

**IMV, Inc. (Nasdaq/IMV)**
**BUY**
**Price Target \$11.50**

*IMV is an immuno-oncology (IO) company with multiple Phase 2 trials ongoing with other IO products including PD-1s with multiple data read outs this year and next.*

November 26, 2018

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**IMV to Develop DPX-Survivac as Monotherapy in Ovarian Cancer; Raising Price Target to \$11.50**

- IMV to continue recurrent ovarian cancer trial without epacadostat.** IMV announced last week that Incyte's (INCY, not rated) 300 mg cohort of epacadostat did not add efficacy in its Phase 1/2b trial in recurrent ovarian cancer patients. This is not totally unexpected with the disappointing epacadostat results at last year's ASCO meeting with Keytruda. Meanwhile, IMV has identified a subpopulation of high responders with a clinical marker linked to the mechanism of action (MOA). The company has not disclosed the clinical marker just yet; however, it sounds as if it may be a standard test that we will learn about next month.
- The DeCide1 trial results with DPX-Survivac, low dose cyclophosphamide (CPA) and epacadostat will be an oral presentation by Dr. Dorigo on December 14<sup>th</sup> in Geneva at the ESMO-IO conference.** We expect to learn additional details that may include the biomarker that is expected to represent 30% of the subjects in the trial and the discontinued 300 mg dose of epacadostat. There were strong treatment responses in 100% of patients with DPX-Survivac and 100mg of epacadostat: with 5/5 having tumor regression, 100% disease control rate (DCR), and a 60% partial response rate (3PR, 2SD). Two of the three PR have been long lasting with one over two years.
- Reported results with competing products have less efficacy than DPX-Survivac.** Epacadostat did not have activity. Keytruda had an ORR of 8% and DOR of 18.6 months. Pfizer's (PFE – not rated) and Merck's KGaA (not rated) Bavencio just misted its primary endpoint in a pivotal Ovarian cancer trial: ORR was 13.3% in combo with liposomal doxorubicin, and 3.7% Bavencio alone.

**Current Price \$5.55**
**Price Target \$11.50**

Estimates	F2017A	F2018E	F2019E
<b>Revenue(\$000s)</b>	<b>\$189</b>	<b>\$476</b>	<b>\$15,000</b>
1Q March	0	96 A	3,750
2Q June	0	129 A	3,750
3Q September	0	125 A	3,750
4Q December	189	126	3,750

EPS	(\$0.32)	(\$0.47) E	(\$0.04) E
1Q March	(0.06)	(0.07) A	(0.01)
2Q June	(0.12)	(0.12) A	(0.01)
3Q September	(0.07)	(0.14) A	(0.01)
4Q December	(0.22)	(0.14)	(0.01)
P/E (x)	N/A	N/A	N/A

EBITDA/Share	NA	NA	NA
EV/EBITDA (x)	NA	NA	NA

Stock Data		
52-Week Range	\$4.50 -	\$7.21
Shares Outstanding (mil.)		44.9
Market Capitalization (mil.)		\$249.1
Enterprise Value (mil.)		\$240.6
Cash & marketable securities (mil.)		\$15.2
Debt		\$ 6.70
Book Value/Share		\$ 0.19
Price/Book		29.8 X
Average Trading Volume (3-month) (K)		4.6
Insider Ownership		18.0%
Institutional Ownership		22.1%
Short interest(K)		10.6



Price target and ratings changes over the past 3 years:

Initiation - June 1, 2018 - Buy - Price Target \$10.00.

Note - November 26, 2018 - Buy - Price Target \$11.50.

- **Next Steps include:** 1) FDA meeting in December to discuss potential accelerated path to registration and breakthrough designation. We are optimistic for a good meeting as the clinical marker is predictive of DPX-Survivac response, there are high response rates and long duration of responses; and there is no systemic toxicity associated with DPX-Survivac; 2) data from the combinations with Keytruda and other checkpoints which will also evaluate earlier lines of treatments as monotherapy and/or in combination with SOC; and 3) IMV and Incyte may continue to explore the potential of additional combination studies.
- **Rating and Valuation.** We reiterate our Buy rating. We have rolled over our price target to YE:19 which is now US\$11.50 price target based on an average of a 25x multiple of 2026 EPS of C\$4.54 EPS discounted back at 40% and a 12.0x multiple of 2026 adjusted royalties of C\$602M discounted back at 40%. We used a US\$:C\$ exchange of 1:1.33. We have forecasted a 7-year DPX-Survivac revenue rate of 25% annually and a 5-year EPS compounded growth of 25%. In our opinion, there is downside protection for investors since we excluded ROW sales, approval in other indications, and any pipeline value.
- **Risks include:** 1) successful clinical trial results; 2) regulatory approval; 3) the need for additional capital; 4) competition; 5) reimbursement; 6) IP; 7) share illiquidity; and 8) formulation/manufacturing.

