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OncoSec Medical Inc. (NASDAQ: ONCS)

July 7, 2021

BUY: Merck Comes Onboard: Keytruda + TAVO

OncoSec announced it has entered into a Clinical Trial Collaboration and Supply Agreement with Merck (known as MSD outside the United States and Canada) to evaluate the combination of OncoSec's DNA-plasmid interleukin-12 (IL-12) TAVO (tavokinogene telseplasmid) with Merck's anti-PD-1 therapy, KEYTRUDA.

KEYNOTE-C87: Merck and OncoSec are working together to explore TAVO's ability to turn cold tumors hot. The study is planned as a N=400 person global pivotal (Phase 3) randomized trial. The clinical trial will evaluate the overall survival of patients treated with the TAVO in combination with KEYTRUDA versus standard of care in late-stage patients with metastatic melanoma who are refractory to immune checkpoint therapy.

The Right Delivery Device at the Right Time. OncoSec research has taken the company in two directions in terms of delivery. Higher voltage, lower pulses versus lower voltage and longer pulses. As the company begins the process to look at delivering its TAVO (IL-12 inducing therapy) internally to target cancers (lung and liver), the VLA program data suggests Cliniporator may be more effective; coupled with the fact that the device has a CE mark (Europe), this should support a more rapid timeline to the clinic.

What is TAVO all About? The goal is to reverse resistance in patients receiving checkpoint therapies. TAVO, which is plasmid-based interleukin-12, is administered locally via OncoSec's electroporation gene delivery system. TAVO induces the local expression of IL-12, turning "cold" tumors "hot" and enabling checkpoint therapies such as Keytruda (pembrolizumab) or OPDIVO (nivolumab) to be effective.

Recent Webinar: There were webcast presentations by KOLs Gregory Daniels, M.D., Ph.D., UC San Diego Health, Paolo Ascierto, M.D., National Tumor Institute Fondazione G. Pascale, John M. Kirkwood, M.D., University of Pittsburgh, and Matteo Carlino, M.D., Westmead and Blacktown Hospitals.

<https://media.rampard.com/20210331/index.jsp>

Valuation: We project revenues in Melanoma, initially in Phase III/IV patients, and then assume broader adoption in earlier-stage patients followed by entry in the SCCHNCC and TNBC markets. We apply probabilities of success in our therapeutic models ranging from 70% to just 30%. Given the micro-cap nature of the Company, we use our highest discount rate of 30% in our FCFF, dEPS, and SOP models, which are averaged and rounded to the nearest whole number to determine our 12-month price target.

Risks to our thesis include the following: (1) commercial; (2) regulatory; (3) clinical; (4) manufacturing; (5) financial; (6) liability; and (7) intellectual property. We review these and other risks in the Risk Analysis section of this report.

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Current Price \$2.79
Price Target \$10.00



Source: OncoSec

Stock Data			
52-Week Range	\$1.89	-	\$8.16
Shares Outstanding (mil.)	39.2		
Market Capitalization (mil.)	\$109.3		
Enterprise Value (mil.)	\$56.1		
Debt to Capital	0.0%		
Book Value/Share	\$4.95		
Price/Book	7.0		
Average Three Months Trading Volume (M)	0.1		
Insider Ownership	59.7%		
Institutional Ownership	20.5%		
Short interest (mil.)	1.0%		
Dividend / Yield	\$0.00/0.0%		



*YE: July

Model Assumptions:

1. We assume an initial commercial launch of TAVO in Stage III/IV Melanoma beginning in 2023. The market is relatively small, based on our assumptions, just 12,000 patients annually. We assume a price of \$90,000 per year and a peak share of just 9%. We use a 70% probability of success or a 30% risk cut.
2. We assume expansion to the broader metastatic Melanoma marketplace by 2024, targeting 78,000 patients initially. We assume a starting share of just 1% but growing to 17% by 2030. We assume the same pricing as Stage III/IV. We use a 50% probability of success or a 50% risk cut.
3. We assume expansion to SCCHNCC in 2023, 60,000 patients initially. We assume a starting share of just 1% and rising to just 3% by 2030. We assume \$125,000 per therapy course and apply a 55% risk cut.
4. We assume expansion to Triple Negative Breast Cancer in 2024, 41,000 patients initially. We assume a starting share of just 1% and rising to just 7% by 2030. We assume \$100,000 per therapy course and apply a 70% risk cut or 30% probability of success.

