

**Action Summary – 17 October 2024**

Analysts Sally Yanchus and Theodore R. O'Neill are *reiterating our Buy rating and US\$5 PT*

- **Solid 3Q24 sales.** Immuron reported its September 2024 quarter sales. Travelan, IMRN's only marketed product, globally sold AUD\$1.5M, an increase of 13% from the prior quarter ending June 2024. Sales in Australia were AUD\$1.0M, up 3% from the prior quarter, while sales in North America were AUD\$0.5M, a strong 48% increase from the prior quarter. Growth in Australia was helped by the Company's securing of "core ranging" in another nine pharmacy banner groups in Australia. In Australia, pharmacies are required to be independently owned by a pharmacist, not a corporation. As a practical matter, many pharmacies use a corporate owned brand name and then benefit from stock management systems owned by the corporate partner. This is "core ranging" and it benefits IMRN with additional product placement. IMRN noted that they had their strongest monthly sales on amazon.com in the US and now have distribution in ten pharmacy/grocery retailers in Canada.
- **No changes to estimates.** There are no changes to our 2H2024 estimates of AUD\$2.55M, as September 2024's quarterly sales of AUD\$1.5M puts the Company in a good position to achieve this. Our full year 2024 sales estimate remains intact, at AUD\$4.9M.
- **Shares appear to be priced significantly below absolute and comparative metrics.** The shares are selling at a discount to both our discounted price target model and its peers.

<b>10/16 Closing price: \$2.01</b>	<b>Market cap: \$13 million</b>	<b>Multiple of book: 1x</b>	<b>EV/2025 Sales: 1.4</b>
<b>ADS Shares outstanding: 6 million</b>	<b>Insider ownership: 16%</b>	<b>Avg. trading volume: &lt;10,000</b>	<b>Dividend/Yield: NA/NA</b>

**GAAP estimates AUD (EPS in dollars – Revenue in millions)**

Period	EPS	Revenue	Op Margin
1H23A	(\$0.01)	\$0.584	
2H23A	(\$0.01)	\$1.221	
FY23A	(\$0.02)	\$1.805	<u>NME</u>
1H24A	(\$0.01)	\$2.356	
2H24E	(\$0.02)	\$2.547	
FY24E	(\$0.03)	\$4.903	<u>NME</u>
1H25E	(\$0.02)	\$2.500	
2H25E	(\$0.02)	\$3.000	
FY25E	(\$0.04)	\$5.500	<u>NME</u>
FY26E	(\$0.02)	\$15.00	<u>(37.7%)</u>

Note: Numbers may not add due to rounding. See our full model in the back of this report.

**Cash balance (AUD millions)**

• 2023A	• \$17.2
• 2024E	• \$11.7
• 2025E	• \$3.9
• 2026E	• \$0.2

**Debt (AUD millions)**

• 2023A	• NA
• 2024E	• NA
• 2025E	• NA
• 2026E	• NA

**Risks/Valuation**

- Risks include Competition, FDA trials are required as part of the strategy and vary in length, no near-term earnings.
- Our US\$5.00 target is derived using discounted future earnings model.

**Company description:** Immuron Limited (ASX: IMC, NASDAQ: IMRN), is an Australian biopharmaceutical company focused on developing and commercializing orally delivered targeted polyclonal antibodies for the treatment of infectious diseases

Figure 1 – Immuron Limited - Trading snapshot



Source: Refinitiv Eikon

## Investment Thesis

Immuron Limited (ASX: IMC, NASDAQ: IMRN) is an Australian biopharmaceutical company focused on developing and commercializing orally delivered targeted polyclonal antibodies for the treatment of infectious diseases. It is currently marketing two over the counter products, Travelan® and Protectyn®, that appear effective for people suffering from so called “Traveler’s diarrhea” and supporting healthy gut and liver functions, respectively. Travelan appears to work well, and we believe that achieving FDA approval would provide a substantial boost to revenue.

