

TapImmune, Inc. (OTCQB: TPIV, Target Price: \$6.97)

TapImmune, Inc. (“TapImmune”) is a clinical-stage immunotherapy company specializing in the development of innovative peptide and gene-based immunotherapeutics and vaccines for the treatment of oncology and infectious disease. TapImmune is also exploiting the emerging field of vaccinomics for the development of vaccines applicable to a broad patient population. Recent company highlights include:

- On September 16, 2014, TapImmune released positive interim data on its Phase I clinical trial of folate receptor alpha antigens in ovarian and breast cancer.
- On August 18, 2014, TapImmune announced 2Q14 results. The company reported net income of \$753k, or \$0.05 per share, compared with a net loss of (\$866k), or (\$0.87) per share in 2Q13.

Performance Highlights

Positive interim data keeps company on track for phase II

On September 16, 2014, TapImmune released positive interim data on its Phase I clinical trial of folate receptor alpha antigens in ovarian and breast cancer. Interim data from the first 13 patients in the clinical trial show that each of the patients treated have raised specific T-cell immune responses against a set of five naturally processed folate receptor alpha Class II antigenic epitopes. All five of the constituent peptides were found to be immunogenic and all patients developed immune responses to at least one and in most cases more than one of the vaccine peptides. The trial, being carried out at the Mayo Clinic, Rochester, MN, is fully accrued and as of August 26, 2014, all 22 patients had completed their vaccinations. Eight women with HER2-negative breast cancer, thirteen with ovarian cancer and one with fallopian tube cancer were enrolled. This is the first positive endpoint that TapImmune has reported for the clinical study, and the company also reported that in general, the vaccine has been well tolerated. This promising data on safety and immune responses provide a clear scientific rationale for progressing to a phase II clinical trial, which we would expect would be initiated in the next 6 months.

Solid cost containment in 2Q14, story remains phase II trials

On August 18, 2014, TapImmune announced 2Q14 results. The company reported net income of \$753k, or \$0.05 per share, compared with a net loss of (\$866k), or (\$0.87) per share in 2Q13. Average shares outstanding for 2Q14 were 15.5mn, compared to 1mn in 2Q13. The positive net income was the result of a \$920k gain on the settlement of debt and a \$353k change in the fair value of derivative liabilities. TapImmune reported \$488k in total non-R&D operational expenses in 2Q14, compared with \$112k in 2Q13 but down sequentially from \$1.2mn in 1Q14. We would expect to see operating expenses rise in 2H14 as the company prepares to initiate phase II clinical trials.

Maintain price target of \$6.97, compelling valuation

We maintain our price target of \$6.97 for TPIV. This represents 641% upside potential from the recent market price of \$0.94. With a market cap of just \$17.9mn, we feel that TapImmune offers investors compelling value given the unique nature of its cancer immunotherapy platform and upcoming news flow as the company initiates phase II trials. Our June 23rd note on TapImmune highlighted its valuation gap with its NASDAQ traded peer group.

Stock Details (09/15/14)

OTCQB:	TPIV
Sector / Industry	Healthcare / Biotechnology
Price target	\$6.97
Recent share price	\$0.94
Shares o/s (mn)	19.1
Market cap (in \$mn)	17.9
52-week high/low	\$7.00 / \$0.93

Source: Thomson Reuters, SeeThruEquity Research

Key Financial (\$mn, unless specified)

	FY12	FY13	FY14E
Revenues	0.0	0.0	0.0
EBITDA	(6.2)	(3.3)	(7.2)
EBIT	(6.2)	(3.3)	(7.2)
Net Income	(6.2)	(5.5)	(35.7)
EPS (\$)	(9.42)	(4.87)	(2.21)

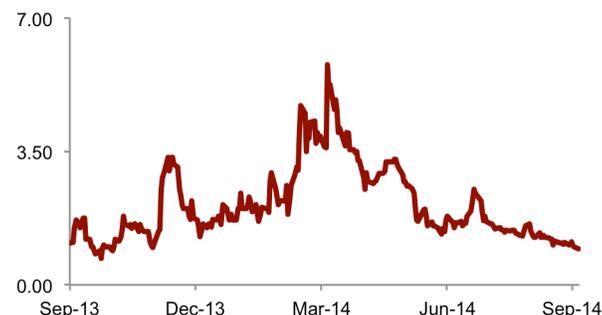
Source: SeeThruEquity Research

Key Ratios

	FY12	FY13	FY14E
Gross margin (%)	N/A	N/A	N/A
Operating Margin (%)	N/A	N/A	N/A
EBITDA margin (%)	N/A	N/A	N/A
Net margin (%)	N/A	N/A	N/A
P/Revenue (x)	N/A	N/A	N/A
EV/EBITDA (x)	(5.7)	(10.6)	(4.9)
EV/Revenue (x)	N/A	N/A	N/A