Exhibit 1. Therapeutic Models

Melanoma (Stage III/IV)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Prevalence	100,350	101,354	102,367	103,391	104,425	105,469	106,524	107,589	108,665	109,751	110,849
Growth	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Stage III/IV	12,042	12,162	12,284	12,407	12,531	12,656	12,783	12,911	13,040	13,170	13,302
% Market Share			0%	2%	3%	4%	5%	6%	7%	8%	9%
Total Patients			0	248	376	506	639	775	913	1054	1197
Cost per year			\$90,000	\$92,700	\$95,481	\$98,345	\$101,296	\$104,335	\$107,465	\$110,689	\$114,009
% Price Increase			3%	3%	3%	3%	3%	3%	3%	3%	3%
Sales (\$M)			\$0	\$23,002	\$35,894	\$49,787	\$64,742	\$80,822	\$98,092	\$116,623	\$136,488
Risk Adjustment			30%	30%	30%	30%	30%	30%	30%	30%	30%
Revenue (\$M)			\$0	\$16,102	\$25,126	\$34,851	\$45,320	\$56,575	\$68,664	\$81,636	\$95,542

Source: Company reports and Dawson James

Melanoma (All Ex. Stage III/IV)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Prevalence	100,350	101,354	102,367	103,391	104,425	105,469	106,524	107,589	108,665	109,751	110,849
Growth	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Stage II	75,263	76,015	76,775	77,543	78,318	79,102	79,893	80,692	81,499	82,313	83,137
% Market Share			0%	0%	1%	5%	8%	12%	15%	16%	17%
Total Patients			0	0	783	3955	6391	9683	12225	13170	14133
Cost per year			\$90,000	\$92,700	\$95,481	\$98,345	\$101,296	\$104,335	\$107,465	\$110,689	\$114,009
% Price Increase			3%	3%	3%	3%	3%	3%	3%	3%	3%
Sales (\$M)			\$0	\$0	\$74,779	\$388,964	\$647,423	\$1,010,272	\$1,313,732	\$1,457,787	\$1,611,319
Risk Adjustment			50%	50%	50%	50%	50%	50%	50%	50%	50%
Revenue (\$M)			\$0	\$0	\$37,390	\$194,482	\$323,712	\$505,136	\$656,866	\$728,893	\$805,660

SCCHNC	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Prevalence	59,067	59,658	60,254	60,857	61,465	62,080	62,701	63,328	63,961	64,601	65,247
Growth	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
% Market Share			0%	1%	2%	3%	3%	3%	3%	3%	3%
Total Patients			0	609	1229	1862	1881	1900	1919	1938	1957
Cost per year			\$125,000	\$128,750	\$132,613	\$136,591	\$140,689	\$144,909	\$149,257	\$153,734	\$158,346
% Price Increase			3%	3%	3%	3%	3%	3%	3%	3%	3%
Sales (\$M)			\$0	\$78,353	\$163,021	\$254,387	\$264,639	\$275,304	\$286,398	\$297,940	\$309,947
Risk Adjustment			55%	55%	55%	55%	55%	55%	55%	55%	55%
Revenue (\$M)			\$0	\$35,259	\$73,360	\$114,474	\$119,087	\$123,887	\$128,879	\$134,073	\$139,476

Source: Company reports and Dawson James

Breast Cancer - Triple Negative	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
BC Prevalence	276,480	279,245	282,037	284,858	287,706	290,583	293,489	296,424	299,388	302,382	305,406
Growth	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Triple Negative Breast Cancer (15%)	41,472	41,887	42,306	42,729	43,156	43,587	44,023	44,464	44,908	45,357	45,811
Percent of PD1/PD-L1 non-responders (70%)	29,030	29,321	29,614	29,910	30,209	30,511	30,816	31,125	31,436	31,750	32,068
% Market Share				0%	1%	2%	3%	4%	5%	6%	7%
Total Patients				-	302	610	924	1,245	1,572	1,905	2,245
Cost per year				\$100,000	\$103,000	\$106,090	\$109,273	\$112,551	\$115,927	\$119,405	\$122,987
% Price Increase				3%	3%	3%	3%	3%	3%	3%	3%
Sales (\$M)				\$0	\$31,115	\$64,739	\$101,022	\$140,124	\$182,213	\$227,468	\$276,074
Risk Adjustment				70%	70%	70%	70%	70%	70%	70%	70%
Revenue (\$M)				\$0	\$9,335	\$19,422	\$30,306	\$42,037	\$54,664	\$68,240	\$82,822

