IMMUPHARMA PLC

11 JULY 2022

INITIATION REPORT

On cusp of starting pivotal Phase III trial

ImmuPharma is a UK-based clinical-stage biopharma company with its main research operation (ImmuPharma Biotech) in Bordeaux, France. It has a long-standing research collaboration in France with Centre National de la Recherche Scientifique (CNRS), through which it obtained its P140 platform. Considerable clinical knowledge has been gained during the development of Lupuzor™, its lead product for lupus, a significant commercial opportunity with unmet medical need. Its development and US commercial partner (and key shareholder), Avion Pharmaceuticals (Avion), has made considerable progress over the past two years, liaising closely with the US Food & Drug Administration (FDA), and is on the cusp on starting an optimised pivotal Phase III trial, which would be used for US and international regulatory submissions.

- **Strategy:** ImmuPharma is focused on the development of pioneering and novel peptide-based drugs in specialist therapeutic areas where there is a distinct lack of existing treatments. Through its well-established research collaboration with CNRS, it has exclusive rights to exploit the IP for specific medical assets. ImmuPharma's commercial strategy is to license out its assets at an appropriate valuation point to leading international corporations that are well placed to further develop and/or commercialise its drugs.
- **Portfolio:** ImmuPharma has two late-stage clinical indications based on its P140 platform, and two pre-clinical-stage anti-infectives. Development partner, Avion, has played an instrumental role in liaising with the FDA and, as soon as it receives the Type C meeting response about the pharmacokinetic (PK) study, it will start a new Phase III trial with Lupuzor, using an approved, optimised, protocol with patient selection based on biomarkers.
- **Valuation:** Risk-adjusted DCF has been used to value ImmuPharma. For Lupuzor, the model generates a risk-adjusted NPV of $119m/£96m, or 33p per share. The model for CIPD, a very rare condition, adds a further $13m/£11m, or 4p per share. Being only in pre-clinical development, the anti-infectives programme generates only minimal value. Consequently, the overall value for ImmuPharma is £107m, or 37p per share.
- **Risks:** As with all biopharma companies, clinical trials carry a significant risk. However, ImmuPharma has built up a wealth of data and the costs of the pending Phase III trial are being borne by Avion. Part of ImmuPharma's monthly working capital requirement is through an unusual "Sharing Agreement" with long-standing shareholder, Lanstead Capital Investors (Lanstead), which may not generate the full £2.2m investment over 24 months. Based on current forecasts, further capital will be required during 2022.
- **Investment summary:** Although there is risk attached to the Phase III clinical trial for Lupuzor, the burden of all the costs is being borne by Avion. Consequently, there is considerable upside to the share price of ImmuPharma based on risk-adjusted DCF analysis.

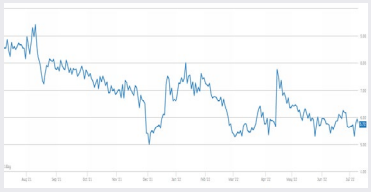
Summary earnings outlook

Yr to December 31 (£m)	2019	2020	2021	2022E	2023E
Sales	0.08	0.13	0.12	-	-
R&D spend	(2.66)	(2.37)	(3.65)	(2.30)	(2.40)
EBITDA (adj)	(6.19)	(5.42)	(5.05)	(3.45)	(3.64)
EBIT (adj)	(6.28)	(5.59)	(5.16)	(3.56)	(3.75)
Pre-Tax Profit (adj)	(6.74)	(7.25)	(5.28)	(3.55)	(3.75)
Pre-Tax Profit (reported)	(6.74)	(7.25)	(8.94)	(2.68)	(3.34)
EPS (basic adj, p)	(3.99)	(3.43)	(1.80)	(1.09)	(1.15)
Net cash/(debt)	2.79	6.24	2.16	(0.28)	(3.15)

Source: Company data, Stanford Capital Partners estimates.

Ticker	IMM.L
Share price	5.9p
Market cap	£16.9m
Net cash/(debt)	£2.1m
Next event	29th August FDA Type C meeting written response

Share price performance 1 yr



Source: London Stock Exchange

Company Description

Founded originally in Switzerland in 1999, ImmuPharma is a UK-based biopharma company focused on the development of innovative drugs to treat serious medical conditions with high unmet medical need. The company has a US development and commercial deal with Avion Pharma for its most advanced product, Lupuzor, for the treatment of lupus. Avion is expected to commence a pivotal Phase III trial during the second half of 2022.

Board & Management

CEO - Tim McCarthy
COO - Dr Tim Franklin
CFO - Ewa Flynn
NED & Head of IR: - Lisa Baderoon
NED - Dr Sanjeev Pandya

Stanford Capital Partners
Corporate Broking
Partner
John Howes
+44 (0) 20 3650 3652
jhowes@stanfordcp.co.uk

Stanford Capital Partners
Corporate Broking
Partner
Bob Pountney
+44 (0) 20 3650 3651
bpountney@stanfordcp.co.uk

Stanford Capital Partners
Research
Dr Martin Hall
+44 (0) 20 3650 3650

LATEST RESULTS – 2021 FINALS

2021 was an important year in the evolution of ImmuPharma. A complete review of all aspects of the business resulted in a restructuring of the Board, the management team, and the scientific leadership. As a consequence, the company expects to make considerable cost savings (c.£1.1m p.a.) and is able to better focus its limited resources on products where there is a greater chance of commercial success for the long-term benefit to shareholders.

