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OncoSec Medical (Nasdaq/ONCS)
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BUY Progressing Immuno-Pulse PISCES trial
OncoSec Medical designs, develops and commercializes proprietary therapeutics and medical devices for immuno-oncology applications
Investment Highlights

1) In its recent 2018 business update and outlook, OncoSec Medical related that its key goals for this year center around its **ImmunoPulse IL-12 in metastatic Melanoma program**, including the completion of stage 1 enrollment of the Phase 2b PISCES/KEYNOTE-695 clinical trial combination trial with Keytruda and presenting preliminary data from the trial at one or more scientific meetings. OncoSec also intends to seek preliminary FDA feedback on an accelerated approval pathway for a Biologics License Application (BLA) for ImmunoPulse IL-12 and in a similar fashion apply for classification as an Advanced-Therapy Medicinal Product (ATMP) with the European Medicines Agency's Committee for Advanced Therapies (CAT). Ultimately, the Company is planning to initiate a Phase 2 investigator-sponsored clinical trial in combination with an anti-PD-1 therapy in the neoadjuvant setting, possibly with one or more commercialization/marketing partners in the US, Europe or other geographies.

2) Outside of melanoma, OncoSec is also targeting additional applications for ImmunoPulse in triple negative Brest Cancer (TNBC) and Squamous Cell Carcinoma of the head and neck, or (SCCHN). In SCCHN, OncoSec intends to initiate a Phase 2 investigator-sponsored clinical study in combination with two other immunotherapies in the recurrent and/or metastatic settings. For TNBC, the Company's goal for the near-term is also to initiate a Phase 2 clinical trial in combination with an anti-PD-1 therapy in the recurrent and/or metastatic setting and further provide an update of preliminary clinical observations in a pilot study conducted in collaboration with the Stanford University Medical Center and present preliminary data for OMS-I140 in TNBC at a medical meeting. Beyond ImmunoPulse, OncoSec is also working on additional technologies and improvements, including its proprietary, multi-gene expression Polycistronic Interleukin-12 Immune Modulator (PIIM) platform technology, which the Company hopes to utilize to prepare

Current Price \$1.90
Price Target \$5.00

Estimates	F2016A	F2017A	F2018E
Revenues(\$000s)	\$0	\$0	\$0
1Q October	0	0	0 A
2Q January	0	0	
3Q April	0	0	
4Q July	0	0	
EPS (diluted)	(\$1.63)	(\$1.06)	(\$0.60)
1Q October	(0.47)	(0.29)	(0.26) A
2Q January	(0.42)	(0.27)	
3Q April	(0.37)	(0.22)	
4Q July	(0.38)	(0.28)	

EBITDA/Share	(\$1.24)	(\$0.85)	(\$0.50)
EV/EBITDA (x)	N/A	N/A	N/A

Stock Data	
52-Week Range	\$0.88-\$2.95
Shares Outstanding (mil.)	50.8
Market Capitalization (mil.)	\$96.5
Enterprise Value (mil.)	\$81.9
Debt to Capital (10/17)	0.0%
Book Value/Share (10/17)	\$0.27
Price/Book	7.1 x
Average Trading Volume (3-month)	840,000
Insider Ownership	1.7%
Institutional Ownership	10.5%
Short interest (Millions)	1.8
Dividend / Yield	\$0.00/0.0%


 Price target and ratings changes over the past 3 yrs:
 Initiated - July 5, 2017 - Buy - Price Target \$5.00

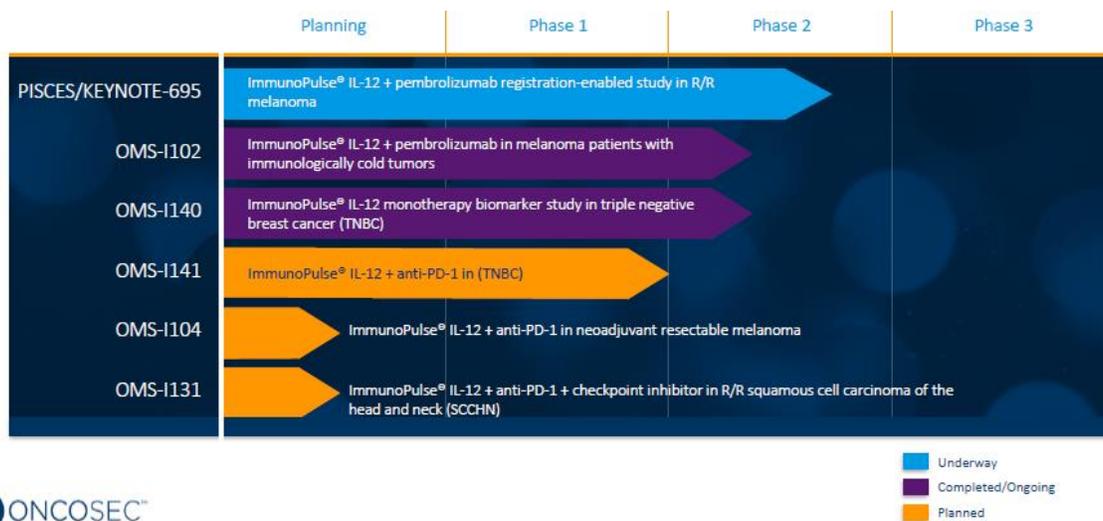
an IND for a second product candidate, and a second-generation proprietary ImmunoPulse GENESIS generator to be ready for introduction into the clinic setting. Longer-term, the Company is trying to advance its proprietary applicators in cancer indications beyond cutaneous and subcutaneous tumors as well as sign technology transfer agreements with partners to develop and install new innovative technologies. On the personnel front, OncoSec recently appointed Daniel O'Connor, with prior experience at Advaxis, ImClone Systems, PharmaNet and Bracco Diagnostics, as CEO, and added Greg Mayes, currently CEO of Engage Therapeutics, as a Board member.