Source: SeeThruEquity Research

Share price performance (\$, LTM)



Source: Thomson Reuters

QUARTERLY FINANCIAL SUMMARY

Figure 1. Income Statement Summary

Figures in \$'000, unless specified	2Q14	2Q13	2013	2012
Operating expenses	510.9	165.9	3,309	6,229
YoY growth	208%		(46.9%)	
Interest and other	1,264.4	(483.2)	(2,222)	57.6
YoY growth	NM		NM	
Net income	754.5	(866.2)	(5,529)	(6,172)
YoY growth	NM		NM	
Diluted EPS	\$0.05	(\$0.87)	(\$4.87)	(\$9.42)
YoY growth	NM		NM	

Source: Company Earnings Release, SeeThruEquity Research

Positive interim phase I data highlights recent company events:

- On September 16, 2014, TapImmune released positive interim data on its Phase I clinical trial of folate receptor alpha antigens in ovarian and breast cancer. Interim data from the first 13 patients in the clinical trial show that each of the patients treated have raised specific T-cell immune responses against a set of five naturally processed folate receptor alpha Class II antigenic epitopes. All five of the constituent peptides were found to be immunogenic and all patients developed immune responses to at least one and in most cases more than one of the vaccine peptides.
- The trial, being carried out at the Mayo Clinic, Rochester, MN, is fully accrued and as of August 26, 2014, all 22 patients had completed their vaccinations. Eight women with HER2-negative breast cancer, thirteen with ovarian cancer and one with fallopian tube cancer were enrolled.
- This is the first positive endpoint that TapImmune has reported for the clinical study, and the company also reported that in general, the vaccine has been well tolerated. This promising data on safety and immune responses provide a clear scientific rationale for progressing to a phase II clinical trial.
- TapImmune had not included the ovarian cancer market in any of its financial projections. By initiating a phase II, the company is essentially doubling its revenue pipeline. There are no other post chemotherapy or surgery therapeutics available in the ovarian market, so it is likely that TapImmune would file for Orphan Drug Status on this indication.
- In addition to the primary ovarian indication, this set of antigens and TapImmune's approach fills a significant need for treatments for difficult to treat cancers for which targeted therapies are not available, for example Triple-negative breast cancer.
- TapImmune continues to strengthen its balance sheet with an eye towards uplisting to the NASDAQ. In the last three quarters, the company has reduced its shareholder deficit from (\$8.8mn) in 4Q13 to (\$5.5mn) in 1Q14 to (\$2.5mn) in 2Q14. TapImmune then announced a capital raise of \$2mn on August 19, 2014.

Maintaining price target of \$6.97

- We maintain our \$6.97 price target, this represents 641% upside potential from the recent price of \$0.94.
- We feel that the market continues to discount TapImmune's potential, and look to the September 17, 2014 IPO of Tokai Pharmaceuticals, Inc. (NASDAQ: TKAI) as another valuation data point. Tokai issued 6.5mn shares at an IPO price of \$15 per share. As of writing of this report, TKAI shares were up 55%, to \$23.35. Tokai is a developer of small-molecule therapies for prostate cancer and other hormonally driven diseases. The company's lead drug candidate, galeterone, is currently being evaluated in an ongoing Phase 2 study, called ARMOR2, in patients with castration resistant prostate cancer (CRPC). The company plans to initiate a pivotal clinical trial of galeterone in the first half of 2015.
- With multiple drug candidates on the verge of entering phase II trials and a potential uplisting to the NASDAQ, we are confident that TapImmune shares will see materially increased investor attention in the upcoming months.

CONTACT:

Ajay Tandon
Director of Research
SeeThruEquity, LLC
www.seethruequity.com
(646) 495-0939
ajay@seethruequity.com

Brandon Primack, CFA
Associate Director of Research
SeeThruEquity, LLC
(646) 495-0939
brandon@seethruequity.com

DISCLOSURE:

This report has been prepared and distributed by SeeThruEquity, LLC. This report is based on sources that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. All information contained herein is subject to change without notice. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. Statements included in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve a number of risks and uncertainties such as competitive factors, technological development, market demand and the company's ability to obtain new contracts and accurately estimate net revenues due to variability in size, scope and duration of projects, and internal issues.

SeeThruEquity has not been compensated for the preparation of this report. SeeThruEquity and/or its affiliates may have a long position with respect to the publicly traded shares of the subject company covered in this report. SeeThruEquity, LLC is not a broker-dealer and does not generate any investment banking or commission-based revenue with respect to the securities of the company described herein.

Our professionals may provide oral or written market commentary that reflects opinions that are contrary to the opinions expressed in this report. The price and value of the investment referred to in this report may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Our report is disseminated primarily electronically, and, in some cases, in printed form. Electronic report is simultaneously available to all recipients in any form. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof.

Copyright 2011-2014 SeeThruEquity, LLC. No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of SeeThruEquity, LLC.