OPERATIONAL HIGHLIGHTS

- Through dialogue with the FDA, plans for a pivotal Phase III trial with Lupuzor were finalised, which required ImmuPharma, together with its US development partner, Avion, to conduct a pharmacokinetic (PK) study.
- Following a re-evaluation of the development pipeline, the focus will now be on auto-immunity and anti-infection, and products that offer near-term and commercially viable opportunities.
- Restructuring of the Board and management team, included the retirement of co-founder and chief scientific officer, Dr Zimmer. However, the Bordeaux research team retains a depth of scientific knowledge and innovation that can generate an improvement in productivity and the achievement of product development targets in the future.
- Appointment of Tim McCarthy as Executive Chair and CEO (previously non-executive Chair) to be assisted by Dr Tim Franklin as COO, together with much more diverse and experienced non-executive directors.

FINANCIAL HIGHLIGHTS

- In December 2021, ImmuPharma announced a capital increase of £3.55m (gross) through the issue of new Ordinary shares at 11p via a Subscription and Placing. Of this, £1.35m was immediately available to the company, with the remaining £2.2m subject to a "Sharing Agreement" with existing significant shareholder, Lanstead, which will be released monthly over a 24-month period (see later).
- On 31st December 2021, ImmuPharma had gross (and net) cash of £1.65m plus the potential for +£2.2m from the Lanstead agreement, although much of this had been written down because of the fall in the share price on that date.
- Exceptional costs of £1.43m were recorded in 2021 as part of the restructuring, mainly compensation for loss of office. However, the streamlined Board and management team is expected to result in annual savings of £1.1m.
- Given that the vast majority of shares are traded through the company's primary listing on AIM, the Board took the decision to de-list its shares from the Euronext Growth Brussels Exchange (Euronext) in October 2021.

SUMMARY ACCOUNTS

Yr to December 31 (£m)	2019	2020	2021	Change 2021/2020
Sales	0.08	0.13	0.12	-
Administration costs (SG&A)	(1.83)	(1.76)	(1.01)	(43%)
Share-based costs	(1.98)	(1.58)	(0.62)	(61%)
R&D	(2.66)	(2.37)	(3.65)	54%
EBIT Adjusted	(6.28)	(5.59)	(5.16)	(8%)
Exceptional items	-	-	(1.43)	-
EBIT Reported	(6.28)	(5.59)	(6.59)	18%
R&D tax credit	0.61	0.39	0.77	-
PAT Adjusted	(6.12)	(6.86)	(4.51)	(34%)
EPS Adjusted Diluted (p)	(3.61)	(2.70)	(1.25)	(54%)
Equity issues	2.66	8.00	3.55	-
Net cash/(debt)	2.79	6.24	2.16	-

Source: Company data.

EXECUTIVE SUMMARY

BACKGROUND

ImmuPharma has a long history, having been founded in Switzerland in 1999 and listed in London in 2006. The company has a strong collaborative relationship with CNRS, the French government scientific institution, through which it has been granted the worldwide exclusive rights to exploit certain medical discoveries. Through this agreement, ImmuPharma and CNRS co-own the relevant IP and CNRS is entitled to a relatively small share of the revenue generated by ImmuPharma from the exploitation of CNRS's licensed and co-owned rights. ImmuPharma's pipeline is focused on two core therapeutic areas – auto-immunity/inflammation and anti-infectives, with two clinical-stage drugs and two late-pre-clinical products. The most advanced product from the CNRS agreement is P140 (tradename: Lupuzor), which is in Phase III development for the treatment of the debilitating inflammatory condition, Systemic Lupus Erythematosus (SLE, frequently known as lupus).

ImmuPharma's business model is to out-license its drug assets at the optimal valuation infection point to leading international corporations that are well positioned to further develop and/or commercialise them.

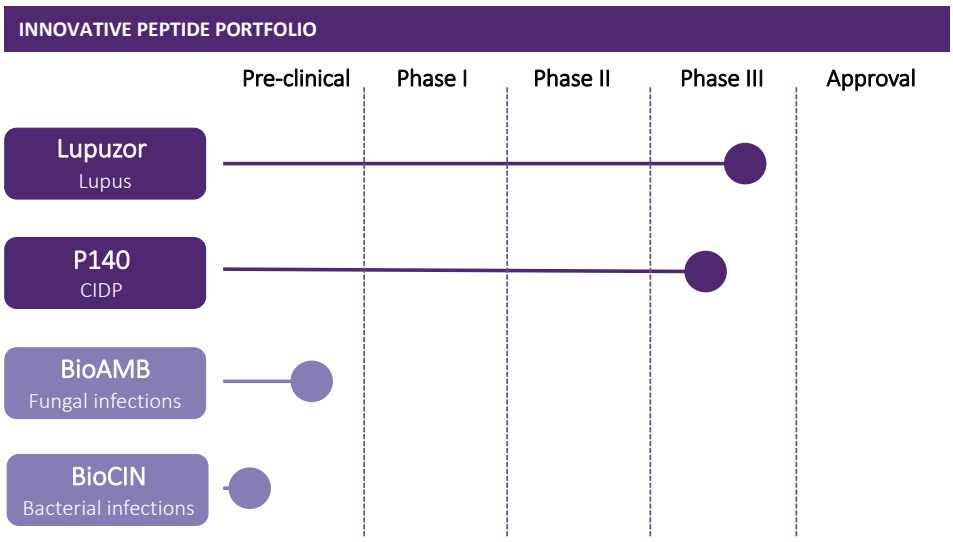
2021 was an important year for the evolution of the Company, restructuring the Board, the management team and the scientific leadership team. The new teams have undertaken a complete review of the whole business and a re-evaluation of the R&D pipeline so that resources could be focused on the key assets that are considered the best opportunities to deliver long-term shareholder value.