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**Exhibit x. IMV's Pipeline**

**Exhibit x. DPX-Survivac Clinical Development Summary**

Indication	Treatment	N	Phase	Progress	
<b>Monotherapy</b>					
Ovarian (Maintenance)	DPX-Survivac monotherapy	56	Phases 1& 1b	Completed	
Ovarian subpopulation (Treatment)	DPX-Survivac monotherapy	18+	Phase 2	Ongoing	
<b>Combinations</b>					
Ovarian	Combination with epacadostat	53	Phases 1b	Enrollment completed	
Ovarian	Combination with Keytruda®	42	Phase 2	Ongoing	
DLBCL	Combination with Keytruda®	25	Phase 2	Ongoing	
Lung (NSCLC)	Combination with Keytruda®	43	Phase 2	Ongoing	
Bladder	Combination with Keytruda®	35	Phase 2	Ongoing	
MSI-H	Combination with Keytruda®	41	Phase 2	Ongoing	
Liver (HCC)	Combination with Keytruda®	55	Phase 2	Ongoing	
Ovarian subpopulation	Combination with Keytruda®	58	Phase 2	Ongoing	

Source: Company Reports.

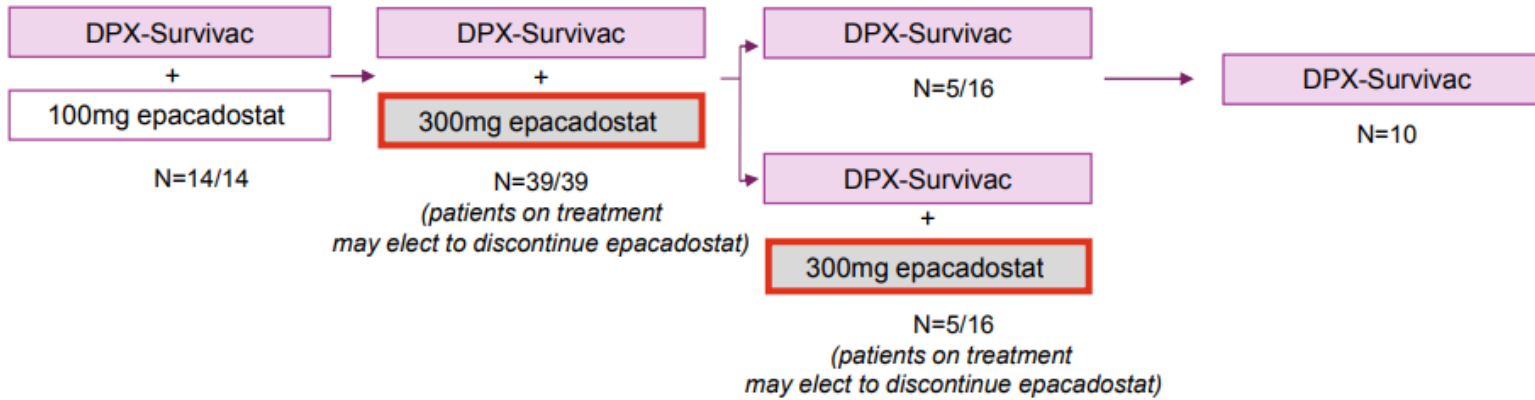
**Epacadostat dosing stopped**

**Continuing as monotherapy in subpopulation**

*P1b: Epacadostat dose escalation  
(N=53 enrollment completed)*

*P2: Mono vs combo  
(N=16+16)*

*P2: Monotherapy in subpopulation  
(N=18+)*



## Exhibit x. Historical and Projected Income Statement

IMV, Inc.  
 Income Statement  
 (in C\$000 except per share values)

