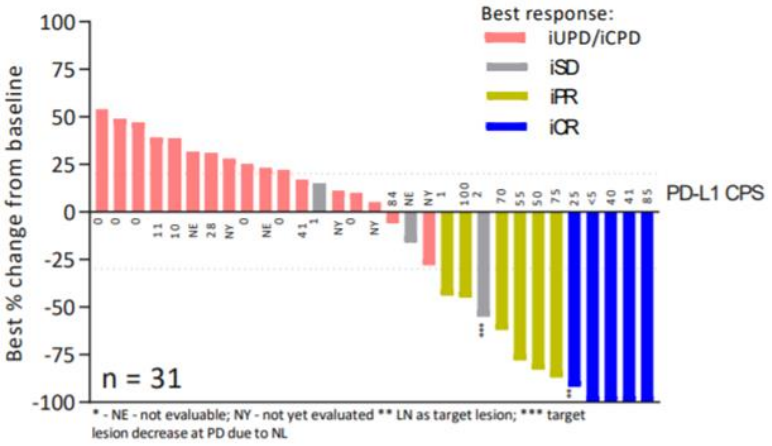


Study	TACTI-002 Efti+Pembro	KEYNOTE-042 Pembro (mono)	KEYNOTE-189 Pembro + chemo	KEYNOTE-407 Pembro + chemo
Line of therapy	1L	1L	1L	1L
Study Phase	Phase 2	Phase 3	Phase 3	Phase 3
No. of Patients	N=36	n=637	n=410	n=278
Overall Response Rate (ORR)		(PD-L1 TPS ≥1% pts)		
ITT	**41.7%**	**27.0%**	**47.6%**	**57.9%**
PD-L1 TPS ≥ 50%	53.8%	39%	62.1%	60.3%
PD-L1 TPS ≥ 1%	44%	27%	49.2%	49.5%
PD-L1 TPS < 50%	31.6%	N/A	N/A	N/A
Evaluable	48.4%	N/A	N/A	N/A
mPFS (months)	8.2	5.4	9	6.4
PD-L1 TPS≥ 50%	11.8	7.1	11.1	8.0
PD-L1 TPS ≥ 1%	N/A	5.4	9.2	7.2
mOS (months)	N/A	16.7	22	15.9
PD-L1 TPS≥ 50%	N/A	20	N/A	N/A
PD-L1 TPS ≥ 1%	N/A	16.7	21.8	14

Source: Company reports, Maxim Group research.

Exhibit 2. Favorable response rates demonstrated in 2L HNSCC. Although the numbers are small, overall response rates with an efti + pembro combination was ~2x what has been observed with pembro monotherapy (based on a cross trial comparison with KEYNOTE-040 study). And while the ORR is slightly lower than prior updates (~36% in Oct.2020, ~31% in January), the response rates suggest a competitive profile thus far, in our view.





Study	TACTI-002 Efti+Pembro	SOC KEYNOTE-040 Pembro (mono)	SOC CheckMate-141 Nivolumab (mono)
Line of therapy	2L	2L	2L
Study Phase	Phase 2	Phase 3	Phase 3
No. of Patients	37	n=247	n=240
Overall Response Rate (ORR)			
ITT	**29.7% (N=37)**	**14.6% (n=247)**	**13%**
PD-L1 CPS ≥ 1	45.8% (N=24)	17.3% (n=196)	
Evaluable	35.5% (N=31)	-	
mPFS (months)	2.1	2.1	2.0
PD-L1 CPS ≥ 1	2.2	4.1	
mOS (months)	12.6	8.4	7.5
PD-L1 CPS ≥ 1	12.6	8.7	