DEVELOPMENT PIPELINE

Following the review, the Board believes there is a depth of knowledge and innovation at its research facility in Bordeaux that will flourish under the new scientific leadership team, significantly improving productivity and meeting development targets in future. Attention will be focused on products that offer the highest probability of both scientific and commercial success, and satisfy the corporate goal, which is the development of innovative drugs to treat serious medical conditions, characterised by:

- High unmet medical need
- Low marketing costs
- Relatively low development costs

Consequently, the pipeline consists of two clinical-stage products from the P140 platform and two late pre-clinical clinical products in the anti-infective programme.



Source: Adapted from ImmuPharma presentation

COMMERCIALISATION STRATEGY

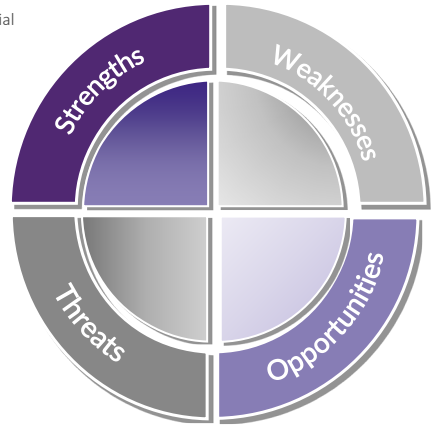
The business review reiterated the existing commercial strategy to out-license products at an appropriate time to maximise shareholder value. To improve the chances of success, in future, the management team will dedicate more of its time on identifying and concluding commercial collaborations and licensing deals.

In November 2019, ImmuPharma signed an exclusive Trademark, License and Development agreement with Avion for the Phase III development of Lupuzor (P140) and its commercialisation in the US (details on page 6). As part of this programme, the US regulator required Avion/ImmuPharma to conduct a PK study to demonstrate a clear time- and dose-related profile following subcutaneous (SC) injection of P140 (200 and 800 micrograms (mcg)) compared with the absolute bioavailability seen following intravenous (IV) injection of P140 (800mcg), which acted as a control. Positive outcomes from this study were reported in April 2022, allowing Avion and ImmuPharma to finalise plans for the Phase III trial to start in 2H'22.

FUNDING

In December 2021, ImmuPharma announced a Subscription and Placing to raise £3.55m of new capital through the issue of now Ordinary shares at 11p per share. As part of this capital increase, ImmuPharma entered into a Sharing Agreement with Lanstead, whereby Lanstead subscribed £2.2m, to be released on a monthly basis over a period of 24 months, based on a benchmark share price of 14.67p. In the event that the share price is 5.5p, ImmuPharma would receive only £34.4k (37.5% of £91.7k) for that month; if the share price is 20.0p, ImmuPharma would receive £125.0k (136% of £91.7k) for that month. Although ImmuPharma has used such an agreement successfully in the past, investors should appreciate that there is a risk that the Company will not receive the full £2.2m over the 24 month period. At 31st December 2021, ImmuPharma had gross (and net) cash of £1.65m plus the potential for ±£2.2m from the Lanstead agreement, although much of this had been written down because of the fall in the share price on that date.

SWOT ANALYSIS



- Development and commercial agreement with Avion
- Products in late-stage development
- Lupus is a large commercial opportunity
- Pivotal Phase III trial being funded by Avion

- Limited cash resources
- Lanstead sharing arrangment
- Chequered history with development of Lupuzor
- BioAMB and BioCIN are only reformulations of existing drugs

- Development of antibody treatments for lupus
- General global economy and risk of inflation
- Need for more capital in risk-averse markets

- Lupus is a mis-diagnosed and poorly-treated condition
- Expansion of P140 programme into other anti-inflammatory conditions
- Relatively low cost to develop the anti-infective products

Source: Stanford Capital Partners

VALUATION

Risk-adjusted DCF of each key product in ImmuPharma's drugs through to patent expiry is the most appropriate way to value the portfolio. On this basis, the Lupuzor model generates an NPV of $298m/£239m. On a risk-adjusted basis, based on a product that has completed Phase IIb trials, this is reduced to $119m/£96m, or 33p per share. In the event that the Phase III trial is successful, this valuation would more than double. Given that all the early trials and PK study can also be used for P140 in CIPD, it has the same risk-adjustment. However, CIPD is a very rare condition, so the market potential is considerably lower. The DCF for CIPD generates a risk-adjusted value of $13m/£11m, or 4p per share. While there is some value attached to the anti-infective programmes, as they are only in pre-clinical development, any value on a risk-adjusted basis is negligible. Overall, at this stage, we value ImmuPharma at 37p per share.

P140 PLATFORM

P140

Greater understanding about the mode of action of the phosphopeptide, P140, is being fundamentally driven by Prof. Sylviane Muller, its inventor and Emeritus Research Director at CNRS. ImmuPharma has access to this platform and knowledge via its long-standing research partnership with CNRS. Initially, the focus was on its potential role in the treatment of SLE, under the brand, Lupuzor. However, greater understanding of the mode of action of P140 suggests that it may have a role in the treatment of several other autoimmune and inflammatory conditions. Consequently, in addition to the development activities for Lupuzor, ImmuPharma, together with the team at CNRS, is also investigating the potential of the P140 platform for other inflammatory conditions, including:

- Chronic Inflammatory Demyelinating Polyneuropathy (CIDP), a neurological disorder characterised by progressive weakness and impaired sensory function in the arms and legs.
- Asthma, Sjogrens syndrome, renal inflammation in diabetes, gout and irritable bowel disease, based on preliminary pre-clinical investigations.

