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COMPANY NOTE | EQUITY RESEARCH | March 11, 2024

Healthcare: Biotechnology

Company Update
Target Price Changed

Imugene Limited | IMU.AX - $0.07 - ASX | *Buy*

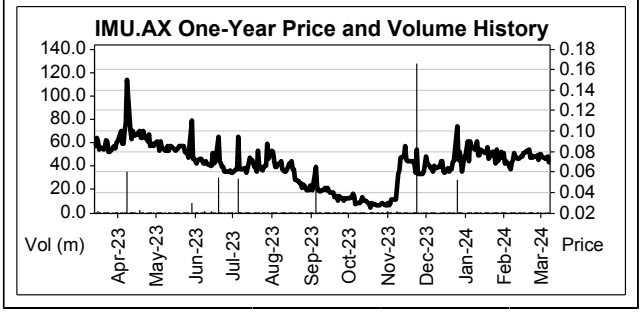
Stock Data	
52-Week Low - High	$0.03 - $0.11
Shares Out. (mil)	7,318.37
Mkt. Cap.(mil)	$532.64
3-Mo. Avg. Vol.	132,171
12-Mo.Price Target	AUD0.42
Cash (mil)	AUD139.4
Tot. Debt (mil)	AUD0.0

Revenue ($AUD millions)

Yr Jun	—2023—	—2024E—	—2025E—
		Curr	Curr
1Half	0.0A	0.0A	0.0E
2Half	0.0A	0.0E	0.0E
YEAR	0.0A	0.0E	0.0E

EPS $AUD

Yr Jun	—2023—	—2024E—		—2025E—	
		Curr	Prev	Curr	Prev
1Half	0.00A	(0.01)A	0.00 E	(0.01)E	0.00 E
2Half	0.00A	(0.01)E	0.00 E	(0.01)E	0.00 E
YEAR	(0.01)A	(0.02)E	(0.01)E	(0.01)E	(0.01)



IMU: Clinical Progress With onCARlytics And VAXINIA In Solid Tumors

IMU has made recent clinical progress with both of its oncolytic viral therapies, onCARlytics and VAXINIA, both of which have proven safe as monotherapy, whether administered intratumorally or intravenously, and both of which are being tested in combination with immunotherapies. Due to revisions in our financial model upon the release of 1HFY24 financial results, namely increased operating expenses, we have revised out PT down to AUD0.42 from our prior AUD0.46.

- **onCARlytics clinical progress.** IMU is evaluating its onCARlytics, a CD19 oncolytic virotherapy, in a Phase 1 trial in solid tumors. The first patient (bile tract cancer) was treated with intravenous onCARlytics as a monotherapy in mid-February. The trial is named OASIS and having demonstrated intravenous and intratumoral monotherapy safety in several solid tumors (bile tract, ovarian, breast, and melanoma) is now ready to dose its first patient with onCARlytics and Blincyto combination therapy, making OASIS the first trial to evaluate a CD19-expressing oncolytic virus in combination with a CD19 targeting drug. We expect the trial to enroll 52 advanced or metastatic solid tumor patients at several U.S. trial sites, and to evaluate both the intratumoral and intravenous routes of onCARlytics administration, either as monotherapy or in combination with Amgen's (AMGN-NC) Blincyto. As a monotherapy, the Cohort Review Committee saw no safety issues with onCARlytics, thereby paving the way for combination therapy with Blincyto. The rationale for combination therapy stems from the ability of onCARlytics to promote tumor cell expression of CD19, thereby facilitating tumor cell recognition by Blincyto, a CD19-targeting bispecific monoclonal antibody.
- **Phase 1 MAST trial evaluating VAXINIA in metastatic advanced solid tumors.** Earlier in 1Q24, initial data from IMU's VAXINIA trial was presented at ASCO-GI, showing that seven gastrointestinal cancer patients (3 CRC, 2 biliary tract, 1 pancreatic, 1 liver) responded positively to VAXINIA monotherapy, with a disease control rate of 86% and with changes in tumor burden correlating with systemic anti-tumor immunological changes. As can be the case with cholangiocarcinoma, one mid-dose level intratumoral patient had pseudoprogression (an increase in tumor burden followed by a response), with a 49% increase in tumor burden after two cycles of therapy followed by a CR by the fourth cycle, with no known recurrence in over 430 days. The other cholangiocarcinoma patient had SD for more than four months upon receiving intravenous VAXINIA. All therapy was deemed safe and tolerable. As a reminder, IMU's prior update from this trial on 11-07-23 specified that of the 26 evaluable patients evaluable at that time, the best responses were one CR, one PR, 16 SD, and eight PD. Particularly encouraging initial results were seen in gastrointestinal tumor patients, and given that one of two bile duct cancer patients achieved the lone CR (lasting over 350 days after taking mid-dose VAXINIA), and the second achieved SD for over four months, *(text continued on page 2)*

