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COMPANY NOTE | EQUITY RESEARCH | April 16, 2024

Healthcare: Biotechnology **Company Update**

Imugene Limited | IMU.AX - $0.06 - ASX | *Buy*

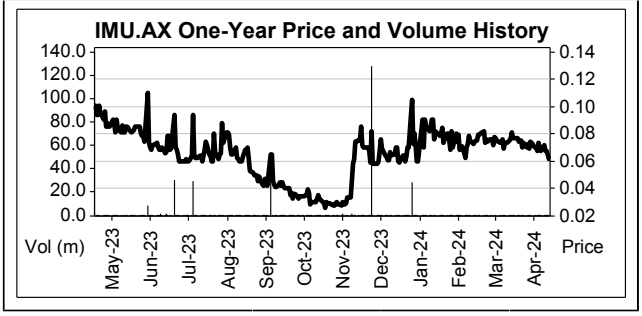
Stock Data	
52-Week Low - High	$0.03 - $0.10
Shares Out. (mil)	7,319.81
Mkt. Cap.(mil)	$435.70
3-Mo. Avg. Vol.	117,152
12-Mo.Price Target	AUD0.42
Cash (mil)	AUD139.4
Tot. Debt (mil)	AUD0.0

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	Curr
1Half	0.00A	(0.01)A	(0.01)E
2Half	0.00A	(0.01)E	(0.01)E
YEAR	(0.01)A	(0.02)E	(0.01)E



IMU: Sells CGMP Facility That Manufactures Azer-cel, MAST Trial Making Progress

IMU is selling its North Carolina CGMP manufacturing facility and transferring process and analytical development activities to Kincell Bio, LLC (private). Kincell will acquire the CGMP-compliant cell therapy manufacturing facility for up to $6M in upfront and milestone payments. The facility sale will save IMU about $32M over the next three years in staff cost reductions (50% staff reduction), manufacturing efficiencies, and overhead savings, thereby extending its cash runway to 2026. IMU also opened enrollment for a cholangiocarcinoma dose expansion cohort of its MAST trial.

- **Sells CGMP facility.** IMU is selling its North Carolina CGMP manufacturing facility and transferring process and analytical development activities to Kincell Bio, LLC (private). Kincell will acquire the CGMP-compliant cell therapy manufacturing facility for up to $6M in upfront and milestone payments. Both companies have entered into a manufacturing supply agreement whereby Kincell will manufacture IMU's Azer-cel to support ongoing clinical trials. The facility sale will save IMU about $32M over the next three years in staff cost reductions (50% staff reduction), manufacturing efficiencies, and overhead savings, thereby extending its cash runway to 2026.
- **MAST trial update.** In other recent news, IMU opened enrollment for cholangiocarcinoma patients in a dose expansion cohort of its Phase 1 MAST trial evaluating VAXINIA monotherapy and VAXINIA/pembrolizumab combination therapy in advanced solid tumors, with VAXINIA given in intratumoral and intravenous cohorts. The VAXINIA monotherapy dose expansion cohort of cholangiocarcinoma will enroll 10 patients and was determined to be a cancer indication of interest after early positive responses were observed in gastrointestinal cancers, particularly cholangiocarcinoma. More specifically, as can be the case with cholangiocarcinoma, one intratumoral VAXINIA 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. We also note that the fifth (highest VAXINIA monotherapy dose cohort administering 3x10^8 viral particles) intratumoral dose cohort is complete, with no safety signals observed thus far, and that the fifth intravenous VAXINIA monotherapy dose cohort (also 3x10^8 viral particles) is ongoing. Regarding combination therapy, the MAST trial is enrolling dose cohort 2 of the intratumoral VAXINIA/pembrolizumab arm (3x10^7 viral particles) and is enrolling dose cohort 3 (final cohort at 1x10^8 viral particles) of the intravenous VAXINIA/pembrolizumab arm.

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. Our 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. Our pipeline includes an off-the-shelf (allogeneic) cell therapy CAR T drug azer-cel (azercabtagene zapreleucel) which targets CD19 to treat blood cancers. Our pipeline also 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. We are 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. Our 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, we believe Imugene's immuno-oncology therapies will become foundation treatments for cancer. Our 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 04/16/24	
Rating	**Count**	**Percent**	**Count**	**Percent**
Buy [B]	**343**	**71.61**	**85**	**24.78**
Neutral [N]	**81**	**16.91**	**3**	**3.70**
Sell [S]	**2**	**0.42**	**0**	**0**
Under Review [UR]	**53**	**11.06**	**1**	**1.89**

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.