



26th September 2019

## INNATE PHARMA

| Healthcare  
| Biotech

## BUY - TOP PICKS vs. BUY

**Fair Value** EUR17.9 vs. EUR16.5 (+161%)  
**Share price** EUR6.86  
**EPS 3Y Cagr** NM

## Monalizumab makes first move in phase III trials

## First phase III start for monalizumab

This morning Innate Pharma reports that AZ has informed the company of its intention to move monalizumab into a randomized phase III trial in combination with cetuximab in squamous-cell carcinoma of the head and neck (SCCHN) in the metastatic refractory setting. We commented on the topic yesterday by saying that updated data would be presented at the ESMO meeting next Monday. The abstract on the ESMO's website says that after a median follow-up of 17 months, the median survival rates were 4.5 months and 8.3 months for PFS and OS respectively, which still compares favorably with the SoC. The results are actually even better in IO-pretreated patients.

## The exact spectrum of the phase III yet to be disclosed

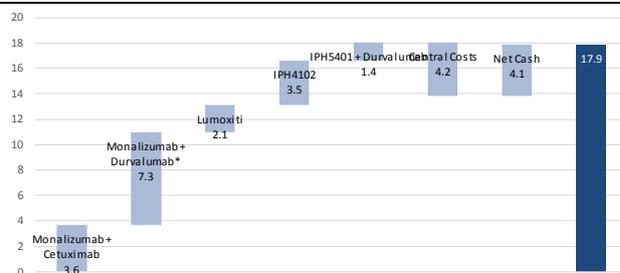
Today's press release makes it clear which population will be studied first because so far monalizumab was aiming at competing in this R/R IO-pretreated population but also in 1L IO-naïve SCCHN patients, in a triplet combination with durvalumab.

## USD100m milestone to be paid by AZ

From a financial standpoint, what does this mean? Well firstly, that Innate Pharma will receive a new milestone payment from AZ of USD100m and then that AZ will co-finance the phase III development programme with AZ for up to the pre-specified upper-limit of 30% of total costs. Afterwards, the company will be entitled to receive double-digit royalties on ex-European sales and will share profits and losses in Europe.

## FV revised up to EUR17.9

As a consequence of this decision to move monalizumab in phase III, we are changing our PoS for the programme in SCCHN with cetuximab from 35% to 50%. We are also reallocating the USD100m milestone payment from CRC to SCCHN so that, as illustrated on the waterfall below, the programme now represents EUR3.6/share in our FV.



## Market Data

Bloomberg / Reuters	IPH FP/IPH.PA
Market Cap.	EUR440m
E.V.	EUR242m
Free Float	74.6%
Avg. Daily volume (6m)	152.7
12m high / low	EUR9.2 / EUR4.6
Ytd Perf.	-7.7%

EURM	12/18	12/19e	12/20e	12/21e
Sales	33.0	68.8	77.6	126.7
% Change			12.8%	63.4%
EBITDA	-35.3	-15.7	-19.5	21.4
% Change		55.6%	-23.9%	NS
EBIT	-40.3	-20.7	-24.5	15.9
% Change		48.7%	-18.2%	NS
Net Income	-41.7	-22.1	-26.8	14.6
% Change		47.1%	-21.6%	NS
ROE	-0.71	-0.60	-2.73	0.60

	12/18	12/19e	12/20e	12/21e
EV/Sales	7.3x	3.9x	3.9x	2.3x
EV/EBITDA	NS	NS	NS	13.6x
EV/EBIT	NS	NS	NS	18.2x
EPS	-0.77	-0.38	-0.46	0.25
% change		51.1%	-21.6%	NS
P/E	NM	NM	NM	27.9x
Div Yield	NM	NM	NM	NM

Next catalyst: 30th September 2019 - Oral presentations at ESMO (Barcelona)

## Last FV Change:

2018-10-24, Reflecting a new fully-integrated biopharma company into the model

## Last Reports:

2019-9-25, First intake from the three abstracts to be presented at ESMO

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