Important Disclosures & Regulation AC Certification(s) are located on page 5 to 6 of this report.

- *(text continued from page 1)* trial expansion is planned for 10 patients with bile duct cancers taking VAXINIA monotherapy. The trial is currently dosing VAXINIA monotherapy dose escalation cohort 5, both as intravenous and intratumoral therapy, and is in combination therapy dose cohort 2 (intratumoral) and dose cohort 3 (intravenous), in which VAXINIA is combined with the standard pembrolizumab regimen. Thus far, at least 13 patients have received combination therapy, and we await initial clinical results

VALUATION

Our 12-month price target of AUD0.42 is based on a DCF analysis using a 15% discount rate that is applied to all cash flows and the terminal value, which is based on a 5x multiple of our projected FY2031 operating income of about AUD1.3 billion.

Factors that could impede shares of Imugene from achieving our price target include any of its three modeled immuno-oncology products failing to succeed clinically. Also, the FDA and foreign regulatory authorities could fail to approve Imugene's products even if their respective pivotal clinical trials succeed, in the event the agency views the results as not clinically meaningful. Loss of key management personnel could also impede achieving our Imugene price target, as could the significant delay of clinical progress from, for example, lasting COVID-19 headwinds.

RISKS

- **Clinical risk.** Imugene's clinical staged products could fail to deliver statistically significant results in late-stage clinical trials, substantially reducing the value of Imugene's product candidates and therefore our target price.
- **Regulatory risk.** Even if successful in the clinic, Imugene's products could fail to be approved by domestic and/or foreign regulatory bodies, which would reduce Imugene's value and therefore our target price.
- **Financing risk.** Imugene will need additional capital to fund its operations, and such financing may not occur or it could be substantially dilutive to existing investors.
- **Competitive risk.** For any future approved Imugene products, they may not be well adopted in a competitive marketplace, which would adversely affect Imugene's value and therefore our target price.
- **High stock price volatility.** This issue is common among small-cap biotechnology companies with relatively low trading volumes.

COMPANY DESCRIPTION

Imugene is a clinical stage immuno-oncology company developing a range of new and novel immunotherapies that seek to activate the immune system of cancer patients to treat and eradicate tumours. Its unique platform technologies seek to harness the body's immune system against tumours, potentially achieving a similar or greater effect than synthetically manufactured monoclonal antibody and other immunotherapies. Its product pipeline includes multiple immunotherapy B-cell vaccine candidates and an oncolytic virotherapy (CF33) aimed at treating a variety of cancers in combination with standard of care drugs and emerging immunotherapies such as CAR T's for solid tumours. It is supported by a leading team of international cancer experts with extensive experience in developing new cancer therapies with many approved for sale and marketing for global markets. The company's vision is to help transform and improve the treatment of cancer and the lives of the millions of patients who need effective treatments. This vision is backed by a growing body of clinical evidence and peer-reviewed research. Imugene is well funded and resourced, to deliver on its commercial and clinical milestones. Together with leading specialists and medical professionals, the company believes Imugene's immuno-oncology therapies will become foundation treatments for cancer. Its goal is to ensure that Imugene and its shareholders are at the forefront of this rapidly growing global market.