CPS≡ combined positive score of PD-L1 expression

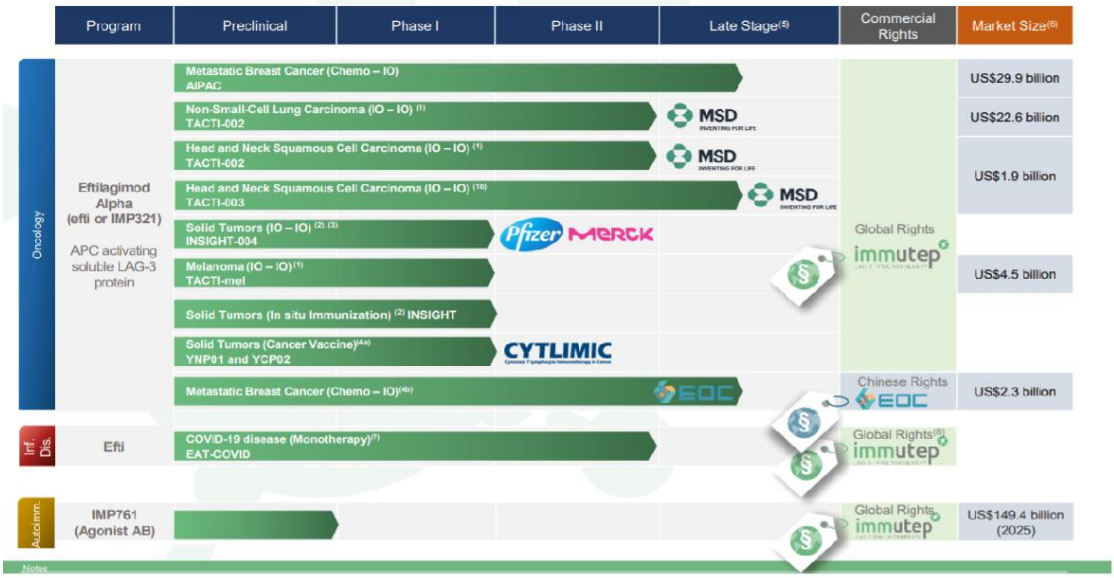
Source: Company reports, Maxim Group research.

Exhibit 3. LAG-3 competitive landscape. We highlight below select LAG-3s in development.

Drug candidate	Company	Stage	Indications
Relatlimab	Bristol Myers Squibb	Phase 3	melanoma, HCC, NSCLC, CRC, gastric/GEJ
LAG525 (LAG525)	Novartis	Phase 2/3	advanced solid and heme, TNBC, melanoma
Favezelimab (MK-4280)	Merck	Phase 1/2	heme malignancies, solid tumors, RCC, NSCLC, CRC
Fianlimab (REGN3767)	Regeneron	Phase 2	advanced cancers, melanoms, breast cancer
FS118 (bispecific)	F-Star	Phase 2	advanced H&N, PD-L1 positive, PD-1 resistent
Tebotelimab (MGD013, bispecific)	Macrogenics	Phase 2	solid tumors, melanoma, HER2+ gastric/GEJ, HCC, DLBCL
Efti	Immutep	Phase 2	breast cancer, H&N, NSCLC

Source: Maxim Group research.

Exhibit 4. Immutep's pipeline of LAG-3 assets. Immutep is the only company exploring the utility of LAG-3 as both an immune stimulator and an immune suppressor. Immutep has four LAG-3 related products (three of which are in the clinic) undergoing development both in immuno-oncology and autoimmune disease. The company's lead product candidate is eftilagimod alpha (efti), a soluble LAG-3 fusion protein (LAG-3Ig) that is a first-in-class antigen presenting cell (APC) activator that is being explored in cancer. Immutep is also developing an agonist of LAG-3 (IMP761) for autoimmune disease. Additional LAG-3 products (not shown), including antibodies for immune response modulation, are being developed by Immutep's large pharmaceutical partners (GSK'781 by GlaxoSmithKline and LAG525 by Novartis).



Source: Company reports.

Eftilagimod pipeline advancing

AIPAC Study. Phase 2b in HR+/HER2- metastatic breast cancer (mBC). Final overall survival (OS) data is expected in 2H21.

TACTI-003 study (new)**.** Phase 2b study collaboration with Merck evaluating efti with pembrolizumab in 1L head and neck squamous cell carcinoma (HNSCC). The trial is expected to initiate 3Q21.

