

## Innate Pharma

Price EUR12.80

## Out-licensing deal with Sanofi and in-licensing with OREGA Biotech

Fair Value EUR19 (+48%)

BUY

Bloomberg	IPH.FP
Reuters	IPH.PA
12-month High / Low (EUR)	16.4 / 8.0
Market Cap (EURm)	689
Ev (BG Estimates) (EURm)	429
Avg. 6m daily volume (000)	419.2
3y EPS CAGR	

	1 M	3 M	6 M	31/12/14
Absolute perf.	-9.8%	-3.3%	-5.7%	62.0%
Healthcare	-3.1%	2.2%	-3.5%	10.6%
DJ Stoxx 600	-7.0%	-4.0%	-7.0%	1.2%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	7.6	40.0	124.5	176.4
% change		NM	NM	41.7%
EBITDA	-17.7	9.3	86.7	132
EBIT	-20.0	7.3	85.0	130.4
% change		NS	NM	53.5%
Net income	-19.7	9.0	87.5	133.4
% change		NS	NM	52.5%

	2014	2015e	2016e	2017e
Operating margin	-262.8	18.4	68.3	74.0
Net margin	-258.6	22.6	70.3	75.7
ROE	-26.4	10.8	51.1	43.8
ROCE	-184.4	-5.2	-79.1	-301.6
Gearing	-87.1	-310.4	-165.3	-114.9

(EUR)	2014	2015e	2016e	2017e
EPS	-0.37	0.17	1.65	2.52
% change	-	NS	NM	52.5%
P/E	NS	74.9x	7.7x	5.1x
FCF yield (%)	NM	28.7%	3.4%	9.9%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	81.8x	10.7x	3.3x	1.9x
EV/EBITDA	NS	45.9x	4.7x	2.6x
EV/EBIT	NS	58.4x	4.8x	2.6x

Innate Pharma announced two pieces of news linked to its business development: 1/ an out-licensing deal with Sanofi covering a new programme of NK bispecific antibodies. Under the terms of the licence agreement, Sanofi will be responsible for the development, manufacturing and commercialisation of products resulting from the research collaboration. Innate Pharma will be eligible for up to EUR400m in R&D and commercial milestone payments as well as royalties on net sales; and 2/ an in-licensing deal with OREGA Biotech allowing it to get its hands on an anti-CD39. This is a really interesting target in our eyes which will permit it to enlarge its scope to antibodies modulating an immunosuppressive tumour microenvironment (and this a very hot very field at the moment). BUY reiterated with a FV of EUR19.

## ANALYSIS

**Innate Pharma announced an out-licensing deal with Sanofi covering a new proprietary programme of NK bispecific antibodies.** More precisely, the two companies will collaborate to build up to two compounds targeting the Nkp46 activating receptor expressed at the surface of NK cells (which by the way is said: 1/ to be the most specific marker of human NK cells, and 2/ to play a major role in tumour recognition). Under the terms of the licence agreement, Sanofi will be responsible for the development, manufacturing and commercialisation of products resulting from the research collaboration. Innate Pharma will be eligible for up to EUR400m in development and commercial milestone payments as well as royalties on net sales.

- Bispecific antibodies have become a very hot field following the clinical results and approval of Amgen's Blincyto (blinatumomab), and little biotechs along with big pharmas are developing quite a lot of bispecific antibodies (see Genmab, Morphosys, Ablynx, etc.). That said, Innate's positioning is quite original/differentiated as most competitors are focused on bispecific engaging T cells. And so far, we have identified very few companies developing NK bispecifics (Affimed Therapeutics being one of them).
- We received another piece of news from the business development front as **Innate Pharma also announced an in-licensing deal with OREGA Biotech allowing it to get its hands on an anti-CD39 checkpoint blocker.** Under the terms of the agreement, OREGA will receive an undisclosed upfront payment, R&D milestone payments as well as royalties on net sales.
- While this is a very early-stage asset (preclinical), we think this is very positive as: 1/ the acquisition of this first-in-class compound is another step towards the construction of a diversified immuno-oncology portfolio; 2/ such a mechanism leads to a downregulation of immune-suppressive elements within the tumour microenvironment (adenosine in this case, which is an important mediator of Tregs functions). There are strong synergies between these approaches and immune checkpoint inhibitors targeting the PD-1/PD-L1 axis... And this is why there is an increasing interest towards such compounds (see the recent deals involving IDO inhibitors, anti-CSF1R for example). Once more clinical data will be available, we think the interest from big pharmas will pick up...

## VALUATION

- BUY reiterated with a FV of EUR19, knowing that our valuation does not take into account these new developments.

## NEXT CATALYSTS

- H1 16: Announcement of a first study involving monalizumab in combination with AZN's durvalumab (an anti-PD-L1) in several solid tumours.
- Q2 16: Phase IIb results of liriumab (anti-KIR) as a monotherapy in acute myeloid leukaemia.

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## Distribution of stock ratings

BUY ratings 72%

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