With these expanded opportunities, the pre-clinical research team, based at ImmuPharma Biotech, Bordeaux, has started work to develop a second generation, pharmacologically improved, version of P140 that could potentially improve functionality and administration modalities, and extend the patent life.

LUPUZOR

The potential use of P140 in the treatment of lupus has been ongoing for many years, during which time, ImmuPharma has built up a wealth of clinical knowledge. The development of Lupuzor has a chequered history, through minimal fault of ImmuPharma. However, the past year has seen considerable progress and, through its development partner, Avion, Lupuzor is about to undergo a pivotal Phase III trial, which, if successful, will pave the way to US and international approvals.

History of Lupuzor

Throughout all the clinical activities with Lupuzor, the safety and tolerability of Lupuzor has never been in question. The critical moment came in April 2018, when ImmuPharma reported initially that Lupuzor failed to meet the primary endpoint in its Phase III trial, largely because of the unusually high placebo response rate. However, on closer examination, in patients with a recognised biomarker for SLE, there did appear to be an effect. Key is that Avion has seen all the data and still decided to license and invest in Lupuzor.

SUMMARY OF LUPUZOR DEVELOPMENT

Date	Event
Nov 2008	Out-licensing option agreement with Cephalon, ImmuPharma received $15m
Feb 2009	Following positive Phase IIb results, Cephalon exercises option, with $30m payment
Nov 2009	Further encouraging Phase IIb results
Oct 2011	Lupuzor rights returned to ImmuPharma following Cephalon's merger with Teva
Jan 2015	Collaboration agreement with Simbec-Orion for pivotal Phase III Lupuzor trial
Dec 2016	Completion of recruitment for Phase III trial
Jan 2018	Phase III trial completion
Apr 2018	ImmuPharma reported that Lupuzor did not meet primary endpoint
May 2019	Data reassessment showed that patients with certain biomarker profiles were responsive
Nov 2019	Exclusive licence and development agreement and trademark agreement with Avion
Jul 2020	FDA submission of Phase III trial protocol under Special Protocol Assessment (SPA)
Feb 2021	FDA requests a PK study prior to commencement of Phase III trial
Apr 2022	Successful completion of PK study
2H 2022E	Avion to initiate pivotal Phase III multi-centre trial

Source: Company data, Stanford Capital Partners research.

Phase III trial results

The original Phase III trial compared Lupuzor plus "standard-of-care" (SOC) against placebo plus SOC in 202 patients diagnosed with lupus. SOC includes treatment with other drugs, usually steroids, but also anti-malarials or methotrexate in some cases. In the 153 patients who completed the trial, there was no significant difference between the two patient groups, which was largely due to the unusually high response rate observed in the control arm of the study. Therefore, based on statistical analysis, ImmuPharma had to conclude that Lupuzor did not meet the primary endpoint.

However, further analysis of the data from the 130 patients in the European cohort was undertaken. 79 patients were found to be antibody-positive (presence of anti-dsDNA auto-antibodies is a recognised biomarker for SLE) and statistically significant more of these patients responded to Lupuzor than seen in the control arm. These results were not replicated in the smaller number of patients in the US cohort due to the much lower number of antibody-positive patients recruited into this cohort, in contrast to the European cohort.

The overall conclusion was that Lupuzor was still worthy of further development, but a much tighter protocol with endpoints based on patients who are biomarker positive prior to randomisation into the study.

Avion agreement

In November 2019, having reviewed all the clinical data, Avion signed an exclusive licence and development agreement for Lupuzor. In addition, it signed a trademark agreement giving it the right to use various trademarks connected with the product.

As part of the development agreement, Avion is taking the lead in discussions with the FDA and will fund, up to $25m, an optimised international Phase III trial, including patients in the US and elsewhere, which is required for regulatory approvals in the US, Europe and several other countries. Discussions with the FDA led to the undertaking of the PK study which was completed in May 2022. Discussions of the successful PK results are now underway with the FDA prior to commencing the optimised Phase III protocol later in 2022.

Following regulatory approvals, Avion will commercialise Lupuzor in the US, while ImmuPharma retains the rights to commercialise Lupuzor in all markets outside the US, either by itself or through distribution partnerships.

ImmuPharma will receive $5m on FDA approval, tiered double-digit royalties up to a maximum of 17% on net sales plus sales milestones up to $70m. ImmuPharma would also receive $5m on regulatory approvals for each additional indication other than lupus.

PK study

At a meeting with the FDA in December 2020, confirmed in writing in February 2021, Avion was informed of the need to undertake a PK study to confirm the clinical pharmacology and pharmacokinetic characteristics of an optimised formulation of P140, prior to commencement of the Phase III Lupuzor trial. In order to perform this, ImmuPharma needed to develop and validate a bioanalytical assay.

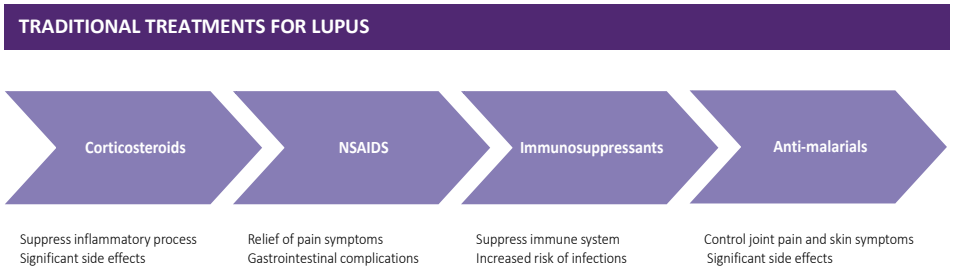
In April 2022, ImmuPharma reported that the study had concluded, with a successful outcome, meeting all the key endpoints. Healthy volunteers were administered subcutaneously either 200mcg or 800mcg of P140, which was compared with the absolute bioavailability achieved following 800mcg IV, which acted as control. A clear time and dose-dependent PK profile was achieved. As seen with all other clinical studies, P140 was safe and well tolerated by patients. This data has been shared with the FDA and final regulatory guidance from the FDA regarding the pivotal Phase III trial has been sought by Avion.