Source: Company reports and Dawson James estimates

Risk Analysis

Clinical and regulatory risk. There is no assurance that any of the Company's products will be approved for any of the proposed indications and/or that the clinical data will be compelling. We recognize the competitive environment is evolving rapidly, and as such, it is possible that clinical programs may need to be revised, extending timelines.

Commercial risk. There are multiple competing therapies, and there can be no assumption that TAVO can be competitive if and when it is ready for approval and commercialization.

Financial risk. The Company may need to raise capital in the marketplace, and there can be no assurances that the Company will be able to raise capital and do so on favorable terms successfully.

Liability. There can be no assurances that the products and Company are exposed to liabilities from products once commercialized.

Manufacturing. The Company will need to manufacture its devices and products, and this may require expansion and capital resources to be able to provide products at scale prior to commercialization. There can be no assurances that the Company will be able to overcome such hurdles.

Intellectual property risk. The Company may have to defend its patents and technical know-how, and there can be no assurances that the licenses will not be infringed or will be held as valid if challenged, and the Company may infringe on third parties' patents.

Reimbursement and insurance payment risk. Insurance payment for products may be an additional hurdle to adoption.

Exhibit 2. Income Statement

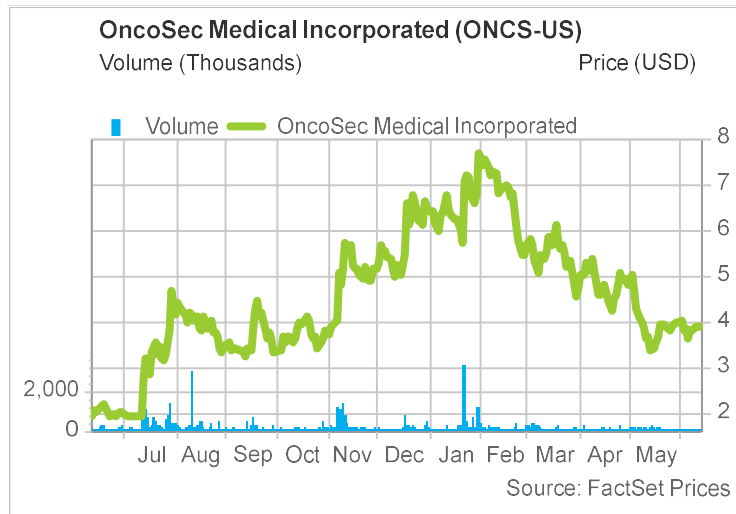
Oncosec Medical Inc. Income Statement (\$000)	7.2019	7.2020	Aug-Oct	Nov-Jan.	Feb.-Apr.	May-July	7.2021	7.2022	7.2023	7.2024	7.2025	7.2026	7.2027	7.2028	7.2029	7.2030
Oncosec Medical : YE Jul 31	2019A	2020A	1Q21A	2Q21A	3Q21A	4Q21E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue (\$000)																
Checkpoint Resistant Metastatic Melanoma - Stage III/IV	-	-	-	-	-	-	-	-	16,102	25,126	34,851	45,320	56,575	68,664	81,636	95,542
Other Melanoma's	-	-	-	-	-	-	-	-	37,390	194,482	323,712	505,136	656,866	728,893	805,660	
Squamous cell carcinoma head and neck (SCCHN) cancer	-	-	-	-	-	-	-	-	35,259	73,360	114,474	119,087	123,887	128,879	134,073	139,476
Triple Negative Breast Cancer (TNBC)	-	-	-	-	-	-	-	-	9,335	19,422	30,306	42,037	54,664	68,240	82,822	
Total Product Sales	-	-	-	-	-	-	-	-	51,361	145,210	363,229	518,425	727,635	909,074	1,012,843	1,123,500
Milestones																
Total Revenues	-	-	-	-	-	-	-	-	51,361	145,210	363,229	518,425	727,635	909,074	1,012,843	1,123,500
Expenses																
Cost of Goods Sold	-	-	-	-	-	-	-	-	4,109	10,165	25,426	36,290	50,934	63,635	70,899	78,645
COGS%			10%	10%	10%	10%	10%	9%	8%	7%	7%	7%	7%	7%	7%	7%
General and Administrative	11,971	18,312	3,241	2,111	2,847	2,800	10,999	12,000	22,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
