

Innate Pharma

Price EUR14.20

Single-agent monalizumab's data in ovarian cancer: do not draw hasty conclusions

Fair Value EUR23 (+62%)

BUY

Bloomberg	IPH.FP
Reuters	IPH.PA
12-month High / Low (EUR)	14.8 / 9.5
Market Cap (EUR)	766
Ev (BG Estimates) (EUR)	562
Avg. 6m daily volume (000)	328.7
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	32.7%	37.7%	8.6%	4.9%
Healthcare	1.0%	-6.2%	-8.7%	-14.2%
DJ Stoxx 600	0.9%	-0.4%	-1.6%	-6.5%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	25.1	69.6	112.9	81.4
% change			62.1%	-27.9%
EBITDA	-8.1	24.3	53.4	6.9
EBIT	-10.8	21.3	49.9	2.9
% change		NS	134.3%	-94.3%
Net income	-6.7	26.3	53.9	5.9
% change		NS	104.9%	-89.1%

	2015	2016e	2017e	2018e
Operating margin	-42.8	30.6	44.2	3.5
Net margin	-26.7	37.7	47.7	7.2
ROE	-9.3	26.7	35.4	3.7
ROCE	4.2	-25.3	-185.9	6.5
Gearing	-322.1	-207.3	-120.2	-44.3

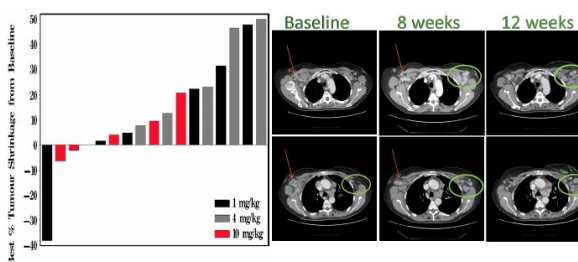
(EUR)	2015	2016e	2017e	2018e
EPS	-0.12	0.49	1.00	0.11
% change	-	NS	105.0%	-89.1%
P/E	NS	29.1x	14.2x	NS
FCF yield (%)	26.2%	NM	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	21.2x	8.1x	5.2x	8.5x
EV/EBITDA	NS	23.1x	10.9x	101.5x
EV/EBIT	NS	26.4x	11.7x	244.0x

Admittedly, monalizumab's Phase I data as a single agent in highly pre-treated patients with ovarian cancer were not that stellar. But one should not draw hasty conclusions, especially since this is a preliminary dataset with a small number of patients from a short dose-ranging study part. Also, we believe most of the value lies in the combination with AZN's durvalumab (and first efficacy data are likely to be published in H2 2017 in our view). We maintain our BUY recommendation with a FV of EUR23.

ANALYSIS

- Innate Pharma yesterday presented preliminary data from the dose-escalation part of its Phase I/II evaluating monalizumab (anti-NKG2A) at the EORTC-NCI-AACR meeting in Germany. The compound was very well tolerated during the dose-escalation part of the study (as no severe treatment-related adverse events have been reported); but this was nothing surprising. Efficacy-wise, data showed short-term disease stabilisation in 41% of patients, including one patient with a mixed response/nearly partial... which admittedly is not outstanding.

Figure 2. Best Tumour shrinkage from baseline (N=17); Mixed response



- Neither positive nor negative.** Inducing more confirmed partial responses would have been welcome, but bear in mind that that ovarian cancer is still a challenging indication for I-O agents as a monotherapy (MRK/PFE's avelumab for instance induced an ORR of 9.7% - Disis *et al*, 2016). Also, 1/ this is a preliminary dataset involving a small number of patients (n=17) from the dose-ranging part of the study; and 2/ most patients being heavily pre-treated ones (median of prior therapies: c.2), that received a median of solely 6 cycles of treatment with "mona" (while I-O is known to take a few months before showing some activity – Hoos *et al*, 2009; Wolchock *et al*, 2009).
- Our eyes are more on combinations.** Having said that, most of mona's value lies in combinations with PD-1/PD-L1 blockers. And hopefully 1/ monalizumab/durvalumab's Phase I/II results in ovarian and other solid tumours will probably be presented in H2 17 as well, or in 2018 at the latest; 2/ lirilumab/nivolumab's data in HNSCC did confirm that such NK/T-cells-oriented cocktails might be both potent and safe (and even in not-so inflamed cancer types). More to come at the 2017 ASCO Meeting...

VALUATION

- We maintain our BUY recommendation with a FV of EUR23.

NEXT CATALYSTS

- Q1 2017: Single-agent lirilumab for the maintenance treatment of acute myeloid leukemia – Phase IIb results.
- Q2 2017: Follow-up from the Phase I/II of IPH4102 in cutaneous T-cell lymphomas + Q2 17: Further Phase I/II data for lirilumab/nivolumab in solid tumours.

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