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	2016	2017	Mar Q1:18A	Jun Q2:18A	Sep Q3:18A	Dec Q4:18E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>DPX-Survivac Ovarian Sales -Risk Adj.</b>																			
US sales	-	-	-	-	-	-	-	-	-	71,041	221,734	384,487	560,029	749,126	865,990	991,074	1,124,851	1,267,819	1,420,504
EU sales	-	-	-	-	-	-	-	-	-	-	30,434	124,171	253,309	387,563	527,086	672,034	754,023	839,022	927,119
<b>DPX-Survivac -DLBCL Sales -Risk Adj.</b>																			
US sales	-	-	-	-	-	-	-	-	-	-	-	141,076	440,549	764,287	1,113,766	1,490,540	1,723,861	1,973,750	2,241,165
EU sales	-	-	-	-	-	-	-	-	-	-	-	-	120,935	308,536	503,773	739,005	983,653	1,171,078	1,365,749
<b>WW DPX-Survivac Sales</b>										71,041	252,168	649,735	1,374,822	2,209,512	3,010,615	3,892,654	4,586,388	5,251,669	5,954,536
Royalty Revenue				17	6	5	28	15,000	15,000	14,208	50,434	129,947	274,964	441,902	602,123	778,531	917,278	1,050,334	1,190,907
Licensing/Milestone Revenue																			
Other/Interest revenue	\$ 189	\$ 96	\$ 112	\$ 119	\$ 121	\$ 448	\$ 509	\$ 525	\$ 650	\$ 750	\$ 900	\$ 1,000	\$ 1,250	\$ 1,500	\$ 1,750	\$ 2,000	\$ 2,250	\$ 2,500	
<b>Total Revenue (000s)</b>	<b>\$ 130</b>	<b>\$ 189</b>	<b>\$ 96</b>	<b>\$ 129</b>	<b>\$ 125</b>	<b>\$ 126</b>	<b>\$ 476</b>	<b>\$ 15,509</b>	<b>\$ 15,525</b>	<b>\$ 29,858</b>	<b>\$ 66,184</b>	<b>\$ 145,847</b>	<b>\$ 290,964</b>	<b>\$ 458,152</b>	<b>\$ 618,623</b>	<b>\$ 795,281</b>	<b>\$ 919,278</b>	<b>\$1,052,584</b>	<b>\$1,193,407</b>
Royalty Payments (Merck KGaA)	-	-	-	-	-	-	-	\$ -	\$ -	\$ 3,552	\$ 12,608	\$ 32,487	\$ 68,741	\$ 110,476	\$ 150,531	\$ 194,633	\$ 229,319	\$ 262,583	\$ 297,727
<b>Gross Profit</b>	<b>130</b>	<b>189</b>	<b>96</b>	<b>129</b>	<b>125</b>	<b>126</b>	<b>476</b>	<b>\$ 15,509</b>	<b>\$ 15,525</b>	<b>\$ 26,306</b>	<b>\$ 53,575</b>	<b>\$ 113,360</b>	<b>\$ 222,223</b>	<b>\$ 347,677</b>	<b>\$ 468,092</b>	<b>\$ 600,648</b>	<b>\$ 689,958</b>	<b>\$ 790,000</b>	<b>\$ 895,680</b>
<b>Operating Expenses</b>																			
R&D	(3,481)	(4,827)	(1,882)	(2,605)	(3,897)	(3,750)	\$ (12,134)	\$ (9,800)	\$ (10,780)	\$ (11,858)	\$ (13,044)	\$ (14,348)	\$ (15,783)	\$ (17,361)	\$ (19,097)	\$ (21,007)	\$ (23,108)	\$ (25,419)	\$ (27,961)
SG&A	(3,165)	(5,203)	(921)	(2,046)	(1,923)	(1,975)	\$ (6,865)	\$ (5,050)	\$ (5,555)	\$ (6,111)	\$ (6,722)	\$ (7,394)	\$ (8,133)	\$ (8,946)	\$ (9,841)	\$ (10,825)	\$ (11,908)	\$ (13,098)	\$ (14,408)