TACTI-002 (KEYNOTE-798). Phase 2 study collaboration with Merck evaluating efti/pembro combination in 1L non-small cell lung cancer (NSCLC; Part A), 2L NSCLC PDX-refractory (Part B), and 2L HNSCC (Part C). Further updates from the ongoing study are expected in YE21/1H22.

INSIGHT. Investigator sponsored Phase 1 trial testing different combination treatments with efti.

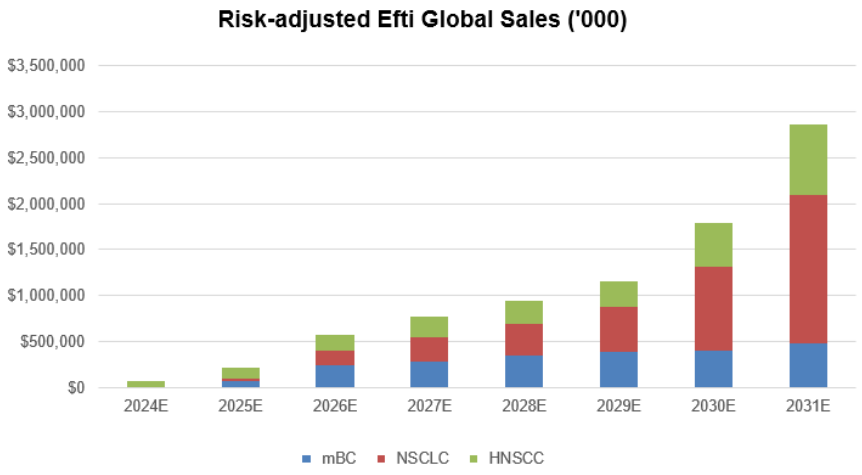
INSIGHT-004 (new). Immutep signed a collaboration and supply agreement with Merck KGaA to evaluate efti in combination with Merck KGaA's and GlaxoSmithKline's bintrafusp alfa (bifunctional protein that blocks TGF-β trap and PD-L1) in a study of 12 patients. The trial is expected to initiate by YE21.

INSIGHT-003 (new). In this arm, efti will be evaluated as a triple combination (efti + chemo + anti=PD-1) in solid tumors. The trial (N=20) is expected to initiate in 3Q21 with interim results anticipated in 2022.

EAT COVID. Investigator-sponsored Phase 2 study at the University Hospital Pilsen in the Czech Republic is testing efti in up to 110 hospitalized patients with COVID-19.

Exhibit 5. Projections for Immutep's worldwide revenues. We currently do not assume any partnerships for efti, apart from its regional partnership with EOC Pharma for China. We assume launches for efti in mBC in 2025 (EU, US) and in 2027 (China), in NSCLC in 2025 (EU, US) and HNSCC in 2024 (EU, US). We assume royalty revenues for LAG525 beginning in 2025 (EU, US) in triple negative breast cancer and for GSK'781 in 2027 (EU, US) for psoriasis (since GSK'781 was recently discontinued in ulcerative colitis).

Immutep Revenue Forecasts ('000)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Europe								
Efti in mBC	$0	$40,519	$125,228	$146,211	$177,208	$200,815	$206,880	$242,191
Efti in NSCLC	$0	$7,069	$80,770	$117,994	$147,555	$195,442	$413,130	$734,440
Efti in HNSCC	$40,245	$69,101	$99,663	$132,008	$151,106	$163,452	$272,629	$446,076
GSK'781 in psoriasis (5% royalty)	$0	$0	$0	$1,578	$3,794	$5,025	$7,478	$8,889
LAG525 in mTNBC (5% royalty)	$0	$777	$1,143	$1,649	$2,184	$2,749	$3,347	$3,979
United States								
Efti in mBC	$0	$39,223	$121,223	$141,535	$171,540	$194,392	$200,263	$234,444
Efti in NSCLC	$0	$8,399	$83,377	$145,535	$192,004	$285,524	$490,835	$872,580
Efti in HNSCC	$29,113	$49,986	$72,094	$95,492	$109,307	$118,238	$197,214	$322,682
GSK'781 in psoriasis	$0	$0	$0	$2,811	$4,551	$6,394	$7,465	$11,310
LAG525 in mTNBC	$0	$738	$1,064	$1,409	$1,775	$2,161	$2,568	$2,999
China								
Efti in mBC (7% royalty)	$0	$0	$0	$1,033	$1,916	$2,412	$3,389	$6,284

