



Immuron Limited
(ASX: IMC,
OTCQB: IMROY)

January 12, 2016
Target Price: A\$1.85
Recent Price: A\$0.40

Market Data

Fiscal Year	June
Industry	Biotech
Market Cap	A\$30.0M
Price/Earnings (ttm)	N/A
Price/Book (mrq)	9.0x
Price/Sales (ttm)	26.7x
Insider Ownership	30.8%
Shares Outstanding	75.0M
Equity Float	51.9M
Avg. Volume (3 mo.)	24,424
<i>As of January 12, 2016</i>	

Income Statement Snapshot

LFY

Revenue	A\$1.1M
Net Loss	(A\$3.4M)

Balance Sheet Snapshot

LFY

Cash	A\$3.1M
Debt	A\$0.0M

Company Website

www.immuron.com/

Strong preclinical results in the prevention, treatment, and prevention of recurrence in C. difficile

Preclinical proof-of-concept study shows 80% efficacy for the prevention and treatment of Clostridium difficile (C. difficile), and 77.8% prevention of recurrence in C. difficile. IMC recently reported outstanding results in preclinical studies for IMM-529 for C. difficile. The studies showed 80% efficacy for the prevention and treatment of C. difficile, and 77.8% prevention of infection recurrence in C. difficile in mice. Combination therapy of IMM-529 and vancomycin (the standard of care antibiotic treatment) reduced disease recurrence and mortality to 22.2%. The control group, which treated mice with only vancomycin, had mortality of 88.9%.

Human clinical trials are expected to combine IMM-529 with the antibiotic standard of care. The results also indicate that IMM-529 may be effective in treating C. difficile for either prevention, treatment, or relapse of C. difficile. This potentially allows Immuron to serve the entire population of C. difficile users, thus maximizing the potential revenue from the therapy.

IMM-529's unique mechanism of action allows it to treat C. difficile at the source. As a polyclonal antibody, IMM-529 generates highly specific antibodies for the three main sources of C. difficile: Toxin B, the highly infectious spores, and the vegetative cells in the gut. Toxin B is known to be the main target to treat C. difficile, but the spores and vegetative cells are thought to be the main cause for recurrences in C. difficile.

Another feature of IMM-529 is that it attacks C. difficile at the source. This allows IMM-529 to bind to toxin B at the source, in the small intestine, while also binding to spores and vegetative cells.

Additionally, Immuron's therapy has been shown to rebalance the gut microbiota. This is crucial, as antibiotics have been shown to disrupt the gut microbiota (antibiotics are the current standard of care for C. difficile). Advances in technology have shown researchers that antibiotics can decrease the diversity of bacteria in the gut, along with sometimes decreasing the amount of good bacteria in the gut and increasing the amount of bad bacteria in the gut. Studies have shown that post-antibiotic recovery of the gut microbiota is only partial, and can persist for many years. This effect has been shown in studies for metronidazole, which is usually prescribed as a first-line measure for mild to moderate C. difficile infection. This imbalance in the gut microbiome may cause C. difficile recurrence. IMM-529's ability to rebalance the gut microbiota and reintroduce good bacteria can be crucial in overall treatment, recurrence prevention, and long-term recovery.

From a mechanism of action standpoint, we see a number of advantages of IMM-529 when compared to Merck's recently approved drug for C. difficile, bezlotoxumab. Bezlotoxumab is a monoclonal antibody which neutralizes toxin B that has entered the blood stream. IMM-529 is a polyclonal antibody that targets toxin B, plus spores and vegetative cells. Also, IMM-529 targets toxin B in the human gut, which is the specific site of C. difficile infection, while bezlotoxumab targets toxin B in the blood stream, after it passes through the gut and colon. These advantages are promising, although it remains to be seen if these advantages will translate into improved results in humans.

Low cost and safety of IMM-529 provide advantages. IMM-529's low cost, safety, and all-natural dairy composition provide a potential advantage compared to other treatments. These characteristics provide a low cost treatment, which is crucial in the current environment of rising healthcare costs, along with providing the potential of consistent, long-lasting treatment. This is different from more expensive therapies that are only administered in a single dose.

Strong support from key opinion leaders in C. difficile. The lead researcher in the preclinical studies of IMM-529 is Associate Professor Dena Lyras. Professor Lyras is a world-renowned C. difficile expert, and was the first researcher to report on the significance of toxin B, as opposed to toxin A, in the pathology of C. difficile. This finding was reported in a 2009 paper which was published in highly respected scientific journal *Nature*. Her backing provides strong support for the potential of IMM-529.

Approximately 500,000 people get C. difficile in the U.S. alone; this patient population represents a significant potential revenue opportunity. In addition to the 500,000 people that get C. difficile annually, approximately 20%, or about 100,000 people, experience recurring C. difficile. The overall economic burden from C. difficile is estimated at \$10 billion worldwide. According to GlobalData, the market for treating C. difficile infections is expected to grow from \$356.3 million in 2014 to over \$1.5 billion by 2024. This growth is expected to be driven by new CDI-specific antibiotics and new non-antibiotic approaches for treating C. difficile.

Raising target price from A\$1.70 to A\$1.85. This target price increase is due to the addition of C. difficile to our valuation model. Companies with lead compounds in C. difficile have received significant valuations, including Seres Therapeutics (\$1.2 billion) and Synthetic Biologics (\$145.3 million). Both companies are in phase II trials for C. difficile. We anticipate the Company initiating a human clinical trial in C. difficile over the near-term.

