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OncoSec Medical Inc. (NASDAQ: ONCS)

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BUY: Transmitting from the Blind – Reports on the 10k

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OncoSec remains without a CEO and we have not spoken with the recently appointed CFO George Chi. OncoSec reported 2Q22 (the company has a July YE) results. The company spent \$9.4M with \$8.8M of that in R&D, presumably trial expenses. The share count rose from 28 to 37M shares. The company reported \$25M in cash on the balance sheet.

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.

Valuation: We project revenues in Melanoma, initially in Stage 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 FCF, 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.

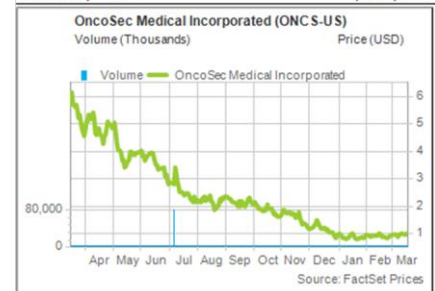
Current Price \$0.99
Price Target \$10.00



Source: OncoSec

Stock Data

52-Week Range	\$0.75	-	\$6.28
Shares Outstanding (mil.)	39.3		
Market Capitalization (mil.)	\$39.0		
Enterprise Value (mil.)	\$20.0		
Debt to Capital	0.0%		
Book Value/Share	\$4.95		
Price/Book	2.2		
Average Three Months Trading Volume (M)	0.1		
Insider Ownership	55.9%		
Institutional Ownership	14.0%		
Short interest (mil.)	1.1%		
Dividend / Yield	\$0.00/0.0%		



Model Assumptions:

1. We assume an initial commercial launch of TAVO in Stage III/IV Melanoma beginning in 2024. 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 2025, 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 2025, 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 2025, 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%	0%	1%	2%	4%	5%	6%	7%	8%
Total Patients			0	0	125	253	511	646	782	922	1064
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	\$11,965	\$24,894	\$51,794	\$67,351	\$84,079	\$102,045	\$121,323
Risk Adjustment			30%	30%	30%	30%	30%	30%	30%	30%	30%
Revenue (\$M)			\$0	\$0	\$8,375	\$17,426	\$36,256	\$47,146	\$58,855	\$71,432	\$84,926

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%	0%	2%	5%	12%	15%	16%	17%
Total Patients			0	0	0	1582	3995	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	\$0	\$155,586	\$404,640	\$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	\$0	\$77,793	\$202,320	\$505,136	\$656,866	\$728,893	\$805,660

Source: Company reports and Dawson James

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%	0%	0%	1%	1%	1%	1%	1%	1%
Total Patients			0	0	0	621	627	633	640	646	652
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	\$0	\$0	\$84,796	\$88,213	\$91,768	\$95,466	\$99,313	\$103,316
Risk Adjustment			55%	55%	55%	55%	55%	55%	55%	55%	55%
Revenue (\$M)			\$0	\$0	\$0	\$38,158	\$39,696	\$41,296	\$42,960	\$44,691	\$46,492

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%	0%	0%	1%	2%	3%	4%	5%	6%
Total Patients			-	-	-	305	616	934	1,257	1,588	1,924
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%	3%
Sales (\$M)			\$0	\$0	\$32,369	\$67,348	\$105,093	\$145,771	\$189,557	\$236,635	
Risk Adjustment			70%	70%	70%	70%	70%	70%	70%	70%	70%
Revenue (\$M)			\$0	\$0	\$9,711	\$20,204	\$31,528	\$43,731	\$56,867	\$70,990	