Lupus opportunity

Lupus remains a large commercial opportunity. The Lupus Foundation of America (www.lupus.org) estimates that there are 1.5m people in the US with lupus and the figure worldwide is at least 5m.

- 90% of people living with lupus are female, although it can be found in males and children.
- Onset is usually between the ages of 15 and 44 and usually strikes around childbearing age.
- Lupus is more common in black compared with white populations, approximately 3:1.
- People with lupus can experience a range of symptoms, such as pain, extreme fatigue, hair loss, cognitive issues, and physical impairments that affect every facet of their lives.
- Because lupus is a chronic condition where symptoms are getting worse on a gradual basis, the condition is frequently misdiagnosed. Indeed, in some patients, there may be no visible symptoms at all.

The traditional approach to treating lupus is to control the inflammatory symptoms, primarily with corticosteroids, which are generically available and cheap. However, side effects rule out their long-term use, so patients are often moved on to other anti-inflammatory drugs or immunosuppressants when corticosteroids are no longer an option.



Source: Stanford Capital Partners

More recently, there has been a change in the marketplace following the approval of two monoclonal antibodies for the treatment of lupus – Benlysta (GSK) and Saphnelo (AstraZeneca). These drugs act more specifically on the body's immune system by targeting and destroying only specific cells in the body. Benlysta was approved by the FDA in 2011 and reached global sales of $1.2bn in 2021, highlighting that the market is receptive to new approaches. Saphnelo has only been available for the past six months, having received FDA approval in July 2021.

Lupuzor has a different mechanism of action and would represent a completely new approach to the treatment of lupus, treating the cause rather than suppressing the symptoms.

P140 FOR CIDP

CIDP is an extremely rare autoimmune condition which causes demyelination of the nerves, resulting in general fatigue, numbness and generating weakness in the arms and legs. It is more common in males than females and tends to occur in advancing years. There are no specific treatments available, with patients usually receiving frequent infusions of immunoglobulin. All of the other preliminary work and early safety trials undertaken for Lupuzor – PK studies, safety and tolerability data – can be re-used for the CIDP submissions, so ImmuPharma intends to move this programme into Phase III trials in the near future.

ANTI-INFECTIVES

As part of the complete business review, management and the scientific leadership team identified two anti-infective programmes within the peptide technology framework that fitted with the corporate strategy of having good commercial prospects and relatively rapid speed to market and were, therefore, worthy of further investment.

ANTI-FUNGALS

Amphotericin B is a well-established drug used in the treatment of a wide range of fungal infections. However, it is also associated with an extensive side effect profile – adverse renal, metabolic, haematologic, cardiovascular and respiratory events in 10% of patients – so its use is often reserved for severe infections in critically ill or immunocompromised patients.

Originally launched as a conventional IV formulation, it was superseded first by lipid-based formulations, given as infusions, such as Abelcet (Leadiant Biosciences) and Amphotec (InterMune) and then by a liposomal formulation, AmBisome (Gilead Sciences). Although these more advanced formulations do not appear any more effective than conventional IV amphotericin, it is thought that they are better tolerated by patients and may have fewer adverse effects. In 2021, sales of amphotericin products were estimated to be around $720m, dominated by sales of AmBisome, at $540m. ImmuPharma's BioAMB is an improved, peptide-based, formulation of amphotericin, which, in pre-clinical studies, appears to be at least as efficacious but with a vastly improved side effect profile.

- Simple IV injection rather than IV infusion.
- Longer duration of activity leading to lower frequency of administration.
- Vastly improved side effect profile.
- Potential for 1st and 2nd line use versus azole anti-fungals.

Key risks include breaking into a market that is well established with just a formulation change and what the response of Gilead would be to a novel commercial threat.

ANTI-BACTERIALS

Vancomycin is a very old drug, first used in 1954, originally derived from the soil bacterium *amycolatopsis orientalis*, although purer forms are used today. The WHO classifies vancomycin as critically important for human medicine, used to treat complicated *Gram-positive* bacterial infections unresponsive to other antibiotics, notably penicillin, including skin infections, infections of the bloodstream (sepsis) and endocarditis. Since vancomycin cannot be absorbed from the intestines and has a short half-life, it is usually administered by IV infusion. Its use is complicated by the small therapeutic window and plasma levels need to be monitored, adding significant pressure on to busy healthcare staff.

The most common side effect is pain around the site of injection (>1% of patients). Damage to kidneys (nephrotoxicity) and hearing (ototoxicity) were observed in the early impure versions, but are very rare today. There are rare cases of anaphylaxis and blood disorders in <0.1% of patients.

ImmuPharma's BioCIN is a biomodified, peptide-based, formulation of vancomycin, which, in pre-clinical studies, appears to offer efficacy with an improved side effect profile.

- IV injection rather than IV infusion.
- Longer duration of activity leading to lower frequency of administration.
- Improve tolerance and reduce adverse events.

The key risk is entering a premium-priced product into a well-established market that is dominated by cheap generics.

