

OncoSec Medical Inc. (NASDAQ: ONCS)

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BUY: Transmitting from the Blind II – Reports on the 10q

OncoSec now has a CEO but we have yet to connect. The company reported the fiscal 3Q22 (the company has a July YE) results. The company spent \$9.5M with \$7M of that in R&D, presumably trial expenses. The share count stands at 39M shares. The company reported \$19M in cash on the balance sheet.

CEO Hired but the Company Is Quiet: Oncosec announced the appointment of Robert H. Arch, Ph.D., as President and Chief Executive Officer. Dr. Arch was previously Head of Research at Elpiscience Biopharma, Ltd. from October 2019 to June 2021, and Head of the Liver Disease Department at China Novartis Institutes for BioMedical Research from February 2017 to October 2019. Robert's leadership roles have been focused on shaping strong teams and building diversified R&D pipelines with innovative assets, from ideas to late-stage clinical development programs. His career over 28 years extends from academia to the pharmaceutical industry, including positions at Novartis, Takeda, GlaxoSmithKline, and Pfizer. Robert's expertise in basic research and drug development includes chronic liver disease, cancer, immuno-oncology, respiratory disease, and inflammatory disorders.

OncoSec's Lead Product: TAVO (tavokinogene telseplasmid). The product enables the intratumoral delivery of DNA-based interleukin-12 (IL-12), a naturally occurring protein with immune-stimulating functions. The technology is designed to produce a controlled, localized expression of IL-12 in the tumor microenvironment, enabling the immune system to target and attack tumors throughout the body. OncoSec has built a pipeline utilizing TAVO as a potential treatment for multiple cancer indications either as a monotherapy or in combination with leading checkpoint inhibitors; with the latter potentially enabling OncoSec to address a great unmet medical need in oncology: anti-PD-1 non-responders. Results from recently completed clinical trials of TAVO have demonstrated a local immune response, and subsequently, a systemic effect as either a monotherapy or combination treatment approach along with an acceptable safety profile, warranting further development.

Going Deep: Oncosec's Visceral Lesion Applicator (VLA) is designed to target deep visceral lesions, such as liver, lung or pancreatic lesions.

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 FCFE, 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 \$0.90
Price Target \$10.00



Source: Oncosec

Stock Data		
52-Week Range	\$0.67 -	\$4.25
Shares Outstanding (mil.)		39.4
Market Capitalization (mil.)		\$35.4
Enterprise Value (mil.)		\$21.6
Debt to Capital		0.0%
Book Value/Share		\$4.95
Price/Book		2.2
Average Three Months Trading Volume (M)		0.2
Insider Ownership		54.3%
Institutional Ownership		13.0%
Short interest (mil.)		0.6%
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 SCCNCC 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

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%	
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

