

Argos Therapeutics, Inc. (ARGS)

Understanding Viral Diversity Allows Argos to Leverage Vaccine Efficacy

MARKET DATA

Price	\$7.10
52-Week Range:	\$6.21 - \$13.74
Shares Out. (M):	19.0
Market Cap (\$M):	\$134.9
Average Daily Vol. (000):	55.0
Cash (M):	\$83
LT Debt (M):	\$9

Source: Thomson Reuters and JMP Securities LLC

MARKET OUTPERFORM | Price: \$7.10 | Target Price: \$17.00

INVESTMENT HIGHLIGHTS

Focusing on viral composition helps to predict AGS-004 impact on viral immunity; reiterate Market Outperform rating and \$17 price target on Argos Therapeutics.

Argos Therapeutics reported an additional sub-analysis of its Phase IIa trial of AGS-004 in patients infected with HIV. As a reminder, AGS-004 is a dendritic cell vaccine derived from an arsenal of viral antigens isolated from patients' serum and expressed in isolated immune cells that are further engineered to ignite a targeted immune response. Data were presented in a poster by Dr. Irina Tcherepanova at the International AIDS Society (IAS) Towards a Cure Symposium.

Key takeaways from these results: 1) the vaccine exerted direct immune control resulting in selective pressure on viral diversity, and 2) initial patient viral diversity strongly correlated with viral load control. In our opinion, these data bolster the previous Phase IIa results where AGS-004 was able to decrease viral reservoir levels, and support the idea that viral eradication may be possible. Previous results had hinted at the importance of antigenic diversity and the durability of response after one patient who had mounted an immune response to all four antigens was able to discontinue antiretroviral therapy. The current analysis also supports the potential for diagnostics to stratify patients according to antigenic diversity and improve vaccination efficacy in patient populations who are more likely to demonstrate durable responses.

This analysis increases our confidence in the potential of AGS-004 and bolsters our enthusiasm over a potential positive readout in the coming months for the ongoing Phase IIb double-blind, placebo-controlled trial.

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



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 that carries various risks. It is possible 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. The 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 require additional 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.

JMP FACTS AND DISCLOSURES

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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.

JMP Securities Investment Opinion Definitions:

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.

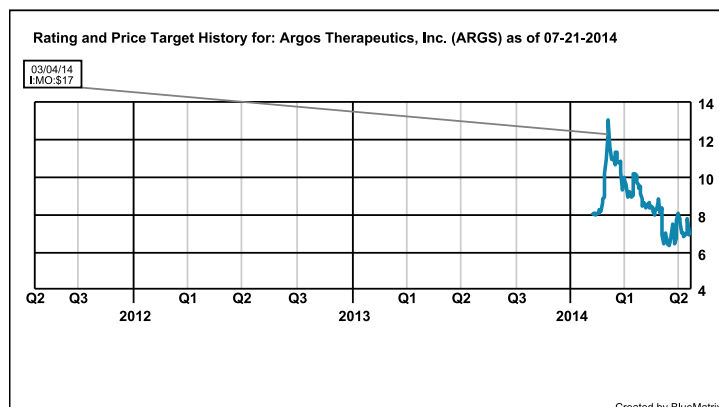
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

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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	266	59.64%	Buy	266	59.64%	99	37.22%
MARKET PERFORM	Hold	140	31.39%	Hold	140	31.39%	17	12.14%
MARKET UNDERPERFORM	Sell	4	0.90%	Sell	4	0.90%	0	0%
COVERAGE IN TRANSITION		36	8.07%		36	8.07%	0	0%
TOTAL:		446	100%		446	100%	116	26.01%

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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