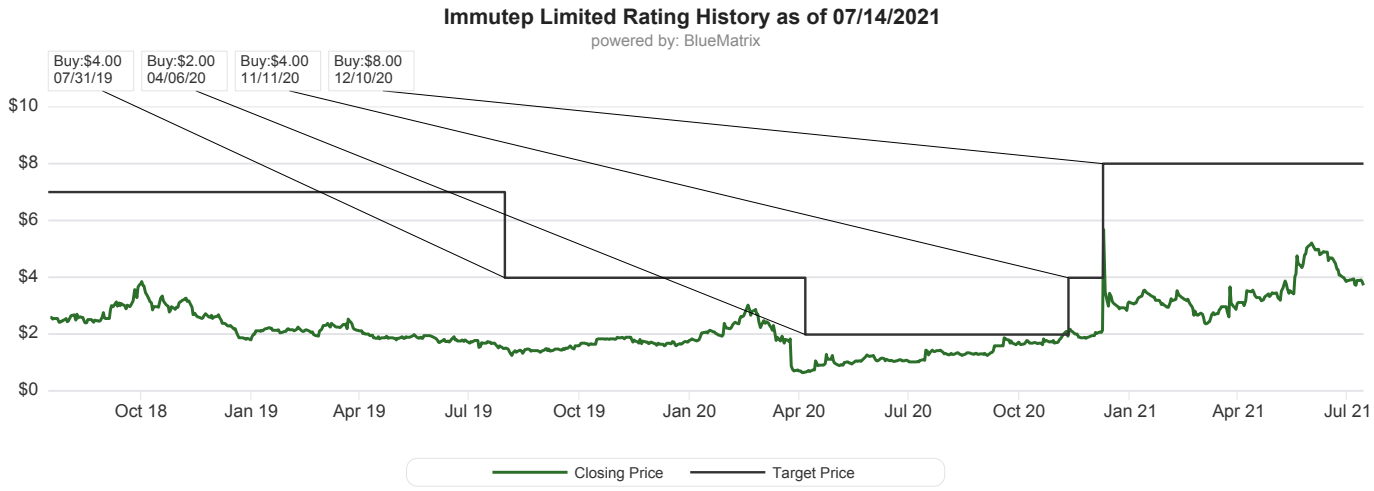


Source: Maxim Group estimates

Immutep (IMMP) Income Statement ($'000, USD) YE June 30	2018A	2019A	2020A	July-Dec 1H-2021A	Jan-Jun 2H-2021E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Revenue (000's)																
Eftilagimod Alpha - mBC									-	79,742	246,450	287,746	348,748	395,208	407,143	476,635
Eftilagimod Alpha - NSCLC									-	15,468	164,147	263,529	339,559	480,966	903,965	1,607,020
Eftilagimod Alpha - HNSCC									69,358	119,088	171,758	227,500	260,412	281,690	469,844	768,758
Net Revenue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**69,358**	**214,297**	**582,355**	**778,775**	**948,719**	**1,157,865**	**1,780,952**	**2,852,413**
License revenue	1,947	95	4,492													
Miscellaneous income	746	785	168	149		149										
Grant Income	2,379	2,953	3,584	1,555		1,555										
Milestones and Royalties:																
GSK'781(IMP731) - psoriasis				-	-	-	-					4,390	8,345	11,419	14,943	20,199
LAG525 (IMP701)-mTNBC				-	-	-	-			1,514	2,207	3,058	3,958	4,910	5,916	6,978
Eftilagimod Alpha - mBC (China)												1,033	1,916	2,412	3,389	6,284
Total Revenues	**5,072**	**3,833**	**8,244**	**1,704**	**-**	**1,704**	**-**	**-**	**69,358**	**215,812**	**584,562**	**787,255**	**962,938**	**1,176,606**	**1,805,199**	**2,885,873**
Expenses																
Cost Of Goods Sold									20,807	64,744	175,369	196,814	240,734	294,152	361,040	577,175
Research & Development	7,392	11,282	12,238	6,497	6,682	13,179	14,497	15,801	16,591	17,421	18,292	19,207	20,167	21,175	22,234	23,346
R&D % Rev's																
General & Administrative Expense	5,359	4,329	3,801	2,400	2,076	4,476	4,879	5,122	5,379	5,648	5,930	6,226	6,538	6,865	7,208	7,568
SG&A %																
Depreciation and amortization	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	**14,090**	**16,889**	**17,287**	**9,707**	**9,439**	**19,146**	**20,942**	**22,568**	**44,504**	**89,625**	**201,494**	**224,246**	**269,538**	**324,395**	**392,796**	**610,519**
Oper. Inc. (Loss)	**(9,019)**	**(13,056)**	**(9,043)**	**(8,004)**	**(9,439)**	**(17,443)**	**(20,942)**	**(22,568)**	**24,854**	**126,186**	**383,068**	**563,009**	**693,400**	**852,211**	**1,412,403**	**2,275,355**
Other income and expenses																
Interest income	131	270	120	34		34										