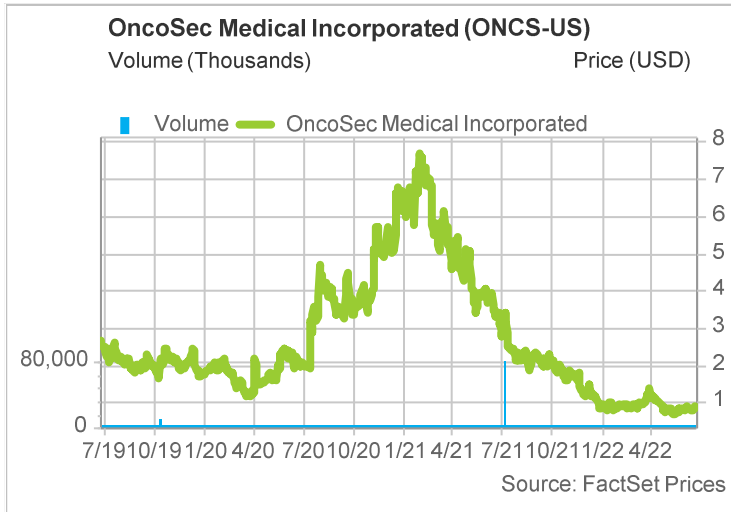
Oncosec Medical Inc. Income Statement (\$000)	7.2019	7.2020	7.2021	Aug-Oct	Nov-Jan.	Feb-Apr.	May-July	7.2022	7.2023	7.2024	7.2025	7.2026	7.2027	7.2028	7.2029	7.2030
Oncosec Medical : YE Jul 31	2019A	2020A	2021A	1Q22A	2Q22A	3Q22A	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue (\$000)																
Checkpoint Resistant Metastatic Melanoma - Stage III/IV	-	-	-	-	-	-	-	-	-	8,375	17,426	36,256	47,146	58,855	71,432	84,926
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	143,087	298,476	625,105	802,412	901,883	1,008,068
Milestones																
Total Revenues	-	-	-	-	-	-	-	-	-	8,375	143,087	298,476	625,105	802,412	901,883	1,008,068
Expenses																
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	586	10,016	20,893	43,757	56,169	63,132	70,565
COGS%			10%	9%	9%	9%	9%	9%	8%	7%	7%	7%	7%	7%	7%	7%
General and Administrative	11,971	18,312	14,282	3,269	2,590	2,517	3,624	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	34,098	6,645	6,825	7,030	(500)	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	48,380	9,914	9,415	9,547	3,124	32,000	40,000	42,946	52,743	63,995	87,241	100,042	107,403	115,241
Oper. Inc. (Loss)	(30,417)	(43,409)	(48,380)	(9,914)	(9,415)	(9,547)	(3,124)	(32,000)	(40,000)	(34,571)	90,344	234,481	537,864	702,370	794,480	892,827
Other income, net	440	185														
Interest expense	(4)	(5)	1	(2)	(3)	2										
Loss on disposal of property and equipment	(1)	-	(128)	(8)	(5)	(3)										
Foreign currency exchange gain (loss), net	(281)	103	961	117	(480)	(36)										
Realized loss on sale of securities, net	(12)	-														
Warrant inducement expense	-	-														
Loss before income taxes	(30,275)	(43,126)	(47,580)	(9,807)	(9,903)	(9,584)	(3,124)	(32,418)	(40,000)	(34,571)	90,344	234,481	537,864	702,370	794,480	892,827
Provision for income taxes	(1)	872	(2,412)		3	(3,337)	-	(3,334)	(4,000)	(6,914)	22,586	70,344	188,252	252,853	293,958	339,274
Tax Rate			0%	0%	0%	0%	0%	0%	10%	20%	25%	30%	35%	36%	37%	38%
GAAP Net Income (loss)	(30,276)	(42,253)	(45,168)	(9,807)	(9,906)	(6,247)	(3,124)	(29,084)	(36,000)	(27,657)	67,758	164,136	349,612	449,517	500,523	553,553
Non-GAAP, Adj. Net Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.47	0.55	0.56	0.56	0.55	0.55
GAAP-EPS	(4.29)	(2.56)	(1.37)	(0.25)	(0.25)	(0.16)	(0.06)	(0.72)	(0.65)	(0.49)	1.21	2.91	6.17	7.91	8.77	9.66
Non GAAP EPS (dil)	(4.29)	(2.56)	(1.37)	(0.18)	(0.25)	(0.16)	(0.06)	(0.64)	(0.65)	(0.49)	1.21	2.91	6.17	7.91	8.77	9.66
Wgtd Avg Shrs (Bas) - '000s	7,053	16,535	32,903	39,177	39,314	39,355	39,394	39,310	39,493	39,651	39,810	39,969	40,130	40,290	40,452	40,614
Wgtd Avg Shrs (Dil) - '000s	7,053	16,535	32,903	55,422	55,478	55,533	55,589	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
- Update – Buy – June 23, 2022 - Price Target \$10.00

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- 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;
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Current as of 16-Jun-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	72%	4	13%
Market Perform (Neutral)	12	28%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	43	100%	4	9%

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