Trickle Research

Every raging river, every great lake, every deep blue sea starts … with a trickle

Price Target Increase

OncoSec Medical Incorporated

(NasdaqGS: ONCS)

Report Date: 01/12/21

12- 24 month Price Target: *$11.00

Allocation: 4

Closing Stock Price at Initiation (Closing Px: 05/14/20): $1.92

Closing Stock Price at Price Target Increase (Closing Px: 01/11/21): $6.81

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Disclosure: Portions of this report are excerpted from OncoSec's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

We initiated coverage of OncoSec in May (2020) with a price target of $6.00. In December (2020) the stock breached our $6.00 price target and has continued to trade above that threshold since that time. Some may recall, the Company has been a periodic presenter at our past Rocky Mountain Microcap Conferences, including our most recent Fall 2020 Conference (http://rockymtmicro.com/rocky-mountain-microcap-conference-vi/). Further, we recently posted a Q&A with OncoSec CEO Dan O'Connor on our site; www.trickleresearch.com. Typically, when we have a coverage stock breach our price target, we either terminate the coverage or we reassess the price target. In the case of OncoSec, we are opting for the latter, and here is our reasoning for that.

First, as a precursor to some of the aforementioned reasoning, here is an excerpt from our initial coverage regarding our valuation approach in that initiating coverage:

> *Generally, our approach to valuation is relatively straightforward. We attempt to develop a projected operating/cash flow model and then we apply steep discounts to that model to account for the risks associated with the notion that those projections will be wrong/overstated. We then derive our valuations/price targets based on the NPV conclusions of that DCF analysis in the context of likely future dilution and capitalization. In the case of OncoSec (and other biopharma companies for that matter) our discount rates are sometimes in the 30% to 35% range, which reflects the marked risks associated with FDA approvals and subsequent commercialization results. Obviously, if the Company never gets an approval, there is no discount rate that will reconcile that outcome. Put another way, if the Company is never able to achieve enough clinical success to gain an approval somewhere, then it will ultimately fail. We also use some additional valuation nuances to blend our conclusions, for example, we consider DCF iterations that include industry/peer EBITDA multiples based terminal values as well as some future price to sales valuations again based on industry metrics of the same. To reiterate, we are not suggesting any of these are perfect approaches when it comes to biopharma valuations, but we will add that this approach likely understates the value of those companies that actually do achieve approvals/commercialization rates within reasonable proximities to our assumptions because in that case the discount rates will have been substantially overstated. To translate, our price target includes a substantial discount to account for negative outcomes but if it all works the way our model projects, our price targets will likely be understated. That speaks to the favorable risk/reward profile we addressed above.*

To translate, investing in early stage pre-revenue companies often includes a number of risks, oftentimes perhaps beyond those of other larger enterprises. (That may be especially true of biopharma companies). With that in mind, we typically apply steep discounts to our DCF analysis to help account for some of those risks. However, in that regard, we also use that notion to adjust our targets as we move forward with our analysis. That is, as visibility for particular coverage stocks improves and/or some of the identified risks are eliminated from the equation, we may recast that same analysis with lower discounts rates, and by extension arrive at better valuation assessments and (all other things being equal) higher price targets. We believe that approach is appropriate for our analysis of OncoSec.

To edify, here are a few of the headlines the Company has announced since our initiation:

Fri, January 8, 2021. *OncoSec Announces First Patient Dosed in Phase 2 Trial of TAVO™ Plus OPDIVO® as Neoadjuvant Therapy for Melanoma*. Recall, in our initiating coverage, we focused largely on two of OncoSec's clinical initiatives, KEYNOTE-695 and KEYNOTE-890. Those trials are combination trials with Merck's KEYTRUDA, while this trial involves a combination with a different immunotherapy/checkpoint inhibitor; OPDIVO. This trial is referred to as OMS-104.

December 3, 2020. *OncoSec Announces Publication in International Journal of Surgery Case Reports*

- *Expanded access program enables patient with immune checkpoint inhibitor resistant metastatic melanoma to be treated with TAVOTM + pembrolizumab*

- *Patient with widely disseminated disease achieves responses in visceral tumors after extensive history of treatment failures*

Key findings of the case report include:

- *All treated lesions resolved*
- *TAVO and intravenous KEYTRUDA led to a whole-body response*
- *Lymph node disease in the chest and lungs resolved*
- *Reduction in size of liver mass and pelvic lymph node disease were observed*
- *Brain metastasis remained stable*

November 24, 2020. *OncoSec Announces Exclusive License Agreement for Cliniporator® Gene Electrotransfer Platform Developed by IGEA Clinical Biophysics*. We covered this issue in our recent Q&A with the Company, but to reiterate, we see the Company's Visceral Lesion Applicator as a potential (longer term) valuation leg in the story. This particular arrangement is topical to the VLA program.