**The company is pursuing a strategy to sell its OTC product in the medical market.** It is doing this by completing phased medical trials for the benefits of Travelan® so it can sell the product through clinicians by prescription. Doing this offers multiple benefits including enhanced branding, expanding margins, increased sales and awareness.

**Seeking trials for a potentially better solution for one of the worst intestinal infections: C. Difficile.** While this is not a near-term revenue event, it is a real problem for 100s of thousands of people in the U.S. alone and some of the treatments are either hard to administer or difficult to follow outside a clinical setting. It’s a large market, we value at more than \$250MM.



**Platform based growth opportunities.** Immuron's proprietary technology is based on polyclonal immunoglobulins (IgG) derived from engineered hyper-immune bovine colostrum. The underlying nature of Immuron's platform technology enables the development of medicines across a large range of infectious diseases. The platform can be used to block viruses or bacteria at mucosal surfaces such as the Gastrointestinal tract and neutralize the toxins they produce. Bovine IgG can withstand the acidic environment of the stomach and is resistant to proteolysis by the digestive enzymes found in the Gastrointestinal (GI) tract. Bovine IgG also possesses this unique ability to remain active in the human GI tract delivering its full benefits directly to the bacteria found there.

**Shares appear to be priced significantly below absolute and comparative metrics.** The shares are selling at a discount to both our discounted price target model and its peers.

## Valuation Methodology

We believe IMRN is undervalued, and we support that belief with a series of valuation techniques. We use two different techniques, below. To determine our price target, we use a discounted future earnings model. The following valuation techniques are being used:

- 1) The discounted value of all future earnings was used for our price target (see Figure 2)
- 2) Valuation relative to peers (see Figure 3)

## Discounted Future Earnings – Basis for Price Target

Our 12-month price target of US\$5.00 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings discounted at 14%, which we believe is large enough to more than compensate for the risk. We assume approximately 50% EPS near-term growth for earnings which steps down to GDP after 5-7 years. Our valuation model is shown in Exhibit 2 below. Note, this model understates future new products and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price for the ADS is US\$4.57 which we round to US\$5.00. Although this target is substantially above where the stock is currently, were it to trade at that level, the implied 2025 EV/Revenue would still be below the average of 5.06x.

Figure 2 – Immuron Limited – Price Target Calculation

		Ordinary Shares	ADS 40/1	ADS USD
Discounted Earnings		AUD 0.17	AUD 6.72	<b>\$4.57</b>
Year 1 is 2025	Forecast EPS	Discounted EPS		
	1 (AUD 0.04)	(AUD 0.04)		
	2 (AUD 0.02)	(AUD 0.01)		
	3 AUD 0.01	AUD 0.01		
	4 AUD 0.02	AUD 0.01		
	5 AUD 0.03	AUD 0.01		
Terminal Value		AUD 0.19		

Source: Litchfield Hills Research LLC

## Valuation Relative to Peers

If we compare IMRN to a simple average of its peers (Figure 3), the shares sell at a discount on sales measures ranging from 47% to 73%. Assuming IMRN should trade at an average multiple, and we would argue that due to its growth potential, it should trade above average, these metrics indicate the stock price should be higher than where it is today. Details on each of the peers can be found in Figure 4. The companies we used in Figure 4 are in similar lines of business although none of them are a perfect match. P/E measures will be included when the company is profitable.

Figure 3 – Immuron Limited – Discount to Peers

	2025 Market Cap / Sales	2025 EV / Sales
Average	6.64	5.21
IMRN	3.50	1.43
<b>Discount to peers</b>	<b>47%</b>	<b>73%</b>

Source: Litchfield Hills Research LLC and Refinitiv Eikon

## Guidance and Financial Forecasts

The company provides no guidance. Our forecast assumes that the benefit of its clinical efforts begins to impact in 2026. We assume 2025 will be a year of low growth relative 2024 as it transitions to a new model with multiple sales channels. Interesting to note that even with two years of losses (2025 and 2026) in our forecast, there appears to be sufficient funds to support its plans. Our models do not show a need for cash, although there are many factors that could impact that including faster growth and a requirement to spend



## Immuron Limited Sponsored ADR IMRN-USA - Buy-US\$5.00 PT

more on clinical trials. We model slightly lower margins in 2025 and 2026 just to be conservative. As part of our analysis, it appears that the company needs annual revenue of AUD \$20MM to reach breakeven.

