ROTH Capital Partners

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COMPANY NOTE | EQUITY RESEARCH | November 11, 2019

Healthcare: Biotechnology

Aimmune Therapeutics, Inc. | AIMT - $29.48 - NASDAQ | *Buy*

Analysis of Sales/Earnings

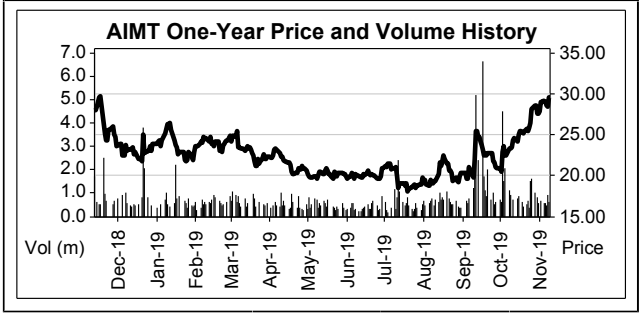
Stock Data	
52-Week Low - High	$16.95 - $32.20
Shares Out. (mil)	63.30
Mkt. Cap.(mil)	$1,866.07
3-Mo. Avg. Vol.	1,054,136
12-Mo.Price Target	$45.00
Cash (mil)	$200.5
Tot. Debt (mil)	$39.8

EPS $

Yr Dec	—2018—	—2019E—	—2020E—
		Curr	Curr
1Q	(0.92)A	(0.87)A	(0.89)E
2Q	(0.91)A	(1.01)A	(0.94)E
3Q	(0.89)A	(1.03)A	(0.97)E
4Q	(0.95)A	(1.09)E	(1.03)E
YEAR	(3.67)A	(4.00)E	(3.84)E
P/E	NM	NM	NM

Revenue ($ millions)

Yr Dec	—2018—	—2019E—	—2020E—
		Curr	Curr
1Q	0.0A	0.0A	4.0E
2Q	0.0A	0.0A	7.0E
3Q	0.0A	0.0A	11.0E
4Q	0.0A	0.0A	14.0E
YEAR	0.0A	0.0E	35.0E



AIMT: Strong Use Case for Palforzia Presented to Clinicians at ACAAI Meeting

Last week, Aimmune presented findings from doc surveys and clinical data re-analysis in support of the use of Palforzia. We find it noteworthy that these data points was presented at the annual meeting of the American College of Asthma, Allergy, and Immunology (ACAAI), an organization with over 6,000 allergists, immunologists, and allied health workers. The results should help encouarge strong clinical adoption, and help dismantle any bearish concerns by investors around Palforzia's commercial outlook.

Logistical needs of implementing oral immunothrerapies (OIT) like palforzia is no more complex than the logistical needs of subcutaneous immunotherapies (SCIT). Analysis of the responses of 80 allergists completing the survey showed that staffing needs were similar, although consultations for OIT were generally longer than for SCIT. The higher consultation time is no surprise, as with any new therapy we can easily imagine that consultations would take longer. However, with the potential to use a single dedicated room, that is likely to see substantial utilization owing to the 10+ visits required within the first year, there remains a strong value proposition.

Many patients with a clinical history of allergic reactions and evidence of peanut sensitization could benefit from palforzia. Reanalyzed data from the PALISADE study, which was presented, suggest that optimal diagnosis of patients eligible for treatment should be based on clinical history and evidence of peanut desensitization, irrespective of baseline peanut-specific IgE levels (psIgE). This was based on data showing that patient selection based on a psIgE threshold of 15 kuA/L, would have incorrectly excluded 17% of patients that reacted to < 100 mg of peanut protein. The results would suggest to clinicians that more patients could ultimately benefit from palforzia if they do not limit diagnosis to psIgE thresholds. We look forward to seeing the treatment eligibility guidelines on the label.

Palforzia offers consistent efficacy and safety across srudies, with the potential to improve health related quality of life for patients. Also presented at ACAAI were results showing consistent efficacy and safety of palforzia across the PALISADE and ARTEMIS study, which we think bodes well for the European marketing application. In addition, a survey of 400 caregivers of children with peanut allergy showed that one-third of the responders did not feel in control or capable of fully managing their child's allergy. This is clearly a strong finding in support of parents and caregivers likely consenting to their child's use of palforzia, given that two-thirds of caregivers subsequently reported that their child's allergy also affected their emotional well-being.

We model $35M in 2020E sales of palforzia, and peak sales of ~$1B.

VALUATION

Our 12-month price target of $45/share ($39 for AR101 in ages 4-17 weighted using an 80% development stage probability + $2 for AR101 in ages 1-3 weighted using a 15% development stage probability + $4 in net cash) is based on a DCF-NPV analysis using a 12% discount rate and 1% growth rate. Factors which could impede the achievement of our target price include, but are not limited to: (1) failure of AR101 to gain regulatory approval; and (2) smaller than projected commercial opportunity due to changes in market size, competitive landscape, and drug pricing and reimbursement.

