

8th September 2016

Healthcare

Innate Pharma

Price EUR10.90

H1 16 results in line with our estimates. Strong newsflow ahead!

Fair Value EUR18 (+65%)

BUY

Bloomberg	IPH.FP
Reuters	IPH.PA
12-month High / Low (EUR)	14.5 / 9.5
Market Cap (EURm)	588
Avg. 6m daily volume (000)	241.8

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.9%	-13.4%	-9.3%	-19.5%
Healthcare	-3.6%	-1.8%	3.4%	-7.4%
DJ Stoxx 600	2.7%	1.2%	2.8%	-4.2%

	2015	2016e	2017e	2018e
P/E	NS	18.8x	10.8x	54.7x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **H1 2016 results were fully in line with our estimates with net income at -EUR3.1m** (vs BG: EUR0m). Of note: 1/ revenues and other income moved from EUR4.6m to EUR20.7m, notably thanks to an increased recognition of AZN's upfront associated with monalizumab's licensing deal (USD250m collected at the very end of June 2015); 2/ OPEX grew by +53% to EUR23.6m with R&D expenses as the main driver (+59% to EUR20.3m due to the expansion of monalizumab's clinical program); 3/ cash & cash equivalents stood at EUR243.6m (vs EUR273.7m at the end of 2015).
- **More importantly (at least from a stock perspective), IPH confirmed that H2 2016 will be a newsflow-rich period:** 1/ the readout of the EffiKIR study (Phase IIb evaluating lirilumab as a single-agent for the maintenance treatment of acute myeloid leukaemia) is confirmed to occur in H2 2016; 2/ preliminary efficacy data for "liri/nivo" (PFS? OS?) will rather be disclosed at the end of the year (during the SITC meeting?); 3/ some preliminary safety/efficacy data from the dose-ranging part of the Phase I/II evaluating "mona" in ovarian cancer will be presented during a EORTC-NCI-AACR meeting in Munich.

VALUATION

- **BUY recommendation reiterated with a FV of EUR17.0.** Admittedly, IPH shares have poorly performed since the beginning of the year, and this is certainly due to the lack of transforming catalysts (i.e. clinical data, inking of significant collaboration agreements, etc.)... But we believe that a window of opportunity has opened since 1/ many significant clinical catalysts are expected in the next few months (and we are quite confident for most of them – see our previous comments for further details); 2/ at current levels, the valuation looks very attractive (based upon our FV, the market gives no value to monalizumab).

NEXT CATALYSTS

- H2 2016: Readout of the EffiKIR study, with a potential impact on our FV: -EUR1.5 or +EUR1.5).
- Q4 2016: Phase Ib data involving lirilumab (anti-KIR) in combination with BMS' nivolumab (anti-PD-1) in solid tumours. Potential impact: -EUR1.5 or +EUR3.5.
- Q4 2016: Preliminary data for monalizumab (anti-NKG2A) as a single-agent in ovarian cancer.

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BUY ratings 55.3%

NEUTRAL ratings 33.3%

SELL ratings 11.3%

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