Investors looking at the amount of money in the Other Income category should note that it has received MTEC funding to pay for clinical trials. The grant from MTEC is not booked as a contra-R&D offset. The Medical Technology Enterprise Consortium (MTEC) is an internationally dispersed consortium with members from industry, academia and the nonprofit sector that aims to be the partner of choice for private industry, academic institutions, government agencies, and other research organizations seeking to accelerate the development of medical solutions that prevent and treat injuries and restore America's military and veterans to full health.

### Competition

There are no direct public comparables. We compare it to a list of companies with one or more similar product or market characteristics in Figure 4.

Figure 4 – Immuron Limited – Comp Table

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2025 Consensus Multiples	
					Market Cap / Sales	EV /Sales
ARWR-US	Arrowhead Pharmaceuticals Inc	\$19.88	2,471	2,495	17.66	16.60
MIRM-US	Mirum Pharmaceuticals, Inc.	\$39.71	1,894	1,914	4.74	4.61
ARDX-US	Ardelyx Inc.	\$5.97	1,406	1,319	3.45	3.20
IRWD-US	Ironwood Pharmaceuticals Inc	\$4.39	701	1,233	1.97	3.52
HRTX-US	Heron Therapeutics Inc	\$1.80	273	386	1.65	2.27
ENTA-US	Enanta Pharmaceuticals Inc.	\$11.67	247	243	3.34	3.27
ATAI-US	ATAI Life Sciences N.V. (US Listing)	\$1.09	183	90		
GBIO-US	Generation Bio Co.	\$2.42	162	38	26.11	6.97
ALGS-US	Aligos Therapeutics, Inc.	\$7.27	22	(39)	NMF	
JAGX-US	Jaguar Health Inc	\$1.16	11	23	0.61	1.22
ANR-AU	Anatara Lifesciences Ltd	\$0.03	7	4		
EVOK-US	Evoke Pharma, Inc.	\$5.11	4	3	0.21	
	<b>AVERAGE</b>				<u>6.64</u>	<u>5.21</u>
IMRN-US	Immuron Ltd. (Adr 1:40)	\$1.87	13	5	3.50	1.43
<b>IMRN-US Premium to peers:</b>					<b>-47%</b>	<b>-73%</b>

Comparable metrics that are more than 4x the mean are X'ed out in order to make the comparison meaningful

Source: FactSet and Litchfield Hills Research LLC

Figure 5 – Immuron Limited – Income Statement (AUD 000)