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

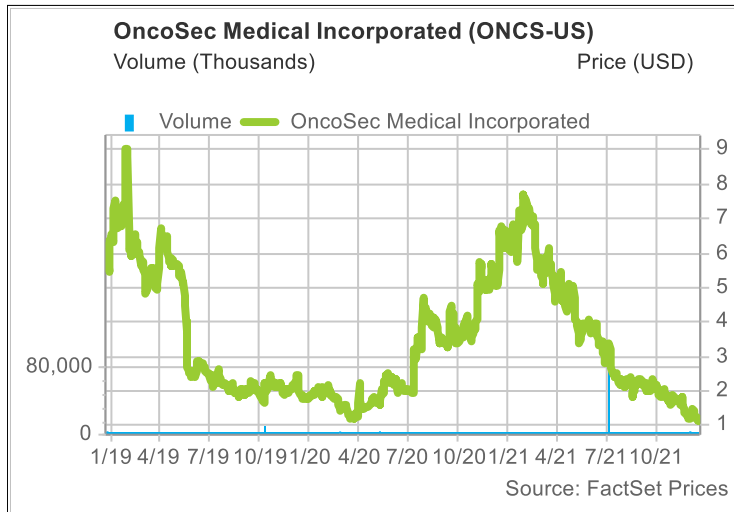
Oncosec Medical Inc. Income Statement (\$000)	7.2019	7.2020	Aug-Oct	Nov-Jan.	Feb.-Apr.	May-July	7.2021	7.2022	7.2023	7.2024	7.2025	7.2026	7.2027	7.2028	7.2029	7.2030
Oncosec Medical : YE Jul 31	2019A	2020A	1Q21A	2Q21A	3Q21A	4Q21A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue (\$000)																
Checkpoint Resistant Metastatic Melanoma - Stage III/IV	-	-	-	-	-	-	-	-	-	8,375	26,138	45,320	66,004	78,474	91,841	106,158
Other Melanoma's	-	-	-	-	-	-	-	-	-	-	77,793	202,320	505,136	656,866	728,893	805,660
Squamous cell carcinoma head and neck (SCCHN) cancer	-	-	-	-	-	-	-	-	-	-	38,158	39,696	41,296	42,960	44,691	46,492
Triple Negative Breast Cancer (TNBC)	-	-	-	-	-	-	-	-	-	-	9,711	20,204	31,528	43,731	56,867	70,990
Total Product Sales	-	-	-	-	-	-	-	-	-	8,375	151,800	307,540	643,964	822,030	922,292	1,029,300
Milestones	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	-	-	-	-	-	8,375	151,800	307,540	643,964	822,030	922,292	1,029,300
Expenses																
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	586	10,626	21,528	45,077	57,542	64,560	72,051
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	6,084	14,282	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	7,793	34,098	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	13,877	48,380	32,000	40,000	42,946	53,353	64,630	88,561	101,416	108,831	116,727
Oper. Inc. (Loss)	(30,417)	(43,409)	(13,040)	(11,026)	(10,437)	(13,877)	(48,380)	(32,000)	(40,000)	(34,571)	98,447	242,910	555,402	720,615	813,461	912,572
Other income, net	440	185														
Interest expense	(4)	(5)	(1)	(0)	2	0	1									
Loss on disposal of property and equipment	(1)	-	(6)	(5)	(2)	(116)	(128)									
Foreign currency exchange gain (loss), net	(281)	103	(177)	328	996	(187)	961									
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)	(14,212)	(47,580)	(32,672)	(40,000)	(34,571)	98,447	242,910	555,402	720,615	813,461	912,572
Provision for income taxes	(1)	872	2	1	2	(2,417)	(2,412)	4	(4,000)	(6,914)	24,612	72,873	194,391	259,421	300,980	346,777
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)	(11,796)	(45,168)	(32,676)	(36,000)	(27,657)	73,835	170,037	361,012	461,194	512,480	565,795
<i>Non-GAAP, Adj.</i>																
Net Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.49	0.55	0.56	0.56	0.56	0.55
GAAP-EPS	(4.29)	(2.56)	(0.49)	(0.37)	(0.25)	(0.25)	(1.37)	(0.59)	(0.65)	(0.49)	1.31	3.01	6.37	8.11	8.98	9.87
Non GAAP EPS (dil)	(4.29)	(2.56)	(0.49)	(0.37)	(0.25)	(0.25)	(1.37)	(0.59)	(0.65)	(0.49)	1.31	3.01	6.37	8.11	8.98	9.87
Wgtd Avg Shrs (Bas) - '000s	7,053	16,535	26,771	28,677	37,336	39,373	32,903	36,208	39,491	39,649	39,808	39,968	40,128	40,289	40,450	40,612
Wgtd Avg Shrs (Dil) - '000s	7,053	16,535	26,771	28,677	37,336	49,373	32,903	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
- Update – Buy – December 21, 2021 - Price Target \$10.00
- Update – Buy – March 17, 2022 - Price Target \$10.00

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Current as of... 15-Mar-22

	Company Coverage		Investment Banking	
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Market Underperform (Sell)	0	0%	0	0%
Total	42	100%	4	10%

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