Loss on foreign exchange	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	(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	**(412)**	**582**	**2,338**	**(7,276)**	**-**	**(7,276)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Pre-tax income	**(9,431)**	**(12,474)**	**(6,705)**	**(15,280)**	**(9,439)**	**(24,719)**	**(20,942)**	**(22,568)**	**24,854**	**126,186**	**383,068**	**563,009**	**693,400**	**852,211**	**1,412,403**	**2,275,355**
Pretax Margin																
Taxes (or benefits)	(1)		(0)	(0)		(0)	-	-	1,243	12,619	38,307	56,301	83,208	102,265	183,612	295,796
Tax Rate									*5%*	*10%*	*10%*	*10%*	*12%*	*12%*	*13%*	*13%*
Exchange differences on the tranasations of foreign operations	1,329	558	(100)	(478)		(478)										
GAAP Net Income (loss)	**(9,432)**	**(12,474)**	**(6,705)**	**(15,280)**	**(9,439)**	**(24,719)**	**(20,942)**	**(22,568)**	**23,611**	**113,568**	**344,761**	**506,709**	**610,192**	**749,945**	**1,228,791**	**1,979,559**
Total Comprehensive Income (loss)	**(8,103)**	**(11,915)**	**(6,705)**	**(15,758)**	**(9,439)**	**(24,719)**	**(20,942)**	**(22,568)**	**23,611**	**113,568**	**344,761**	**506,709**	**610,192**	**749,945**	**1,228,791**	**1,979,559**
GAAP -EPS	**(0.40)**	**(0.49)**	**(0.17)**	**(0.24)**	**(0.15)**	**(0.38)**	**(0.30)**	**(0.31)**	**0.32**	**1.55**	**4.69**	**6.88**	**8.26**	**10.14**	**16.57**	**26.65**
Wgtd Avg Shrs (Bas) - '000s	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	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: 07/15/21
		% 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.	**85%**	**52%**
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.	**15%**	**47%**
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, Naureen Quibria, 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: We forecast sales for efti in metastatic breast cancer in 2025 (EU, US) and in 2027 (China), in non-small-cell lung cancer in 2025 (EU, US), and in head and neck in 2024 (EU, US). We assume royalty revenues for LAG525 in 2025 (EU, US) and for GSK'781 in 2027 (EU, US). We use a 30% discount rate and attribute equal weighting to our FCF, discounted EPS and SOTP to derive our 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 is domiciled in Australia; (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.

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