Imugene Limited
Income Statement
Fiscal Year ends June
(in AUD$000, except per share items)

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	FY2020A	FY2021A	FY2022A	FY2023A	FY1H24A	FY2H24E	FY2024E	FY1H25E	FY2H25E	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E
CHECKvacc royalty revenue											-	77,986	153,174	229,488	303,968	366,948
HER-Vaxx royalty revenue										-	-	39,382	65,575	93,978	106,912	115,696
PD1-Vaxx royalty revenue											-	199,821	414,303	644,494	828,482	927,547
Total royalty revenue										-	-	**317,190**	**633,053**	**967,960**	**1,239,362**	**1,410,191**
R&D	9,364	15,355	36,612	30,865	44,676	28,955	73,631	30,402	31,923	62,325	65,441	68,713	69,400	70,094	70,795	71,503
SG&A	5,515	10,311	14,061	20,428	34,557	30,195	64,752	30,799	31,415	62,214	65,325	68,591	72,021	75,622	79,403	83,373
Total operating expenses	**14,879**	**25,667**	**50,673**	**51,293**	**79,233**	**59,150**	**138,383**	**61,201**	**63,337**	**124,539**	**130,766**	**137,304**	**141,421**	**145,716**	**150,198**	**154,876**
Operating income	**(14,879)**	**(25,667)**	**(50,673)**	**(51,293)**	**(79,233)**	**(59,150)**	**(138,383)**	**(61,201)**	**(63,337)**	**(124,539)**	**(130,766)**	**179,885**	**491,632**	**822,244**	**1,089,164**	**1,255,315**
Other income/loss (R&D tax incentive, etc)	4,074	7,200	12,684	10,219	9,230	6,000	15,230	8,500	9,500	18,000	25,195	26,455	26,719	26,986	27,256	27,529
Finance income/expense net	297	11	72	1,852	2,296	900	3,196	900	900	1,800	2,160	2,808	4,212	6,318	9,477	14,216
Net income (pretax)	(10,508)	**(18,456)**	**(37,917)**	**(39,222)**	**(67,707)**	**(52,250)**	**(119,957)**	**(51,801)**	**(52,937)**	**(104,739)**	**(103,411)**	**209,148**	**522,563**	**855,548**	**1,125,897**	**1,297,059**
Income tax expense (benefit)											-	41,830	156,769	256,664	337,769	389,118
Net income	**(10,508)**	**(18,456)**	**(37,917)**	**(39,222)**	**(67,707)**	**(52,250)**	**(119,957)**	**(51,801)**	**(52,937)**	**(104,739)**	**(103,411)**	**167,318**	**365,794**	**598,884**	**788,128**	**907,942**
EPS basic	**(0.00)**	**(0.00)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.02)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**	**0.02**	**0.04**	**0.06**	**0.07**	**0.08**
EPS diluted	**(0.00)**	**(0.00)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.02)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**	**0.02**	**0.04**	**0.06**	**0.07**	**0.08**
Basic shares outstanding	4,074,894	4,663,541	5,637,197	6,275,676	7,169,087	7,384,160	7,276,623	8,096,226	8,420,075	8,258,150	8,841,079	9,283,133	9,747,289	10,234,654	10,746,386	11,283,706
Diluted shares outstanding	4,074,894	4,663,541	5,637,197	6,275,676	7,169,087	7,384,160	7,276,623	8,096,226	8,420,075	8,258,150	8,841,079	9,749,848	10,214,005	10,701,369	11,213,102	11,750,421

Source: SEC filings, company press releases, and ROTH MKM

Regulation Analyst Certification ("Reg AC"): The research analyst primarily responsible for the content of this report certifies the following under Reg AC: I hereby certify that all views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Disclosures:

Within the last twelve months, ROTH Capital Partners, or an affiliate to ROTH Capital Partners, has received compensation for investment banking services from Imugene Limited.

Shares of Imugene Limited may be subject to the Securities and Exchange Commission's Penny Stock Rules, which may set forth sales practice requirements for certain low-priced securities.

Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

			IB Serv./Past 12 Mos. as of 03/11/24	
Rating	**Count**	**Percent**	**Count**	**Percent**
Buy [B]	**338**	**70.86**	**78**	**23.08**
Neutral [N]	**81**	**16.98**	**5**	**6.17**
Sell [S]	**2**	**0.42**	**0**	**0**
Under Review [UR]	**54**	**11.32**	**2**	**3.70**

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target.

Ratings System Definitions - ROTH MKM employs a rating system based on the following:

Buy: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

Not Covered [NC]: ROTH MKM does not publish research or have an opinion about this security.