June year-end	2023A		2023A	2024E		2024E	2025E		2025E	2026E		2026E
	1H23A	2H23A	Year	1H24A	2H24E	Year	1H25E	2H25E	Year	1H26	2H26	Year
<b>Total revenue</b>	AUD 584	AUD 1,221	AUD 1,805	AUD 2,356	AUD 2,547	AUD 4,903	AUD 2,500	AUD 3,000	AUD 5,500	AUD 5,000	AUD 10,000	AUD 15,000
<i>Growth</i>						172%			12%	100%	82%	200%
Cost of Goods	156	340	496	775	791	1,566	750	1,050	1,800	1,750	3,500	5,250
<b>Gross Profit</b>	<b>428</b>	<b>881</b>	<b>1,309</b>	<b>1,580</b>	<b>1,756</b>	<b>3,337</b>	<b>1,750</b>	<b>1,950</b>	<b>3,700</b>	<b>3,250</b>	<b>6,500</b>	<b>9,750</b>
<b>Gross Margin</b>	<b>73.3%</b>	<b>72.2%</b>	<b>72.5%</b>	<b>67.1%</b>	<b>69.0%</b>	<b>68.1%</b>	<b>70.0%</b>	<b>65.0%</b>	<b>67.3%</b>	<b>65.0%</b>	<b>65.0%</b>	<b>65.0%</b>
General and Administrative	1,860	2,361	4,221	1,949	2,606	4,556	2,700	2,700	5,400	3,000	4,000	7,000
% of total revenue	319%	193%	234%	83%	102%	93%	108%	90%	98%	60%	40%	47%
R&D	1,522	1,071	2,592	2,653	2,722	5,375	2,800	2,800	5,600	2,800	2,800	5,600
% of total revenue	261%	88%	144%	113%	107%	110%	112%	93%	102%	56%	28%	37%
Selling and Marketing	461	467	927	733	1,297	2,030	1,300	1,400	2,700	1,400	1,400	2,800
% of total revenue	79.0%	38.2%	51.4%	31.1%	50.9%	41.4%	52.0%	46.7%	49.1%	28.0%	14.0%	18.7%
Total Operating Expenses	3,842	3,898	7,740	5,335	6,626	11,961	6,800	6,900	13,700	7,200	8,200	15,400
<b>Operating Income</b>	<b>(3,414)</b>	<b>(3,017)</b>	<b>(6,431)</b>	<b>(3,755)</b>	<b>(4,869)</b>	<b>(8,624)</b>	<b>(5,050)</b>	<b>(4,950)</b>	<b>(10,000)</b>	<b>(3,950)</b>	<b>(1,700)</b>	<b>(5,650)</b>
<b>Operating Margin</b>	<b>-585.0%</b>	<b>-247.1%</b>	<b>-356.4%</b>	<b>-159.4%</b>	<b>-191.2%</b>	<b>-175.9%</b>	<b>-202.0%</b>	<b>-165.0%</b>	<b>-181.8%</b>	<b>-79.0%</b>	<b>-17.0%</b>	<b>-37.7%</b>
Total Other Items	1,435	1,210	2,645	1,686	4	1,690	800	800	1,600	800	800	1,600
<b>Pre-Tax Income</b>	<b>(1,979)</b>	<b>(1,807)</b>	<b>(3,787)</b>	<b>(2,069)</b>	<b>(4,865)</b>	<b>(6,934)</b>	<b>(4,250)</b>	<b>(4,150)</b>	<b>(8,400)</b>	<b>(3,150)</b>	<b>(900)</b>	<b>(4,050)</b>
<b>Pre-Tax Margin</b>	<b>-339.1%</b>	<b>-148.0%</b>	<b>-209.8%</b>	<b>-87.8%</b>	<b>-191.0%</b>	<b>-141.4%</b>	<b>-170.0%</b>	<b>-138.3%</b>	<b>-152.7%</b>	<b>-63.0%</b>	<b>-9.0%</b>	<b>-27.0%</b>
Taxes (benefit)	0	0	0	0	0	0	0	0	0	0	0	0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net Income (loss)</b>	<b>(AUD 1,979)</b>	<b>(AUD 1,807)</b>	<b>(AUD 3,787)</b>	<b>(AUD 2,069)</b>	<b>(AUD 4,865)</b>	<b>(AUD 6,934)</b>	<b>(AUD 4,250)</b>	<b>(AUD 4,150)</b>	<b>(AUD 8,400)</b>	<b>(AUD 3,150)</b>	<b>(AUD 900)</b>	<b>(AUD 4,050)</b>
<b>Net Margin</b>	<b>-339.1%</b>	<b>-148.0%</b>	<b>-209.8%</b>	<b>-87.8%</b>	<b>-191.0%</b>	<b>-141.4%</b>	<b>-170.0%</b>	<b>-138.3%</b>	<b>-152.7%</b>	<b>-63.0%</b>	<b>-9.0%</b>	<b>-27.0%</b>
<b>EPS, as reported</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.04)</b>	<b>(0.01)</b>	<b>(0.00)</b>	<b>(0.02)</b>
Diluted Shares Outstanding	227,798	227,798	227,798	227,855	228,000	227,998	228,500	229,000	228,750	229,000	229,500	229,250