FINANCIALS

Having been incorporated in 1999, there is a long financial track record for the group with annual reports back to 2006 available on the company's website.

INCOME STATEMENT

- ImmuPharma has minimal sales. Consequently, the income statement is dominated by general corporate costs and the amount of cash invested into R&D each year, offset by R&D tax credits.
- Operating costs have been scaled back in each of the past three years and are being tightly controlled to maximise resources.
- Following recent restructuring, ImmuPharma is forecast to invest £2.0-£2.5m in research annually (2021 included some exceptional costs). While it may incur some modest clinical trial costs, most trials are contracted and being paid for by its licensing partners.
- Research and Development tax credits are available from both the UK and French governments and are usually received during the 12 months following the fiscal year in which they are accrued.

Yr to December 31 (£m)	FY19	FY20	FY21	FY22E	FY23E
Sales	0.08	0.13	0.12	-	-
COGS	-	-	-	-	-
Gross profit	-	-	-	-	-
SG&A	(1.83)	(1.76)	(1.01)	(0.95)	(1.04)
Share-based costs	(1.98)	(1.58)	(0.62)	(0.31)	(0.31)
R&D	(2.66)	(2.37)	(3.65)	(2.30)	(2.40)
Other income	0.12	-	-	-	-
EBIT Adjusted	(6.28)	(5.59)	(5.16)	(3.56)	(3.75)
Exceptional expenses	-	-	(1.43)	-	-
EBIT Reported	(6.28)	(5.59)	(6.59)	(3.56)	(3.75)
Depreciation	(0.06)	(0.14)	(0.08)	(0.07)	(0.07)
Amortisation	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
EBITDA Adjusted	**(6.19)**	**(5.42)**	**(5.05)**	**(3.45)**	**(3.64)**
Net interest	(0.46)	(1.66)	(2.35)	0.00	(0.00)
PBT Adjusted	**(6.74)**	**(7.25)**	**(7.51)**	**(3.55)**	**(3.75)**
Other financial items	-	-	-	0.87	0.41
PBT Reported	(6.74)	(7.25)	(8.94)	(2.68)	(3.34)
Tax	0.62	0.39	0.77	0.46	0.48
PAT Adjusted	**(6.12)**	**(6.86)**	**(6.75)**	**(3.09)**	**(3.27)**
PAT Reported	(6.12)	(6.86)	(8.17)	(2.22)	(2.86)
Shares period-end (m)	167.36	250.22	284.98	284.98	285.98
Shares basic wtd av (m)	153.45	200.18	251.16	284.98	284.98
Shares dil wtd av (m)	169.82	254.51	361.96	395.78	395.78
EPS Reported Basic (p)	(3.99)	(3.43)	(3.25)	(0.78)	(1.00)
EPS Reported Diluted (p)	(3.61)	(2.70)	(2.26)	(0.56)	(0.72)
EPS Adjusted Basic (p)	(3.99)	(3.43)	(1.80)	(1.09)	(1.15)
EPS Adjusted Diluted (p)	**(3.61)**	**(2.70)**	**(1.25)**	**(0.78)**	**(0.83)**

Source: Company data, Stanford Capital Partners estimates.

SUMMARY CASHFLOW

Cashflows are driven in the same way as the income statement, dominated by general corporate costs and the amount of cash invested into R&D each year, offset by R&D tax credits.

- In 2021, excluding the one-off payments in December to restructure the Board, the average monthly cashburn was £0.3m. Cost reduction as a result of the restructuring is expected to see this reduce to c.£0.2m per month, part of which will be funded from the Lanstead arrangement.
- R&D tax credits, currently £0.76m, are available and are usually received during the 12 months following the fiscal year in which they are accrued.
- Because much of the company's activities are outsourced, there is very low demand on working capital.

Yr to December 31 (£m)	FY19	FY20	FY21	FY22E	FY23E
Adjusted EBIT	(6.28)	(5.59)	(5.16)	(3.56)	(3.75)
Depreciation	0.06	0.14	0.08	0.07	0.07
Amortisation	0.03	0.03	0.03	0.03	0.03
Share-based payment	1.98	1.58	0.62	0.31	0.31
Foreign exchange	(0.52)	(0.15)	0.00	0.00	-
Exceptional items/provisions	-	-	(1.43)	-	-
Interest received/(paid)	0.00	(0.01)	(0.00)	(0.00)	(0.00)
Tax received/(paid)	0.75	0.61	0.39	0.76	0.46
Other	-	-	-	-	-
Operating Cash Flow	**(3.98)**	**(3.39)**	**(5.46)**	**(2.38)**	**(2.88)**
Working capital					
(Increase)/Decrease in inventories	-	-	-	-	-
(Increase)/Decrease in debtors/receivables	0.18	(0.01)	(0.27)	(0.03)	(0.01)
(Increase)/Decrease in creditors/payables	(0.41)	0.11	0.90	0.87	0.11
Movement in working capital	**(0.23)**	**0.11**	**0.63**	**0.84**	**0.10**
Cash from operations	**(4.22)**	**(3.29)**	**(4.83)**	**(1.54)**	**(2.78)**
Investing activities					
Purchase of intangibles	-	-	-	-	-
Purchase of PPE	(0.11)	(0.36)	(0.05)	(0.05)	(0.05)
Investments	-	(0.25)	-	-	-
Net cash used in investing	(0.11)	(0.61)	(0.05)	(0.05)	(0.05)
Net OpFCF	**(4.32)**	**(3.90)**	**(4.88)**	**(1.59)**	**(2.83)**
Financing activities					
Borrowings	0.09)	(0.02)	(0.01)	-	-
Settlements from Sharing Agreement	0.41	1.29	0.33	0.37	0.44
Funds deferred from Sharing Agreement	(2.66)	(1.30)	(2.20)	(1.19)	(0.09)
Leases	-	-	-	-	-
Share issue	2.66	8.00	3.55	-	-
Cost of fundraise	-	(0.70)	(0.13)	-	-
Convertibles (net)	-	1.10	(0.84)	-	-
Other	-	-	-	-	-
Net cash from financing	**0.33**	**8.37**	**0.70**	**(0.83)**	**0.35**
Net increase /(decrease) in cash	(4.00)	4.47	(4.18)	(2.42)	(2.48)
				-	-
Cash at beginning of year	4.91	1.37	5.86	1.65	(0.77)
Effect of Forex	0.45	0.03	(0.03)	-	-
Cash at year end	**1.37**	**5.86**	**1.65**	**(0.77)**	**(3.25)**