Business develop. And IR	(678)	(1,221)	(369)	(594)	(426)	(400)	\$ (1,789)	\$ (1,500)	\$ (1,650)	\$ (1,815)	\$ (1,997)	\$ (2,196)	\$ (2,416)	\$ (2,657)	\$ (2,923)	\$ (3,215)	\$ (3,537)	\$ (3,891)	\$ (4,280)
Impairment loss	(195)	-	-	-	404	-	\$ 404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accreted interest & adjustments	(1,506)	(966)	(266)	(80)	(270)	(250)	\$ (866)	\$ (1,040)	\$ (1,500)	\$ (1,600)	\$ (1,700)	\$ (1,800)	\$ (2,000)	\$ (2,200)	\$ (2,420)	\$ (2,662)	\$ (2,928)	\$ (3,221)	\$ (3,543)
<b>Total Operating Expenses</b>	<b>(9,026)</b>	<b>(12,218)</b>	<b>(3,438)</b>	<b>(5,325)</b>	<b>(6,112)</b>	<b>(6,375)</b>	<b>(21,250)</b>	<b>(17,390)</b>	<b>(19,485)</b>	<b>(21,384)</b>	<b>(23,462)</b>	<b>(25,738)</b>	<b>(28,332)</b>	<b>(31,165)</b>	<b>(34,282)</b>	<b>(37,710)</b>	<b>(41,481)</b>	<b>(45,629)</b>	<b>(50,192)</b>
<b>Operating Income</b>	<b>(8,896)</b>	<b>(12,029)</b>	<b>(3,342)</b>	<b>(5,196)</b>	<b>(5,987)</b>	<b>(6,249)</b>	<b>(20,774)</b>	<b>(1,881)</b>	<b>(3,960)</b>	<b>4,923</b>	<b>30,113</b>	<b>87,622</b>	<b>193,891</b>	<b>316,512</b>	<b>433,811</b>	<b>562,938</b>	<b>648,478</b>	<b>744,372</b>	<b>845,489</b>
Pre-tax Income	(8,896)	(12,029)	(3,342)	(5,196)	(5,987)	(6,249)	(20,774)	(1,881)	(3,960)	4,923	30,113	87,622	193,891	316,512	433,811	562,938	648,478	744,372	845,489
Taxes	-	-	-	-	-	-	\$ -	\$ -	\$ -	1,526	9,335	27,163	60,106	98,119	134,481	174,511	201,028	230,755	262,102
Tax rate 31%	-	-	-	-	-	-	\$ -	\$ -	\$ -	31%	31%	31%	31%	31%	31%	31%	31%	31%	31%
<b>Net Income</b>	<b>(8,896)</b>	<b>12,029</b>	<b>(3,342)</b>	<b>(5,196)</b>	<b>(5,987)</b>	<b>(6,249)</b>	<b>\$ (20,774)</b>	<b>\$ (1,881)</b>	<b>\$ (3,960)</b>	<b>\$ 3,397</b>	<b>\$ 20,778</b>	<b>\$ 60,459</b>	<b>\$ 133,785</b>	<b>\$ 218,393</b>	<b>\$ 299,329</b>	<b>\$ 388,427</b>	<b>\$ 447,450</b>	<b>\$ 513,616</b>	<b>\$ 583,387</b>
<b>GAAP EPS - basic and diluted</b>	<b>\$ (0.29)</b>	<b>\$ (0.32)</b>	<b>\$ (0.07)</b>	<b>\$ (0.12)</b>	<b>\$ (0.14)</b>	<b>\$ (0.14)</b>	<b>\$ (0.47)</b>	<b>\$ (0.04)</b>	<b>\$ (0.08)</b>	<b>\$ 0.06</b>	<b>\$ 0.34</b>	<b>\$ 0.97</b>	<b>\$ 2.11</b>	<b>\$ 3.38</b>	<b>\$ 4.54</b>	<b>\$ 5.78</b>	<b>\$ 6.52</b>	<b>\$ 7.34</b>	<b>\$ 8.18</b>
Basic Shares	31,645	38,692	41,595	43,002	43,246	43,332	42,794	47,561	51,561	52,593	56,644	57,777	58,933	60,112	61,314	62,540	63,791	65,067	66,368
<b>Diluted Shares</b>	<b>31,645</b>	<b>38,692</b>	<b>45,674</b>	<b>45,765</b>	<b>45,857</b>	<b>45,949</b>	<b>45,811</b>	<b>51,653</b>	<b>55,653</b>	<b>56,766</b>	<b>60,901</b>	<b>62,119</b>	<b>63,361</b>	<b>64,629</b>	<b>65,921</b>	<b>67,240</b>	<b>68,585</b>	<b>69,956</b>	<b>71,355</b>