Source: Company reports and Litchfield Hills Research LLC

Figure 6 – Immuron Limited – Balance Sheet (AUD 000)

	FY2026E	FY2025E	FY2024E	FY2023A
Current Assets				
Cash and S.T.I.	AUD 232	AUD 3,882	AUD 11,657	AUD 17,160
Trade receivables	3,000	1,500	1,388	417
Inventories	3,000	2,000	1,585	840
Other assets	<u>200</u>	<u>100</u>	<u>97</u>	<u>1,992</u>
<b>Total Current Assets</b>	<b>6,432</b>	<b>7,482</b>	<b>14,726</b>	<b>20,409</b>
Net PP&E	250	200	154	200
Inventories	1,000	800	669	1,220
Other non-current assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>159</u>
<b>Total Assets</b>	<b>AUD 7,682</b>	<b>AUD 8,482</b>	<b>AUD 15,550</b>	<b>AUD 21,988</b>
Current Liabilities				
Trade payables	AUD 5,000	AUD 3,000	AUD 2,136	AUD 1,193
Other payables and accruals	2,000	1,000	523	289
Short term debt	0	0		
Deferred revenue	0	0	0	698
Other current liabilities	<u>200</u>	<u>100</u>	<u>41</u>	<u>39</u>
<b>Total current liabilities</b>	<b><u>7,200</u></b>	<b><u>4,100</u></b>	<b><u>2,699</u></b>	<b><u>2,219</u></b>
Interest bearing borrowings	0	0	0	0
Other Liabilities	<u>200</u>	<u>150</u>	<u>142</u>	<u>152</u>
<b>Total Liabilities</b>	<b>7,400</b>	<b>4,250</b>	<b>2,841</b>	<b>2,371</b>
Stockholders' Equity				
Preferred stock	0	0	0	0
Share Capital	88,700	88,600	88,504	88,436
Other reserves	3,000	3,000	3,174	3,236
Retained earnings	(91,418)	(87,368)	(78,968)	(72,055)
Cum. Other comp and treasury stock	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total stockholders' equity	<u>282</u>	<u>4,232</u>	<u>12,709</u>	<u>19,617</u>
<b>Total Liabilities and equity</b>	<b>AUD 7,682</b>	<b>AUD 8,482</b>	<b>AUD 15,550</b>	<b>AUD 21,988</b>

Source: Company reports and Litchfield Hills Research LLC



*Figure 7 – Immuron Limited – Cash Flow (AUD 000)*

	FY26E	FY25E	FY24E
Net Income	(\$4,050)	(\$8,400)	(\$6,934)
Trade receivables	(1,500)	(112)	(970)
Inventories	(1,000)	(415)	(745)
Other assets	(100)	(3)	1,895
Net PP&E	(50)	(46)	46
Inventories	(200)	(131)	550
Other non-current	0	0	159
Trade payables	2,000	864	943
Short term debt	0	0	0
Other payables and accruals	1,000	477	233
Deferred revenue	0	0	(698)
Other current liabilities	100	59	2
Interest bearing borrowings	0	0	0
Other Liabilities	50	8	(11)
Preferred stock	0	0	0
Share Capital	100	96	68
Additional paid-in-capital	0	(174)	(62)
Cum. trans. adj. and treasury stock	0	0	0
Other	0	0	0
Total Cash Flow	(\$3,650)	(\$7,776)	(\$5,502)

Source: Litchfield Hills Research LLC

**Disclosures:**

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