

## Innate Pharma

Price EUR11.08

Liri to shine at the upcoming SITC congress (focus released today)

Fair Value EUR21 vs. EUR20 (+90%)

BUY

Bloomberg	IPH FP
Reuters	IPH.PA
12-month High / Low (EUR)	14.5 / 9.5
Market Cap (EURm)	597
Ev (BG Estimates) (EURm)	394
Avg. 6m daily volume (000)	269.4
3y EPS CAGR	

We reiterate our BUY recommendation and have even raised our FV to EUR21 (vs EUR20) to include a risk-adjusted success rate for lirilumab/nivolumab in treatment of head and neck cancer. Efficacy data is to be presented at the upcoming SITC congress (knowing that abstracts should be out today) and is likely to be strong in our view, otherwise it would not be involved in a late-breaking oral session (prompting us to further increase our FV if this proves to be the case).

## ANALYSIS

- **Very encouraging indicators have surfaced in the past few days.** We noted two subtle/positive factors in the BMS press release highlighting the different presentations they will make at the upcoming SITC congress (November 9-13th). Firstly, the liri/nivo combination was mentioned in the very first headline. Secondly, there will be a late-breaking oral presentation, meaning they are likely to highlight "novel and practice-changing" data (like INCY did last year with epacadostat/pembrolizumab in different solid tumours), and we were surprised that the stock did not react more positively following the announcement.
- **A strong near-term catalyst.** So far, we were cautious on the potential of lirilumab in solid tumours as we saw some tumour microenvironments (TME) as too challenging, especially in low-inflamed ones. So strong data in head & neck cancer would make us more bullish as it would confirm the theory that NK cells could reverse an anti-inflammatory TME apart from simply augmenting adaptive immune responses. This would prompt us to revise upward our probability of success rates in solid tumours.

## VALUATION

- **BUY reiterated with a FV of EUR21 vs EUR20** as we now include the head & neck indication in our projections with a peak sales estimate of EUR500m in the refractory/relapsing setting along with a 20% probability of success. We see IPH as a deeply undervalued stock due to its implicit enterprise value of c.EUR300m, whereas two licensing deals have been inked involving leading big pharma (namely BMS and AZN), and might potentially yield more than EUR1bn in milestone payments as well as double-digit royalties on two blockbusters-to-be. Note also that our FV could be further revised up to EUR24 should liri/nivo yield some strong data in SCCHN in the coming days.

## NEXT CATALYSTS

- November 8<sup>th</sup>: Release of SITC abstracts.
- November 12<sup>th</sup>: Late-breaking oral presentation of liri/nivo in head & neck cancer.
- Q4 16: Phase II results of lirilumab as a single agent for the maintenance treatment of acute myeloid leukemia.

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## Distribution of stock ratings

BUY ratings 56.7%

NEUTRAL ratings 31.8%

SELL ratings 11.5%

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