Travelan & Protectyn	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
U.S. # of travelers	61,500,000	61,807,500	62,116,538	62,427,120	62,739,256	63,052,952	63,368,217	63,685,058	64,003,483	64,323,501
Penetration Rate	0.4%	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Rev Received Per Sale	15	15	15	15	15	15	15	15	15	15
Total Revenue (Travelan only)	3,745,350	8,962,088	13,510,347	18,103,865	18,194,384	18,285,356	18,376,783	18,468,667	18,561,010	18,653,815
Canada # of travelers	5,252,000	5,304,520	5,357,565	5,411,141	5,465,252	5,519,905	5,575,104	5,630,855	5,687,163	5,744,035
Penetration Rate	1.0%	1.5%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Rev Received Per Sale	15	15	15	15	15	15	15	15	15	15
Total Revenue (Travelan & Protectyn)	761,540	1,153,733	1,553,694	1,961,539	1,981,154	2,000,965	2,020,975	2,041,185	2,061,597	2,082,213
Australia # of travelers	8,181,000	8,262,810	8,345,438	8,428,892	8,513,181	8,598,313	8,684,296	8,771,139	8,858,851	8,947,439
Penetration Rate	1.9%	2.6%	3.4%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Rev Received Per Sale	15	15	15	15	15	15	15	15	15	15
Total Revenue (Travelan & Protectyn)	2,224,209	3,145,032	4,084,049	5,041,531	5,091,947	5,142,866	5,194,295	5,246,238	5,298,700	5,351,687
China population	1,357,000,000	1,370,570,000	1,384,275,700	1,398,118,457	1,412,099,642	1,426,220,638	1,440,482,844	1,454,887,673	1,469,436,550	1,484,130,915
Penetration Rate	0.01%	0.02%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Rev Received Per Sale	15	15	15	15	15	15	15	15	15	15
Total Revenue (Travelan only)	1,967,650	3,974,653	6,021,599	8,109,087	8,190,178	8,272,080	8,354,800	8,438,349	8,522,732	8,607,959
Total Travelan & Protectyn Revenue	8,698,749	17,235,506	25,169,689	33,216,022	33,457,663	33,701,267	33,946,853	34,194,438	34,444,039	34,695,674
COGS	2,774,901	5,498,126	8,029,131	10,595,911	10,672,994	10,750,704	10,829,046	10,908,026	10,987,648	11,067,920
Direct Selling Costs (S&M, Freight)	3,653,475	7,238,912	10,571,269	13,950,729	14,052,218	14,154,532	14,257,678	14,361,664	14,466,496	14,572,183
Travelan & Protectyn Profit	2,270,374	4,498,467	6,569,289	8,669,382	8,732,450	8,796,031	8,860,129	8,924,748	8,989,894	9,055,571

Discount Rate	10%
NPV	A\$43.0M

NASH	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Global Market Size	4,058,210,000	5,312,602,711	6,954,728,209	9,104,434,698	11,918,615,464	15,602,659,503	20,425,441,556	26,738,945,541	35,003,953,608	45,823,675,668
Penetration Rate	0%	0%	0%	0%	0%	0%	3%	5%	7%	10%
Total Sales	0	0	0	0	0	0	612,763,247	1,336,947,277	2,450,276,753	4,582,367,567
License Fee						300,000,000				
Royalty Rate	0%	0%	0%	0%	0%	0%	8%	8%	8%	8%
Royalty Revenue	0	0	0	0	0	0	49,021,060	106,955,782	196,022,140	366,589,405

Discount Rate	10%
NPV	\$468.9M
Prob of Success	30%
	A\$140.7M

ASH	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Global Market Size	405,821,000	531,260,271	695,472,821	910,443,470	1,191,861,546	1,560,265,950	2,042,544,156	2,673,894,554	3,500,395,361	4,582,367,567
Penetration Rate	0%	0%	0%	0%	0%	0%	3%	7%	10%	16%
Total Sales	0	0	0	0	0	0	61,276,325	187,172,619	350,039,536	733,178,811
Royalty Rate	0%	0%	0%	0%	0%	0%	8%	8%	8%	8%
Royalty Revenue	0	0	0	0	0	0	4,902,106	14,973,810	28,003,163	58,654,305

Discount Rate	10%
NPV	\$44.0M
Prob of Success	30%
	A\$13.2M

C. difficile	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Global Market Size	477,675,000	553,147,650	640,544,979	741,751,085	858,947,757	994,661,502	1,151,818,020	1,333,805,267	1,500,000,000	1,650,000,000
Penetration Rate	0%	0%	0%	0%	0%	0%	0%	0%	10%	30%
Total Sales	0	0	0	0	0	0	0	0	150,000,000	495,000,000
License Fee								200,000,000		
Royalty Rate	0%	0%	0%	0%	0%	0%	0%	0%	8%	8%
Royalty Revenue	0	0	0	0	0	0	0	0	12,000,000	39,600,000

Discount Rate	10%
NPV	\$113.7M
Prob of Success	10%
	A\$11.4M

Combined NPV	A\$208.3M
Net Debt	-A\$6.1M
Cash from options/warrants	A\$0.6M
Fully Diluted Shares Outstanding (includes additional shares to represent potential future equity raises)	116.4M
Price Per Share	A\$1.85

Additional Information

Auditor: William Buck

Legal: K&L Gates LLP

Transfer Agent: Security Transfer Registrars Pty Ltd.

[Company Website](#)

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