Argos Therapeutics, Inc. (ARGS)

Long-term Survival Data for AGS-003

MARKET OUTPERFORM | Price: $8.04 | Target Price: $17.00

MARKET DATA

Price	$8.04
52-Week Range:	$7.97 - $13.74
Shares Out. (M):	19.0
Market Cap ($M):	$152.8
Average Daily Vol. (000):	16.0
Cash (M):	$83
LT Debt (M):	$9

Source: Thomson Reuters and JMP Securities LLC

FY DEC		2013A	2014E	2015E
Revenue ($M)	1Q	$1.3	$0.8A	--
	2Q	$1.5	$0.8	--
	3Q	$1.0	$0.8	--
	4Q	$0.7	$0.3	--
	FY	**$4.4**	**$2.7**	**$0.2**
EPS	1Q	($34.19)	($1.05)A	--
	2Q	($29.91)	($0.57)	--
	3Q	($30.06)	($0.59)	--
	4Q	($36.19)	($0.64)	--
	FY	**($147.37)**	**($2.61)**	**($1.75)**

Source: Company reports and JMP Securities LLC

STOCK PRICE PERFORMANCE

INVESTMENT HIGHLIGHTS

Long-term survival data for AGS-003; reiterate Market Outperform rating and $17 price target on Argos Therapeutics. Argos presented follow-up data to its Phase II combination study of AGS-003, a personalized immunotherapy, and Sutent, standard of care for first-line metastatic renal cell carcinoma (mRCC) patients. The data continue to outperform what would be expected from a risk-matched control with almost a quarter of patients surviving over five years, compared to an expected rate of less than 7%. Although numbers are small, we believe these data are supportive of Argos' proprietary immunotherapy platform. We expect more proof of principle data in the coming weeks from AGS-004, based on the same platform, but designed for HIV. We believe immunological data from AGS-004 should provide read-through to AGS-003, providing further mechanistic support. Our $17 price target is based on a risk-adjusted, sum-of-the-parts NPV analysis including potential revenues from AGS-003 in mRCC and early-stage RCC; we see AGS-004 as upside at this time.

Arcelis platform proving a unique immunotherapy approach. Argos' Arcelis technology – a proprietary targeted dendritic cell immunotherapy platform – differentiates Argos from the field of targeted immunotherapies by combining fundamental attributes of targeted cancer vaccines with key features of generalized immunotherapies. The Arcelis technology uses antigens from patient tumors to generate dendritic cells primed to attack its mutated tumor antigens and programs dendritic cells to launch an immune response without needing to engage a patient's CD4+ T cells.

Phase II combination data outperform expected outcomes. The Phase II trial enrolled intermediate- and poor-risk patients with newly diagnosed mRCC. All patients had the risk factor of less than one year between diagnosis and systemic treatment; 48% had three risk factors or more. Progression free survival (PFS) of 11.2 months and overall survival (OS) of 30.2 months doubles PFS and OS expected looking at patients from the international mRCC database consortium matched by risk factor.

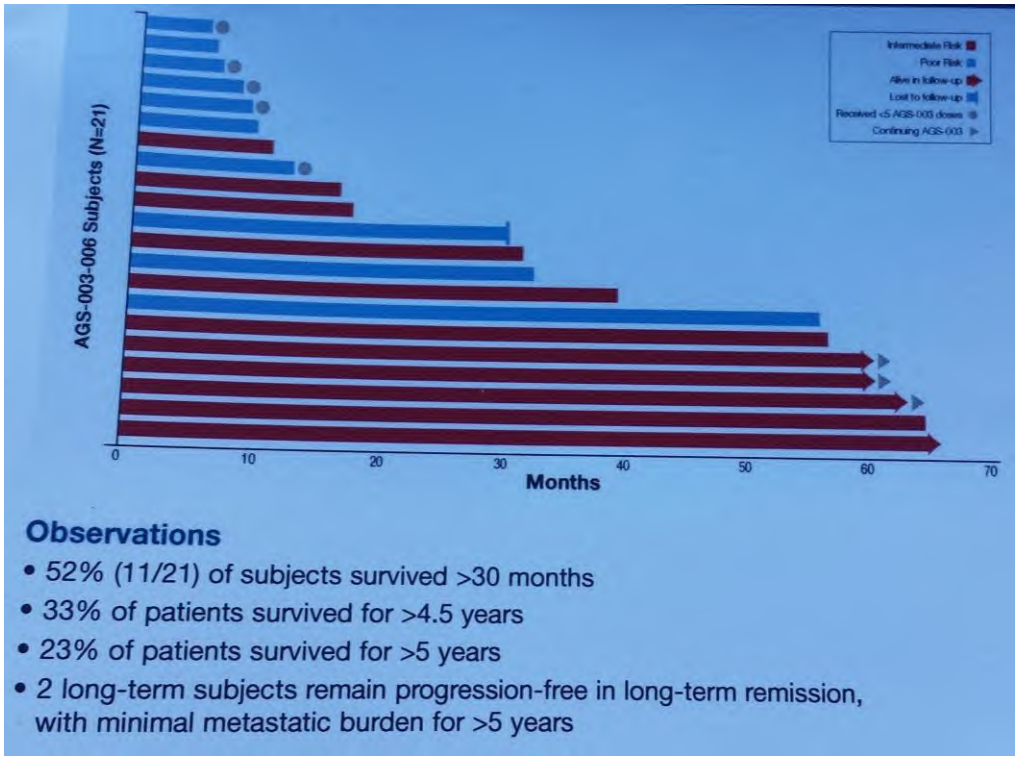
Long-term survival update. New data at ASCO provided an update on four patients still living from the original 21, including three still on therapy (Figure 1). 33% of patients survived over 4.5 years and 23% survived over five years with two patients progression free for over five years. Although there is not a direct literature comparison, we note that for patients on Sutent alone, three-year survival is expected to be 7% and 0% for intermediate- and poor-risk patients, respectively.