Source: Company data, Stanford Capital Partners estimates.

SUMMARY BALANCE SHEET

- ImmuPharma has a clean balance sheet, with no debt or financial lease liabilities. At 31st December 2021, the gross cash position was £1.65m.
- As highlighted earlier, in December 2021, ImmuPharma entered into a "Sharing Agreement" with Lanstead, whereby Lanstead agreed to invest £2.2m into the company as part of its £3.55m capital increase, but releasing the funds monthly over a period of 24 months, based on a benchmark share price of 14.67p. In the event that the share price is 5.5p, ImmuPharma would receive only £34.4k (37.5% of £91.7k) for that month; if the share price is 20.0p, ImmuPharma would receive £125.0k (136% of £91.7k) for that month. ImmuPharma has used this funding method, successfully, previously.
- At 31 December 2021, ImmuPharma had an accrued R&D tax credit of £0.76m.

Yr to December 31 (£m)	FY19	FY20	FY21	FY22E	FY23E
Non-current assets					
Intangible Assets	0.48	0.48	0.48	0.45	0.41
Property, plant & equipment	0.21	0.41	0.35	0.33	0.31
Right of use Asset	-	-	-	-	-
Derivative financial asset	0.84	0.17	0.41	0.07	-
Financial assets	0.69	2.42	1.42	1.42	1.42
Sum Fixed Assets	**2.22**	**3.49**	**2.65**	**2.26**	**2.14**
Current Assets					
Inventories	-	-	-	-	-
Trade receivables	0.15	0.16	0.43	0.46	0.47
Tax recoverable	0.61	0.39	0.76	0.46	0.48
Cash	1.36	5.86	1.65	(0.77)	(3.25)
Deposits	-	-	-	-	-
Derivative financial asset	1.46	1.02	0.51	0.49	0.10
Sum Current Assets	**3.58**	**7.43**	**3.35**	**0.64**	**(2.20)**
Total Assets	**5.80**	**10.92**	**6.00**	**2.90**	**(0.06)**
Current Liabilities					
Bank borrowings	(0.03)	(0.01)	(0.00)	-	-
Convertible loan notes	-	(0.63)	-	-	-
Trade payables	(0.51)	(0.62)	(1.58)	(0.71)	(0.61)
Tax payable	-	-	-	-	-
Other	-	-	-	-	-
Sum Current Liabilities	**(0.53)**	**(1.26)**	**(1.58)**	**(0.71)**	**(0.61)**
Net Current Assets less Current Liabilities	**3.05**	**6.17**	**1.76**	**(0.07)**	**(2.81)**
Long-term Liabilities					
Loans	-	-	-	-	-
Leases	-	-	-	-	-
Other	-	-	-	-	-
Sum Long-term Liabilities	**-**	**-**	**-**	**-**	**-**
Total Liabilities	**(0.53)**	**(1.26)**	**(1.58)**	**(0.71)**	**(0.61)**
Net Assets	**5.27**	**9.65**	**4.41**	**2.19**	**(0.67)**
Capital & Reserves					
Share Capital	16.74	25.02	28.50	28.50	28.50
Share Premium Account	27.19	27.24	27.24	27.24	27.24
Share-based payment reserve	-	-	-	-	-
Other reserves	1.54	3.36	5.26	5.26	5.26
Retailed earnings	(40.19)	(45.97)	(56.58)	(58.80)	(61.66)
Total Equity	**5.27**	**9.65**	**4.41**	**2.19**	**(0.67)**
Net cash/(debt)	**2.79**	**6.24**	**2.16**	**(0.28)**	**(3.15)**

Source: Company data, Stanford Capital Partners estimates.

VALUATION

DISCOUNTED CASHFLOW ANALYSIS

The most appropriate way to value pharmaceutical companies is to prepare detailed discounted cashflow analyses of each key product in the company's portfolio through to patent expiry to provide the NPV of those cash streams and then to risk-adjust this value based upon long-term industry standards for the probability of the product reaching the market. This methodology can be applied irrespective of the commercial strategy being adopted by the company to commercialise the drugs by itself or to out-license them in return for milestones and royalties.

DCF analysis for ImmuPharma is relatively simple, largely because it already has a commercial partner for Lupuzor in the important US market, and Avion is paying the costs of the Phase III trial. Consequently, the DCF is based solely on the cashflow derived from the declared regulatory approval and sales milestones up to a maximum of $70m and tiered double-digit percentage royalties up to a maximum of 17%. It has also been assumed that ImmuPharma adopts a similar out-licensing strategy for Europe and other territories.