RISKS

Regulatory risk. Uncertainty exists around the regulatory approval of Palforzia, particularly how the label will be defined. Investors may choose to delay investment in the company, until the FDA approves the Palforzia.

Commercial risk. As with a majority of development-stage biotechnology companies, the commercial prospects of pipeline candidates are essential to present valuation. Any changes in the regulatory, competitive, or commercial landscape of peanut allergy could lead to changes in the development timeline and downstream commercial value for Palforzia, which in turn could have a negative impact on share price. In addition, although we have accounted for DBV Therapeutics' Viaskin approval, there is risk that the impact could be greater than we anticipate.

COMPANY DESCRIPTION

Aimmune Therapeutics, Inc. is a clinical-stage biopharmaceutical company focused on the development of treatments for peanut and other food allergies. The company's underlying technology platform, Characterized Oral Desensitization Immunotherapy (CODIT), is designed to desensitize patients to food allergens via characterized biologic products used in standardized titration and maintenance treatment protocols. The company's lead product, Palforzia, is for the treatment treatment of peanut allergies.

AIMT I Aimmune Therapeutics
Income Statement (in '000)

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	FY 2015	FY 2016	FY 2017E	Jan 1Q18E	March 2Q18E	Jun 3Q18E	Sept 4Q18E	FY 2018E	Jan 1Q19A	March 2Q19A	Jun 3Q19A	Sept 4Q19E	FY 2019E	Jan 1Q20E	March 2Q20E	Jun 3Q20E	Sept 4Q20E	FY 2020E
Product Revenue	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4**	**7**	**11**	**14**	**35**
COGS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2	5
Research and development	19,816	54,642	89,325	33,446	35,254	31,691	33,029	133,420	31,316	31,988	30,558	32,086	125,948	33,690	35,375	35,375	37,143	141,583
General and administration	16,181	26,885	43,949	16,673	18,559	21,285	25,404	81,921	23,712	31,200	34,044	36,597	125,553	23,712	25,490	27,402	29,457	106,062
Total operating expenses	35,997	81,527	133,274	50,119	53,813	52,976	58,433	215,341	55,028	63,188	64,602	68,683	251,501	57,402	60,865	62,777	66,601	247,645
Operating profit (loss)	(35,997)	(81,527)	(133,274)	(50,119)	(53,813)	(52,976)	(58,433)	(215,341)	(55,028)	(63,188)	(64,602)	(68,683)	(251,501)	(57,399)	(60,858)	(62,766)	(66,587)	(247,610)
Other income and expense	181	703	2,005	636	1,294	1,303	1,417	4,650	791	358	43	39	1,231	791	712	641	577	2,720
Pretax Income	**(35,816)**	**(80,824)**	**(131,269)**	**(49,483)**	**(52,519)**	**(51,673)**	**(57,016)**	**(210,691)**	**(54,237)**	**(62,830)**	**(64,559)**	**(68,645)**	**(250,271)**	**(56,608)**	**(60,146)**	**(62,126)**	**(66,010)**	**(244,890)**
Tax	0	0	56	17	33	29	0	79	29	48	104	104	285	104	104	104	104	416
Tax rate																		
Net Income	(35,816)	(80,824)	(131,213)	(49,466)	(52,486)	(51,644)	(57,016)	(210,612)	(54,208)	(62,782)	(64,455)	(68,541)	(249,986)	(56,504)	(60,042)	(62,022)	(65,906)	(244,474)
EPS	**(1.88)**	**(1.89)**	**(2.60)**	**(0.92)**	**(0.91)**	**(0.89)**	**(0.95)**	**(3.67)**	**(0.87)**	**(1.01)**	**(1.03)**	**(1.09)**	**(4.00)**	**(0.89)**	**(0.94)**	**(0.97)**	**(1.03)**	**(3.84)**
Net weighted shares	19,041	42,751	50,399	53,578	57,903	58,274	59,780	57,384	62,022	62,332	62,615	62,928	62,474	63,243	63,559	63,877	64,196	63,719

Source: Company SEC filings and ROTH Capital Partners research.

Regulation Analyst Certification ("Reg AC"): The research analyst primarily responsible for the content of this report certifies the following under Reg AC: I hereby certify that all views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Disclosures:

ROTH makes a market in shares of Aimmune Therapeutics, Inc. and as such, buys and sells from customers on a principal basis.

Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

			IB Serv./Past 12 Mos. as of 11/11/19	
Rating	**Count**	**Percent**	**Count**	**Percent**
Buy [B]	**281**	**77.20**	**161**	**57.30**
Neutral [N]	**47**	**12.91**	**18**	**38.30**
Sell [S]	**4**	**1.10**	**2**	**50.00**
Under Review [UR]	**32**	**8.79**	**15**	**46.88**

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target.

Ratings System Definitions - ROTH employs a rating system based on the following:

Buy: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

Not Covered [NC]: ROTH does not publish research or have an opinion about this security.

ROTH Capital Partners, LLC expects to receive or intends to seek compensation for investment banking or other business relationships with the covered companies mentioned in this report in the next three months. The material, information and