HIV Phase IIb data coming soon. We believe a near-term value driver for the company are data for Argos' second product, AGS-004, in development for HIV, designed to target patients' mutated HIV virus and restore immune response via a CD4+ T cell independent mechanism. In our view, these data should have read-through to the AGS-003 program by validating the mechanism of action of the Arcelis platform products.

Heather Behanna, PhD
hbehanna@jmpsecurities.com
(312) 768-1795

Michael G. King, Jr.
mking@jmpsecurities.com
(212) 906-3520

FIGURE 1. Long-term Survival Data



Source: ASCO 2014

Company Description

North Carolina-based Argos Therapeutics is a biopharmaceutical company focused on personalized immunotherapy for cancer and infectious disease. Its products are based in Argos's proprietary Arcelis platform with lead candidate AGS-003 in Phase III development for metastatic renal cell carcinoma in combination with Sutent as first line therapy. Argos is also developing AGS-004 for HIV eradication.

Investment Risks

Clinical. Drug development is inherently risky and Argos's studies may not succeed. Argos is conducting a Phase III study based on a single arm Phase II trial, which carries various risks. It is possible that the study may not be powered properly to demonstrate a benefit of AGS-003. There is also risk that the combination of AGS-003 and Sutent will not outperform Sutent alone due to changes in patient population between Phase II and Phase III. Phase II data may be driven by factors outside of the mechanism of action of AGS-003 and may not translate into Phase III success. Manufacturing of AGS-003 may hinder enrollment rates, pushing out timelines to data. The company is also developing AGS-004 for HIV, an area where there has yet to be a successful vaccine. It is possible that AGS-004 will not succeed in allowing patients to discontinue anti-retroviral therapy.

Regulatory. AGS-003 pivotal study ADAPT is being conducted under a SPA with FDA; however, this does not guarantee approval. It is not known if the EMA will want more data, either clinical or on manufacturing before allowing Argos to file for EMA approval. For AGS-004, the regulatory path forward and potential commercial market is unclear. The timing of validation of automated manufacturing could lead to a delay in filing the BLA for AGS-003.

Commercial. Argos is developing personalized immunotherapies for cancer and infectious disease. The development of these products requires patient sample, either blood or tumor from surgery or biopsy, and patient cells obtained through leukapheresis. This may represent a paradigm shift in treatment and physicians may not be comfortable working these therapies into practice, creating commercial risk. Argos is finalizing automation of its manufacturing process; timing delays add risk to regulatory filing submissions. Unanticipated problems with automation may hinder Argos' ability to produce its therapies.

Competitive. Oncology drug development is competitive, with various companies bringing technologies forward that could make Argos's products obsolete. There are other targeted immunotherapies in development that, if successful, could be applied in RCC, adding direct competition to AGS-003.

Balance sheet. Following its IPO, Argos has cash to reach pivotal data; however, the company may seek additional equity financing, leading to dilution risk for shareholders. The company may seek debt financing for AGS-003 manufacturing facilities.

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JMP Securities was manager or co-manager of a public offering of securities for Argos Therapeutics, Inc. (ARGS) in the past 12 months, and received compensation for doing so.

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Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.

Market Perform (MP): JMP Securities expects the stock price to perform in line with relevant market indices over the next 12 months.

