

Innate Pharma

Price EUR10.95

Liri/nivo is a very safe regimen... As expected!**Fair Value EUR18 (+64%)****BUY**

Bloomberg	IPH.FP
Reuters	IPH.PA
12-month High / Low (EUR)	14.5 / 9.5
Market Cap (EURm)	590
Avg. 6m daily volume (000)	246.6

ANALYSIS

- Yesterday, we got some colour from the Phase I evaluating lirilumab (anti-KIR) in combination with nivolumab (anti-PD-1) in a range of different solid tumours (including lung, liver and head & neck). As expected, the regimen was very well tolerated as Grade III-IV treatment-related adverse events were observed in solely 13% cases, which compared very favourably with the rates of 55% and 19-30% generated by nivolumab/ipilimumab respectively in 1L metastatic melanoma (Weber et al, 2016) and 2L NSCLC (Antonia et al, 2016). Note also that no severe cases of colitis were observed, and significant increases in liver enzymes (lipase) were quite limited.

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.8%	8.7%	-9.2%	-19.1%
Healthcare	0.8%	1.6%	6.4%	-7.5%
DJ Stoxx 600	-0.3%	8.2%	2.2%	-6.4%

	2015	2016e	2017e	2018e
P/E	NS	18.8x	10.8x	54.9x
Div yield (%)	NM	NM	NM	NM

(n=136)	All grades, n (%)	Grades III-IV, n (%)
Any TRAE	97 (71.3%)	18 (13.2%)
Pruritus	25 (18.4%)	0 (0%)
Fatigue	25 (18.4%)	0 (0%)
Infusion-related reaction	25 (18.4%)	0 (0%)
Rash, other	18 (13.2%)	0 (0%)
Diarrhea	12 (8.8%)	1 (0.7%)
Rash maculopapular	11 (8.1%)	2 (1.5%)
Amylase increase	10 (7.4%)	3 (2.2%)
Nausea	8 (5.9%)	0 (0%)
Dry mouth	7 (5.1%)	0 (0%)
Pyrexia	7 (5.1%)	0 (0%)
Arthralgia	7 (5.1%)	0 (0%)
Lipase increased	6 (4.4%)	4 (2.9%)
Leukopenia	4 (2.9%)	1 (0.7%)
Hypophosphatemia	3 (2.2%)	2 (1.5%)

- So safety-wise, "liri" kept all its promises;** and as said in our BG Oncology Day Feedback (here), we believe this will be a key differentiating factor as many other combinations with PD-1 as a backbone are known/expected to be quite toxic, like the ones involving mAbs targeting CTLA-4, 4-1BB or OX40.
- But efficacy is of essence... And we'll probably have to wait for the SITC congress to get a better view on this.** For now, we can only reiterate our positive view on the theoretical synergies between liri and nivo (NK cells being known to participate in the proliferation of CD8+ T lymphocytes through the generation of pro-inflammatory cytokines, as well as for their direct-killing capacities, among others).

VALUATION

- BUY reiterated with a FV of EUR18.

NEXT CATALYSTS

- SITC congress (10-13th November): Efficacy data of liri/nivo in solid tumours.
- H2 2016: Lirilumab Phase II data as a single-agent for the maintenance treatment of AML.

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Distribution of stock ratings

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