

Scancell

Redmile endorses technologies with a further £30m

12 October 2020

- Scancell has announced a proposed raise of up to £33m in additional funding at a price of 13p a share. Redmile Group will invest c £30m through an immediate £12.1m subscription in 93.1m new shares, with a further £17.9m as a convertible loan note (CLN) subject to shareholder approval. There is also an Open Offer of up to £3m (23.3m shares).
- The CLNs and Open Offer are conditional on a shareholder vote, expected on October 29, that requires a 75% majority. The CLN will carry a modest interest rate of 3% and will not be convertible (at 13p) for two years unless Scancell is subject to a takeover or a NASDAQ listing. Under the Open Offer qualifying shareholders will be entitled to one new share for every 27 shares held (any excess can also be applied for).
- The £30m funding is a strong endorsement of the value that Redmile, a knowledgeable and respected US life sciences investor, sees in Scancell's technology platforms. It follows an initial £10m investment (£5m equity, £5m CLN) [in August 2020](#), lifting Redmile's existing holding from 14.5% to 25.5% following the new £12.1m equity subscription. Importantly, Redmile is known as an active and supportive shareholder that prefers value to be generated in-house rather than partnered too early. It is worth noting that Redmile is also invested in Redx Pharma (September 2020 [Initiation](#)).
- Gross proceeds of £33m will supplement the £15.1m cash balance at end-September 2020 and the £2m UKRI grant, providing management with the resources to achieve several near- and medium-term value inflection points.
- New funds will be used to extend the utility of Scancell's three technology platforms (ImmunoBody, Moditope, and Avidimab/TaG antibody) to accelerate and broaden the R&D pipeline, and to maintain momentum with the COVID-19 DNA vaccine programme which is on track to start the Phase I COVIDITY trial in 2021. Scancell is also funded to progress SCIB-1, expected to initiate enrolment in the 25-pt Phase II melanoma trial by end-2020, and Modi-1, with clinical trial material being manufactured ahead of Phase I/II initiation planned for H121.

Price	16.0p
Market Cap	£107m
Primary exchange	AIM
Sector	Healthcare
Company Codes	SCLP.L
Corporate client	Yes

Company description:

Scancell is a clinical-stage immuno-oncology specialist that has three technology platforms. Two flexible therapeutic vaccine platforms are progressing through development. ImmunoBody and Moditope induce high avidity cytotoxic CD8 and CD4 responses, respectively, with the potential to treat various cancers.

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Trinity Delta view: We have long held the view that Scancell has been underfunded and thus not able to progress its promising technologies as rapidly as we would have liked. This sizeable injection of £33m is not simply a tangible endorsement of the inherent value of the various programmes but will allow management to focus on delivering against its stated goals and milestones in a more timely manner. We currently value Scancell at £83.7m, equivalent to 13.3p/share (11.5p/share fully diluted). We intend to update our valuation and forecasts this to reflect the fundraising following FY20 results (expected October 16). We do reiterate that this valuation is based on conservative assumptions and as yet attributes no value to the Avidimab platform or the COVIDITY programme.

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