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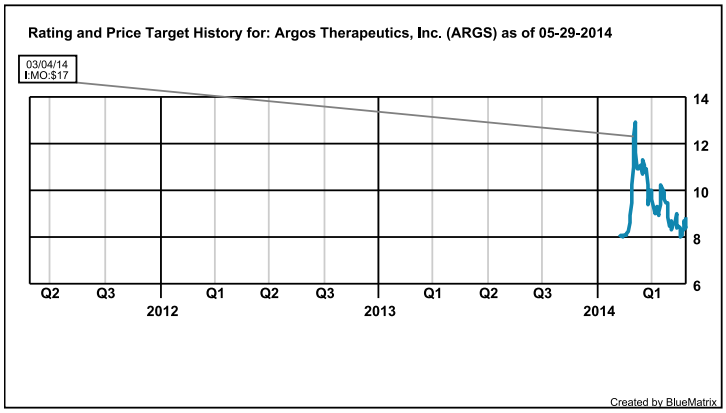
JMP Rating	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	Regulatory Equivalent	# Co's Under Coverage	*% of Total*	# Co's Receiving IB Services in Past 12 Months	*% of Co's With This Rating*
MARKET OUTPERFORM	Buy	258	*58.64%*	Buy	258	*58.64%*	100	*38.76%*
MARKET PERFORM	Hold	134	*30.45%*	Hold	134	*30.45%*	16	*11.94%*
MARKET UNDERPERFORM	Sell	5	*1.14%*	Sell	5	*1.14%*	0	*0%*
COVERAGE IN TRANSITION		43	*9.77%*		43	*9.77%*	0	*0%*
TOTAL:		440	*100%*		440	*100%*	116	*26.36%*

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with NASD Rule 2711, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: JMP Securities.



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Jeffrey H. Spurr
Director of Research
(415) 835-3903

RESEARCH PROFESSIONALS

FINANCIAL SERVICES

Alternative Asset Managers
Devin Ryan (212) 906-3578
Brian McKenna (212) 906-3545

Commercial & Specialty Finance
Christopher York (415) 835-8965
Hannah Kim, CFA (415) 835-8962

Consumer Finance
David M. Scharf (415) 835-8942
Jeremy Frazer (312) 768-1796

Financial Processing & Outsourcing
David M. Scharf (415) 835-8942
Jeremy Frazer (312) 768-1796

Insurance
Matthew J. Carletti (312) 768-1784
Christine Worley (312) 768-1786

Investment Banks & Brokers
Devin Ryan (212) 906-3578
Brian McKenna (212) 906-3545

Mortgage Operating Companies
REITs: Agency, Hybrid, & Commercial Mortgage
Steven C. DeLaney (404) 848-7773
Trevor Cranston, CFA (415) 869-4431
Charter Robinson (757) 613-8955
Benjamin Zucker (212) 906-3529

HEALTHCARE

Biotechnology
Liisa A. Bayko (312) 768-1785
Heather Behanna, PhD (312) 768-1795
Andrew Prigodich (312) 768-1788
Jason N. Butler, PhD (212) 906-3505
Caroline Palomeque (212) 906-3509
Michael G. King, Jr. (212) 906-3520
Eric Joseph, PhD (212) 906-3514

Healthcare Services & Facilities
Peter L. Martin, CFA (415) 835-8904
Aaron Hecht (415) 835-3963
Arthur Kwok (415) 835-8908

Life Science Tools & Diagnostics
J. T. Haresco, III, PhD (415) 869-4477
Marie T. Casey, PhD (415) 835-3955

Medical Devices
J. T. Haresco, III, PhD (415) 869-4477
Marie T. Casey, PhD (415) 835-3955

Medical Devices & Supplies
David Turkaly (212) 906-3563
John Gillings (212) 906-3564

REAL ESTATE

Housing & Land Development
Peter L. Martin, CFA (415) 835-8904
Aaron Hecht (415) 835-3963
Bharathwajan Iyengar (415) 835-3902

Lodging & Leisure
Robert A. LaFleur (212) 906-3510
Whitney Stevenson (212) 906-3538

Property Services
Mitch Germain (212) 906-3546
Peter Lunenburg (212) 906-3537

REITs: Healthcare, Residential, & Specialty
Peter L. Martin, CFA (415) 835-8904
Aaron Hecht (415) 835-3963
Arthur Kwok (415) 835-8908

REITs: Office, Industrial, & Diversified
Mitch Germain (212) 906-3546
Peter Lunenburg (212) 906-3537

Residential Services
Peter L. Martin, CFA (415) 835-8904
Aaron Hecht (415) 835-3963
Bharathwajan Iyengar (415) 835-3902

TECHNOLOGY

Communications Equipment & Internet Security
Erik Suppiger (415) 835-3918
John Lucia (415) 835-3920

Internet & Digital Media
Ronald V. Josey III (212) 906-3528
Andrew Boone (415) 835-3957
Michael Wu (415) 835-8996

Software
Patrick Walravens (415) 835-8943
Peter Lowry (415) 869-4418
Caitlin Schields (415) 835-8960
Greg McDowell (415) 835-3934

Wireless & Cloud Computing Technologies
Alex Gauna (415) 835-8998

ADDITIONAL CONTACTS

Thomas R. Wright
Director of Equities
(212) 906-3599

Dan Wychulis
Director of Institutional Sales
(617) 235-8530

600 Montgomery Street, Suite 1100
San Francisco, CA 94111
www.jmpsecurities.com