Source: Company reports, Factset, Dawson James Securities research.

Source: Company reports and Dawson James Securities Research.

### Exhibit 4. Historical Balance Sheet

**IMV Inc.**  
**Balance Sheet**

(in C\$000s except per share values)

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	Dec Q4:16	Mar Q1:17	Jun Q2:17	Sep Q3:17	Dec Q4:17	Mar Q1:18	Jun Q2:18	Sep Q3:18
<b>Current Assets</b>								
Cash and cash equivalents	13.5	11.8	19.3	16.6	14.9	24.0	25.1	20.3
Amounts receivable	0.3	0.3	0.3	0.3	0.3	0.4	0.9	0.7
Prepaid expenses and other current assets	0.5	0.5	0.7	0.7	0.8	1.1	1.7	1.4
Investment Tax credits receivable	0.5	0.7	0.6	0.7	0.5	0.7	0.5	0.9
<b>Total current assets</b>	<b>14.8</b>	<b>13.2</b>	<b>20.9</b>	<b>18.3</b>	<b>16.5</b>	<b>26.2</b>	<b>28.3</b>	<b>23.3</b>
Property and equipment, net	<b>0.3</b>	0.3	0.6	0.6	0.6	0.7	2.2	2.9
Intangible asset	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>15.1</b>	<b>13.5</b>	<b>21.5</b>	<b>18.9</b>	<b>17.0</b>	<b>26.9</b>	<b>30.5</b>	<b>26.2</b>
<b>Current liabilities</b>								
Accounts payable	1.7	1.2	2.0	1.5	2.8	2.1	4.2	4.6
Amounts due to directors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue	-	-	-	-	-	-	-	-
Current portion of long-term debt	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Current portion of lease obligation	-	-	-	-	-	-	0	0
<b>Total current liabilities</b>	<b>1.8</b>	<b>1.3</b>	<b>2.1</b>	<b>1.5</b>	<b>2.8</b>	<b>2.2</b>	<b>4.4</b>	<b>4.8</b>
Lease Obligation							1.4	1.3
Deferred share units	0.2	0.5	0.5	0.6	1.4	1.3	1.3	1.6
Long-term debt	6.1	6.3	6.6	6.4	6.5	6.7	7.0	7.4
<b>Total long-term liabilities</b>	<b>6.3</b>	<b>6.8</b>	<b>7.1</b>	<b>7.0</b>	<b>7.8</b>	<b>8.0</b>	<b>9.6</b>	<b>10.3</b>
<b>Total Liabilities</b>	<b>8.1</b>	<b>8.1</b>	<b>9.2</b>	<b>8.5</b>	<b>10.7</b>	<b>10.2</b>	<b>14.0</b>	<b>15.1</b>
<b>Stockholders' equity:</b>								
Common stock	7.0	5.4	12.3	10.4	6.3	16.7	16.6	11.1
<b>Total stockholders' equity (deficit)</b>	<b>7.0</b>	<b>5.4</b>	<b>12.3</b>	<b>10.4</b>	<b>6.3</b>	<b>16.7</b>	<b>16.6</b>	<b>11.1</b>
<b>Total liabilities and stockholders' equity</b>	<b>15.1</b>	<b>13.5</b>	<b>21.5</b>	<b>18.9</b>	<b>17.0</b>	<b>26.8</b>	<b>30.5</b>	<b>26.2</b>

Source: Company Reports, Factset.

**Important Disclosures:**



*Source: Bigcharts.com*

Price target and ratings changes over the past 3 years:

Initiated – Buy – June 18, 2018 – Price Target \$10.00  
 Note – Buy – November 26, 2018 – Price Target 11.50

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**Ratings Definitions:**

- 1) **Buy:** the analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** the analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** the analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services in the last twelve months.

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	33	87%	10	30%
Market Perform (Neutral)	5	13%	0	0%
Market Underperform (Sell)	0	0%	0	0%
<b>Total</b>	<b>38</b>	<b>100%</b>	<b>10</b>	<b>26%</b>

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