3) OncoSec recently reported financial results for its fiscal Q1/2018 ending October 2017, including a net loss of \$5.9 million or (\$0.26) per share, as compared with a net loss of \$5.6 million or (\$0.29) per share in the prior year period. In the quarter, R&D expenses grew approximately 10% due to activity in an increased number of pipeline programs, while other costs were level year-over-year. For the 2018E fiscal year ending October, we are estimating that OncoSec will post a net loss of \$26 million, or (\$0.60) per share, an increase from a net loss of \$21.5 million or (\$1.06) per share in fiscal 2017, on fewer shares. During the first quarter, operating cash burn was approximately \$5.1 million, as compared to \$4.4 million in the prior year period, and at the end of October 2017 OncoSec held \$14.7 million in cash on its balance sheets, subsequently augmented by over \$30 million in net proceeds garnered from a warrant exercise and an equity offering completed after the end of the fiscal first quarter. OncoSec management has estimated that the company will need \$21 million in operating funds this fiscal year, so at current levels of cash balances and operating burn the Company should have over two years of financial resources on hand to fund its operations.

Conclusion

With a new Phase 2 registration-directed trial (PISCES/KEYNOTE-695) initiated for its combination therapy for advanced melanoma patients, several other indications ready for the start of phase 2 trials, recent Fast Track Designation and Orphan Drug Designation awards from the FDA, several new technology access partnerships signed, and a solid and recently bolstered balance sheet, ONCS shares may soon attract the attention of growth-oriented investors, especially as clinical and business progress continues to be announced throughout 2018-2019. Still, possibly due to its smaller size and lower investor profile, these shares continue to trade at a valuation discount to our 10-stock comparison group of industry peers in the immune-oncology therapeutic market, and value investors may also soon be attracted to ONCS shares. (See our Initiation Report dated 7/5/2017 for a complete stock valuation analysis) Thus, we believe ONCS shares may soon follow those of other oncology-oriented biotechnology companies which have exhibited strong price appreciation, and therefore we are maintaining our BUY rating on ONCS shares and 12-18 month price target of \$5.00 per share.

The chart below outlines the Company's current R&D pipeline:



Risk Factors

In addition to normal economic and market risk factors that impact most equities and the common risks shared by OncoSec Medical with other companies in the industry, we believe an investment in ONCS involves the following risks:

- **Reliance on key management** – At present, ONCS relies on several key members of its management team who either founded the Company or have been in key executive positions for an extended period of time. Should one or more of these key executives leave the Company, ONCS could find it difficult to replace their long-standing knowledge of operations and industry expertise.
- **Reliance on partnerships** – To date, ONCS has signed a number of development partnerships and joint ventures for its immuno-oncology therapeutics and platform technologies. Thus, in the future certain factors related to product marketing and/or new product development may be determined by third parties and out of the control of Company management.
- **Limited stock liquidity** – Trading volume in ONCS stock is comparatively light and these shares have a relatively limited history of trading compared with other healthcare stocks. As such, news regarding ONCS, its target market, partners and/or competitors could lead to significant volatility in the stock price.
- **Competitive markets** – The Company and its partners compete in its target therapeutic markets with a number of companies, many of which are considerably larger than the Company. There can be no assurance that the Company and its partners will be able to successfully compete and launch new products into these competitive markets in the future.
- **FDA and regulatory risks** – ONCS and its partners are subject to regulatory review for ongoing therapeutic products research and development, principally the US Food and Drug Administration’s approval and review processes. In addition, the quality assurance and manufacture of the Company’s therapeutic products are subject to ongoing oversight and regulation, and any negative correspondence from the FDA or other regulatory agencies could have an adverse effect on the ongoing operations of the Company.
- **Lack of historic profitability** - ONCS has not achieved operating profitability since its founding, and according to our forecasts may not be expected to do so in the near future. Although the Company maintains adequate cash reserves at the present time, there can be no assurance the Company will not need to raise additional working capital in the future should operating losses continue.
- **Need to defend patents and other intellectual property** – ONCS currently holds approximately 28 US and 13 International patents on its products and technologies, some of which expire in the near future. The Company may be required to defend its patents in the US and overseas in the future, and there can be no assurance these defenses will be successful.