G & A %																
Research and Development	18,445	25,097	9,799	8,915	7,590	8,000	34,305	20,000	18,000	18,360	18,727	19,102	19,484	19,873	20,271	20,676
R&D %																
Total expenses	30,417	43,409	13,040	11,026	10,437	10,800	45,303	32,000	44,109	52,525	68,153	79,392	94,418	107,509	115,170	123,321
Oper. Inc. (Loss)	(30,417)	(43,409)	(13,040)	(11,026)	(10,437)	(10,800)	(45,303)	(32,000)	7,252	92,685	295,076	439,034	633,217	801,565	897,673	1,000,178
Other income, net	440	185														
Interest expense	(4)	(5)	(1)	(0)	2											
Loss on disposal of property and equipment	(1)	-	(6)	(5)	(2)											
Foreign currency exchange gain (loss), net	(281)	103	(177)	328	996											
Realized loss on sale of securities, net	(12)	-														
Warrant inducement expense	-	-														
Loss before income taxes	(30,275)	(43,126)	(13,224)	(10,703)	(9,441)	(10,800)	(44,168)	(32,000)	7,252	92,685	295,076	439,034	633,217	801,565	897,673	1,000,178
Provision for income taxes	(1)	872	2	1	2	-	4	-	725	18,537	73,769	131,710	221,626	288,563	332,139	380,068
Tax Rate			0%	0%	0%	0%	0%	0%	10%	20%	25%	30%	35%	36%	37%	38%
GAAP Net Income (loss)	(30,276)	(42,253)	(13,225)	(10,704)	(9,442)	(10,800)	(44,172)	(32,000)	6,527	74,148	221,307	307,324	411,591	513,002	565,534	620,111
Non-GAAP, Adj. Net Margin	NM	NM	NM	NM	NM	NM	NM	NM	0.13	0.51	0.61	0.59	0.57	0.56	0.56	0.55
GAAP-EPS	(4.29)	(2.56)	(0.49)	(0.37)	(0.25)	(0.22)	(1.34)	(0.58)	0.12	1.33	3.94	5.45	7.27	9.02	9.91	10.82
Non GAAP EPS (dil)	(4.29)	(2.56)	(0.49)	(0.37)	(0.25)	(0.22)	(1.34)	(0.58)	0.12	1.33	3.94	5.45	7.27	9.02	9.91	10.82
Wgtd Avg Shrs (Bas) - '000s	7,053	16,535	26,771	28,677	37,336	39,373	33,039	45,480	45,663	45,846	46,029	46,214	46,399	46,585	46,771	46,959
Wgtd Avg Shrs (Dil) - '000s	7,053	16,535	26,771	28,677	37,336	49,373	33,039	55,505	55,728	55,951	56,175	56,400	56,626	56,853	57,081	57,309

Source: Company reports and Dawson James estimates

Companies mentioned in this report:

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

- Initiated – Buy – July 27, 2020 – Price Target \$10.00
- Update – Buy – August 27, 2020 – Price Target \$10.00
- Update – Buy – November 9, 2020 - Price Target \$10.00
- Update – Buy – November 25, 2020 - Price Target \$10.00
- Update – Buy – February 12, 2021 - Price Target \$10.00
- Update – Buy – April 19, 2021 - Price Target \$10.00
- Update – Buy – June 14, 2021 - Price Target \$10.00
- Update – Buy – July 7, 2021 - Price Target \$10.00

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As of: 30-Jun-21

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	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	24	71%	4	17%
Market Perform (Neutral)	10	29%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	34	100%	4	12%

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