November 9, 2020. *OncoSec Announces Positive Interim Data from KEYNOTE-695 Trial in Anti-PD-1 Checkpoint Refractory Metastatic Melanoma at SITC 2020*

- *30% overall response rate (ORR) and 6% complete response (CR) rate achieved*
- *35% ORR achieved in patients with Stage IV M1c or M1d disease*
- *TAVO + pembrolizumab demonstrated durable responses for up to two years*

To cut to the chase here, while we think the Company has several lines in the water, we ultimately believe the results like these we have seen from KEYNOTE-695 along with OncoSec's FDA Orphan Drug and Fast-Track Designation, could lead to submission for accelerated FDA approval of TAVO for advanced melanoma over the next 12 months. Moreover, we think additional clinical progress could provide positive visibility to that end. Obviously, an FDA approval would be a watershed event for the OncoSec and its underlying shares.

October 29, 2020. *OncoSec Announces FDA Clearance of IND Application for Initiation of Phase 1 Clinical Trial of its CORVax12 Vaccine Candidate for COVID-19*

- *First next-generation DNA vaccine candidate to deliver spike (S) protein from SARS-CoV-2 plus immune-stimulating interleukin-12 (IL-12) to elicit T-cell activation and drive robust humoral immunity*
- *Providence St. Joseph Health, one of the national's leading non-profit health systems, and the Providence Cancer Institute to run Phase 1 clinical trial*

Lastly, in case it is not clear, we believe that much like KEYTRUDA and other checkpoint inhibitors, while OncoSec has focused on achieving an FDA approval of TAVO for the treatment of advanced melanoma (KEYNOTE-695), the vision is to pursue its use for the treatment of other cancer indications as well (for instance the KEYNOTE 890 for triple negative breast cancer). Recognize, KEYTRUDA will soon become the world's biggest drug largely because of its ability to treat and get approval for what today is many cancer indications versus the single indication it was originally approved for. We believe an accelerated (albeit limited) approval of TAVO via KEYNOTE-695 would open the door, or perhaps the floodgates, to that pathway for OncoSec. In our view, an approval that ultimately leads to other approvals for other indications would provide the basis for valuations much higher than even our new targets. In short, while we do not necessarily see it as make-or-break, KEYNOTE-695 results will likely be telling, and we believe we will get considerable clarity in that regard through calendar 2021. The question will be whether or not the FDA finds the clinical result compelling enough to give TAVO an accelerated approval for late stage patients.

To summarize, in our view, OncoSec has made marked progress on multiple fronts even since the time of our initiation. These include clinical progress, as well as progress involving a number of new initiatives as well as added breath of existing initiatives. In the context of our discount rate discussion above, and in conjunction with our assessments of their progress, we are establishing a new 12-24 month price target for OncoSec of *$11 per share. We will reassess our targets and allocation as additional data points emerge.

Projected Operating Model

Projected Operating Model						
OncoSec Medical Incorporated						
By: Trickle Research	(actual)	(estimate)	(estimate)	(estimate)	(estimate)	(estimate)
	10/31/20	**1/31/21**	**4/30/21**	**7/31/21**	**Fiscal 2021**	**Fiscal 2022**
Revenue	$ -	$ -	$ -	$ -	$ -	$ -
Expenses:	$ -	$ -	$ -	$ -	$ -	$ -
Research and development	$ 9,799,361	$ 9,897,355	$ 9,996,328	$ 10,096,291	$ 39,789,335	$ 41,404,942
General and administrative	$ 3,240,732	$ 3,273,139	$ 3,305,871	$ 3,338,929	$ 13,158,671	$ 13,692,966
Loss from operations	$ (13,040,093)	$ (13,170,494)	$ (13,302,199)	$ (13,435,221)	$ (52,948,007)	$ (55,097,908)
Other income, net	$ (623)	$ -	$ -	$ -	$ (623)	$ -
Interest expense	$ 6,134	$ -	$ -	$ -	$ 6,134	$ -
Foreign currency exchange (loss) gain, net	$ (176,917)	$ -	$ -	$ -	$ (176,917)	$ -
Realized loss on sale of securities, net	$ -	$ -	$ -	$ -	$ -	$ -
Loss before income taxes	$ (13,223,767)	$ (13,170,494)	$ (13,302,199)	$ (13,435,221)	$ (53,131,681)	$ (55,097,908)
Provision for income taxes	$ 1,500	$ -	$ -	$ -	$ 1,500	$ -
Net loss	$ (13,225,267)	$ (13,170,494)	$ (13,302,199)	$ (13,435,221)	$ (53,133,181)	$ (55,097,908)
Basic and diluted net loss per common share	$ (0.49)	$ (0.47)	$ (0.39)	$ (0.39)	$ (1.72)	$ (1.47)
Weighted average shares basic and diluted	26,771,176	27,932,699	34,384,169	34,456,156	30,886,050	37,545,920

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Trickle Research co-sponsors two microcap conferences each year. Trickle Research encourages its coverage companies to present at those conferences and Trickle charges them a fee to do so. Companies are under no obligation to present at these conferences. OncoSec has paid fees to present at Trickle sponsored conferences.

Portions of this publication excerpted from company filings or other sources are noted in *italics* and referenced throughout the report.

Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals $250) and 10 representing 10 investment units or $2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit $25,000 to buying micro-cap stocks, that would assume an investment of $1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at $1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same $250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting $1000 into the position ($250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or $500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.