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ImmunoCellular Therapeutics (NasdaqOTCBB/IMUC)

Neutral Lowering rating to Neutral

ImmunoCellular Therapeutics is developing cancer therapeutics

Investment Highlights

1) ImmunoCellular Therapeutics (IMUC) filed their Q3/2011 report recently, and included in their filing were financial results for the Company's fiscal third quarter. In the quarter, the Company recorded net income of \$87,900, or \$0.00 per share, as compared with a net loss of \$1.2 million or (\$0.06) per share in the prior year period. Results for Q3/2011 included a net gain of \$2.3 million or \$0.07 per share for a change in the fair value of warrant liabilities; without this gain the Company would have incurred a loss of \$2.2 million or (\$0.07) per share. The Company also recorded a gain on the fair value of warrant liabilities in the prior year period, albeit to a lesser extent, of \$635,000 or \$0.03 per share. There were no revenues in either Q3/2011 or Q3/2010. IMUC showed small increases in several expense line items year-over-year, including R&D expenses (up 10%), general and administrative expenses (up 28%), and non-cash stock-based compensation expenses (up \$115,000 or 55%). We estimate that operating cash burn for IMUC in Q3/2011 was approximately \$1.9 million, a slight increase from \$1.6 million burned in the year-ago period. At the end of the third quarter the Company had \$8.6 million in cash and equivalents on hand and no long-term debt, or enough financial resources to fund operations at current levels of activity well into 2012. Bearing that in mind, the Company filed a 10 million unit (one common share and one warrant) public equity offering in December 2011.

2) Although the Company did not publish a press release or hold a conference call on their third quarter activities, there were a number of developments worth noting for IMUC this fall. These included a recent presentation at the Annual Meeting of the Congress of Neurological Surgeons by Dr. John Yu on the Company's ICT-107 vaccine targeting Glioblastoma; signing a manufacturing agreement with NeoStem (Amex/NBS/Not Rated) to serve as a second site for the production of ICT-107; the receipt of a notice of allowance from the US patent office related to patent claims for ICT-107 as well as the issuance for a new

Current Price \$1.36

Price Target N/A

MARKET DATA		12/23/11
Stock Symbol	IMUC	
Market	OTC BB	
52 Wk Low - High	\$1.21	- \$2.55
Market Cap. (MM)	\$39.7	
Shares Out (MM)	29.2	
3-Month Av. Daily Vol (000s)	52.6	
Insider Ownership	NA	
Institutional Ownership	NA	

BALANCE SHEET METRICS (09/30/11)	
Cash (MM)	\$5.3
Debt (MM)	\$0
Debt/Capital	0%
Book Value / Share	\$0.11
Price / Book	12.36

EARNINGS DATA				
FY - 12/31	2009A	2010A	2011E	
1Q - 03/31	(\$0.05)	(\$0.05)	A	(\$0.11) A
2Q - 06/30	(\$0.06)	(\$0.14)	A	(\$0.05) A
3Q - 09/30	(\$0.03)	(\$0.06)	A	\$0.00 A
4Q - 12/31	(\$0.05)	(\$0.12)	A	(\$0.06) E
EPS (fully diluted)	(\$0.19)	(\$0.36)	A	(\$0.23) E
Revenue (MM)	\$0.3	\$0.0	A	\$0.0 E

VALUATION METRICS			
Price/Earnings	NM	NM	NM
Price/Revenue	132.4x	NM	NM



Source: Investars, Yahoo Finance

Price target and ratings changes over the past 3 yrs:

Initiated - March 21, 2011 - Buy - Price Target \$5.00

Downgraded to Neutral - December 23, 2011

patent in France and the UK relating to the treatment and detection of multiple myeloma and ovarian cancer; presentation at an October 2011 cancer immunotherapy conference at the New York Academy of Medicine; and an update on clinical trial site activity and patient enrollment for the Company's Phase 2 clinical trial of ICT-107.

Conclusion/Stock Valuation

We are reducing our rating on IMUC to Neutral and removing our price target on this stock at this time due to the departure of the analyst who was previously following this stock. Prior to this update, our price target on IMUC had been \$5.00, based on applying a mean enterprise value multiple from comparable companies in the cancer vaccine area. (See our Initiation report of March 22, 2011.) We are currently in the process of re-evaluating our price target.

Risk Factors

In addition to normal economic and market risk factors that impact most equities and the common risks shared by ImmunoCellular Technologies with other companies in the industry, we believe an investment in ImmunoCellular involves the following risks:

- **FDA and regulatory risks** – ImmunoCellular is subject to regulatory review for its ongoing research and development and activities and also its manufacturing, principally the US Food and Drug Administration but also potentially with other regulatory agencies as well, specifically in Europe and Asia.
- **Reliance on joint venture partners** — At present, ImmunoCellular has marketing, supply or development partnerships with Roche, NeoStem, and UK-based Antitope, Ltd. Partnerships and joint ventures bring certain risks that are not present in internal operations, however, such as potential delays, intra-company disagreements, or unforeseen financial difficulties at the partnering entity.
- **Need to defend patents and other intellectual property** – At December 31, 2010, ImmunoCellular had filed seven patent applications in the US covering the Company's dendritic cell-based vaccine and cancer stem vaccine product candidates. In addition, the Company holds eight granted patents in the US and ten other patents in international jurisdictions related to monoclonal antibody-related technology. The Company may need to defend its patents in the US and in foreign jurisdictions in the future, particularly as its pipeline programs move forward in the clinical area.
- **Need to raise additional capital** – Historically, the Company has not operated on a profitable basis, and may again record operating losses in future quarters. Currently, IMUC has approximately \$8.6 million in cash and long-term investments on hand, and at current rates of operating cash burn the Company may need to raise additional equity sometime in 2012.
- **Competitive market for therapeutics** – Trading volume in IMUC stock is comparatively light at an average of a little more than 52,000 shares per day. As such, news regarding IMUC, its target market, and/or competitors could lead to significant volatility in the stock price. In addition, IMUC shares currently trade on the Nasdaq OTC Bulletin Board, and there can be no assurance that these shares will be able to return to a larger, more active exchange in the future.

Important Disclosures:

Price Chart:



Price target and ratings changes over the past 3 years:

Initiated – March 21, 2011 – Buy – Price target \$5.00

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Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Buy	16	67%	5	31%
Neutral	7	29%	5	71%
Sell	1	4%	0	0%
Total	24	100%	10	42%

Information about valuation methods and risks can be found in the “STOCK VALUATION” and “RISKS” sections of this report.

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