KEY ASSUMPTIONS FOR DCF OF LUPUZOR	
Year of launch	US: 2025; Europe: 2026
Probability of reaching market	Based on completed Phase IIb trials, 40%
Patent expiry	2035
Regulatory and sales milestones	Up to $70m
Royalty rate	Tiered double-digit percentage up to a maximum of 17%
Predicate drug	Sales forecast based on the actual sales and growth rates seen with Benlysta
Peak sales	$1,000m
WACC	Cost of equity, assumed to be c.10% although risk-free rate is rising

Source: Company data, Stanford Capital Partners estimates.

Based on these assumptions, our DCF generates an NPV of $298m/£239m. The most contentious element of our DCF model is the risk-adjustment used for the probability of reaching the market. We use the long-term industry data based on actual outcomes. For a product that has completed Phase IIb trials, that is 40%. Clearly, a positive outcome in the pending pivotal Phase III trial would more than double the valuation. The risk-adjusted NPV of Lupuzor is $119m/£96m, which equates to 33p per share.

DCF OUTPUT FOR LUPUZOR					
WACC	NPV ($m)	NPV (£m)	Risk-Adjusted NPV ($m)	Risk-Adjusted NPV (£m)	Risk-Adjusted NPV per share (p)
8%	356.2	285.0	142.5	114.0	40
9%	325.7	260.6	130.3	104.2	37
10%	**298.3**	**238.6**	**119.3**	**95.5**	**33**
11%	273.6	218.8	109.4	87.5	31
12%	251.2	201.0	100.5	80.4	28

Source: Company data, Stanford Capital Partners estimates.

Exactly the same principles and assumptions have been applied to P140 for CIDP. All of the early trial work and PK study can also be used for this indication. Consequently, the probability of reaching the market is exactly the same. Sales forecasts are considerably lower because CIDP is a much rarer condition, only occurring in 1-in-300,000 people. The main advantage that P140 has is that it would be a treatment of the underlying cause, rather than reducing symptoms as is the case with existing therapy, IgG. Consequently, regulatory approval is likely to be followed by a rapid uptake of the product. Our DCF model for CIDP generates an NPV of $33m/£26m, which on a risk-adjusted basis add $13m/£11m, or 4p per share.

While there is some value attached to the anti-infective programmes, as they are only in pre-clinical developments, any value on a risk-adjusted basis is negligible.

COMPANY INFORMATION

Country of incorporation: England and Wales

Company Registration Number: 3929567

Main Country of Operation: France

Registered office: One Bartholomew Close, London, EC1A 7BL, UK

Website: www.ImmuPharma.co.uk

BOARD OF DIRECTORS & SENIOR MANAGEMENT

BOARD OF DIRECTORS	
Chief Executive Officer	Tim McCarthy
Chief Operating Officer	Dr Tim Franklin
Head of IR and NED	Lisa Baderoon
Senior independent NED	Dr Sanjeev Pandya
Chief Financial Officer* and Company Secretary*	Ewa Flynn

*Non-Board appointments
Source: Company data, Stanford Capital Partners estimates.

ImmuPharma obtains its scientific expertise through its close relationship with senior scientists based at CNRS in Strasbourg, Bordeaux and Paris.

SCIENTIFIC TEAM	
Professor Sylviane Muller*	Research Director at CNRS
Dr Gilles Guichard*	Research Director at CNRS, Université de Bordeaux
Dr Jean-Paul Briand*	Research Director at CNRS
Dr José Courty	Research Director at CNRS

* Co-founder of ImmuPharma France
Source: Company data, Stanford Capital Partners estimates.

COMPANY ADVISORS

COMPANY ADVISORS	
NOMAD	SPARK Advisory Partners Limited
Joint Broker	Stanford Capital Partners Limited
Joint Broker	Si Capital Limited
Public and Investor Relations	investors@ImmuPharma.com
Solicitors	BDB Pitmans
Auditors	Evelyn Partners LLP (formerly Nexia Smith & Williamson)
Registrar	Computershare Investor Services PLC

Source: Company data, Stanford Capital Partners estimates.

SHARE CAPITAL

On 7 July 2022, there were 284,984,933 Ordinary shares of 1p nominal value in issue. In addition, there were 17.1m options (12.4m exercisable) and 93.68m warrants in issue.

MAJOR SHAREHOLDERS		
Directors	722,425	0.25%
Lanstead Capital Investors LP	28,072,486	9.85%
Luca & Associates AG	22,000,000	7.72%
Alora Pharmaceuticals LLP (parent of Avion)	10,909,091	3.83%

Source: Company reports.

GLOSSARY

Avion	Avion Pharmaceuticals; subsidiary of Alora Pharmaceuticals LLC
CIDP	Chronic Inflammatory Demyelinating Polyneuropathy
CNRS	Centre National de la Recherche Scientifique
DCF	Discounted cashflow
FDA	US Food & Drug Administration
IgG	Immunoglobulin G
IP	Intellectual Property
IV	Intravenous
Lanstead	Lanstead Capital Investors LP
mcg	micrograms
NPV	Net present value
PK	Pharmacokinetic
SC	Subcutaneous
SLE	Systemic Lupus Erythematosus, or Lupus
SOC	Standard-of-care
WACC	Weighted average cost of capital
WHO	World Health Organisation

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STANFORD CAPITAL PARTNERS – KEY CONTACTS

RESEARCH

Dr Martin Hall
+44 (0) 20 3650 3650

CORPORATE BROKING

John Howes
+44 (0) 20 3650 3652
jhowes@stanfordcp.co.uk

Bob Pountney
+44 (0) 20 3650 3651
bpountney@stanfordcp.co.uk

Patrick Claridge
+44 (0) 20 3650 3650
pclaridge@stanfordcp.co.uk