OncoSec Medical, Inc.
Consolidated Statements of Income
 (In 000s, except per share data)

FYE July	2014	2015	1Q16 October	2Q16 January	3Q16 April	4Q16 July	2016	1Q17 October	2Q17 January	3Q17 April	4Q17 July	2017	2018E	2019E
Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Expenses														
Research and development	5,796	13,133	3,659	4,114	3,377	3,592	14,742	3,100	2,883	2,656	3,314	11,953	14,500	17,000
General and administrative	6,153	8,108	3,376	2,924	2,874	2,970	12,144	2,502	2,505	1,905	2,584	9,496	11,500	14,000
Total operating expenses	11,950	21,241	7,035	7,038	6,251	6,562	26,886	5,602	5,387	4,561	5,898	21,448	26,000	31,000
Income (loss) before income taxes	(\$11,950)	(\$21,241)	(\$7,035)	(\$7,038)	(\$6,251)	(\$6,562)	(\$26,886)	(\$5,602)	(\$5,387)	(\$4,561)	(\$5,898)	(\$21,448)	(\$26,000)	(\$31,000)
Income tax provision (benefit)	(62)	2	2	0	0	0	2	1	0	0	0	1	0	0
Net income (loss)	(\$12,012)	(\$21,243)	(\$7,037)	(\$7,038)	(\$6,251)	(\$6,562)	(\$26,889)	(\$5,604)	(\$5,387)	(\$4,561)	(\$5,898)	(\$21,450)	(\$26,000)	(\$31,000)
Basic income per share	(\$1.26)	(\$1.67)	(\$0.47)	(\$0.42)	(\$0.37)	(\$0.38)	(\$1.63)	(\$0.29)	(\$0.27)	(\$0.22)	(\$0.28)	(\$1.06)	(\$0.60)	(\$0.60)
Diluted income per share	(\$1.26)	(\$1.67)	(\$0.47)	(\$0.42)	(\$0.37)	(\$0.38)	(\$1.63)	(\$0.29)	(\$0.27)	(\$0.22)	(\$0.28)	(\$1.06)	(\$0.60)	(\$0.60)
Basic shares outstanding	9,527	12,709	14,863	16,762	16,971	17,463	16,515	19,021	19,733	20,704	21,200	20,190	43,000	52,000
Diluted shares outstanding	9,527	12,709	14,863	16,762	16,971	17,463	16,515	19,021	19,733	20,704	21,200	20,190	43,000	52,000
Key ratios:														
Revenue growth	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
R&D revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
G & A/revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tax Rate	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deprec, amort & non-cash comp.	2,620	3,215	1,650	1,575	1,750	1,497	6,472	1,150	1,635	900	695	4,380	4,500	5,000
Cash Flow/share	(\$0.99)	(\$1.42)	(\$0.36)	(\$0.33)	(\$0.27)	(\$0.29)	(\$1.24)	(\$0.23)	(\$0.19)	(\$0.18)	(\$0.25)	(\$0.85)	(\$0.50)	(\$0.50)
EBITDA/share	(\$0.98)	(\$1.42)	(\$0.36)	(\$0.33)	(\$0.27)	(\$0.29)	(\$1.24)	(\$0.23)	(\$0.19)	(\$0.18)	(\$0.25)	(\$0.85)	(\$0.50)	(\$0.50)

Balance Sheets

(\$000s)

Assets:	7/31/17	10/31/17
Current Assets		
Cash and equivalents	\$11,445	\$14,661
Prepaid expenses and other current assets	1,069	1,419
Total current	12,514	16,081
Property and equipment, net	2,410	2,314
Other long-term assets	309	302
Total Assets	\$15,233	\$18,697

Liabilities:

Current liabilities	7/31/17	10/31/17
Accounts payable and accrued expenses	\$3,281	\$3,804
Accrued compensation	115	208
Total current	3,396	4,012
Other long-term liabilities	1,141	1,145
Total liabilities	4,537	5,157
Stockholders' equity	10,696	13,539
TOTAL LIAB & EQ	\$15,233	\$18,697

Quarterly Earnings Comparisons

	October	January	April	July	Total
Revenues (in \$Mill)					
2014					0
2015	0	0	0	0	0
2016	0	0	0	0	0
2017	0	0	0	0	0
2018E	0				0

Earnings per Share (diluted)

2014					(1.26)
2015	(0.33)	(0.38)	(0.48)	(0.48)	(1.67)
2016	(0.47)	(0.42)	(0.37)	(0.38)	(1.63)
2017	(0.29)	(0.27)	(0.22)	(0.28)	(\$1.06)
2018E	(0.26)				(\$0.60)

Source: Dawson James Securities, Inc. estimates; Company documents

Important Disclosures:

Price Chart:



Price target and ratings changes over the past 3 years:

Initiated – Buy - July 5, 2017 – Price Target \$5.00

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- 2) **Neutral:** the analyst believes the price of the stock is fairly valued for the next 12-18 months;
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Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	15	88%	5	33%
Market Perform (Neutral)	2	12%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	17	100%	5	29%

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