

Allergy Therapeutics

Update

Robust growth, pipeline progress, and cash position

13 January 2021

Allergy Therapeutics' European commercial business remains resilient despite COVID-19 impacts. The H121 trading statement indicates sales growth of 7% (+5% CER), while steady pipeline progress is also being made. Recruitment and treatment in the G309 Grass MATA MPL Phase III study is on track, with post period key events including initiation of the P001 ex vivo peanut allergy biomarker study and publication of positive challenge chamber results for ImmunoBON in a peer reviewed journal. This bodes well for news flow delivery over the rest of calendar 2021. G309 results in the autumn are expected to inform design of the G306 pivotal grass trial; P001 data in the spring will support IND submission; and ImmunoBON is set to launch in Germany later this month. A record cash balance of £48m (at end-December 2020) covers near-term requirements taking the company through to material value-inflection points. Ahead of H121 results on March 3, we maintain our £325m (51p/share) valuation.

| Year-end: June 30 | 2019 | 2020 | 2021E | 2022E |
|-------------------|-------|------|-------|-------|
| Revenues (£m) | 73.7 | 78.2 | 83.8 | 86.7 |
| Adj. PBT (£m) | (3.7) | 3.5 | (6.0) | (4.9) |
| Net Income (£m) | 3.5 | 6.9 | (5.6) | (4.4) |
| Adj. EPS (p) | 0.5 | 1.1 | (0.9) | (0.7) |
| Cash (£m) | 27.4 | 37.0 | 29.9 | 23.3 |
| EBITDA (£m) | 6.5 | 12.2 | (0.3) | 0.6 |

Source: Trinity Delta Note: Adjusted numbers exclude share-based payments and exceptionals.

- H121 trading in line with Board expectations** Resilience in the commercial business despite COVID-19 impacts has driven robust sales growth, which coupled with prudent cost management resulted in cash of £48.3m (vs £37m at end-FY20). Reported revenues of £54m were up 7% (+5% CER) on £50.5m, with strong performance in Germany, Austria, Netherlands, and Switzerland. Technological differentiation and shrewd marketing continue to drive growth of key products, Pollinex Quattro and Pollinex.
- Grass data expected in 2021** Current cash will fund the Grass MATA MPL Phase III trial programme and the peanut allergy Phase I trial. The exploratory G309 Phase III field study ([October 2020 Lighthouse](#)) is progressing well; results anticipated in autumn 2021 will inform the design of the G306 pivotal grass allergy Phase III trial that will support Europe and US regulatory filings.
- Peanut allergy IND in planning** Post period, an ex vivo biomarker study (P001) of blood samples from peanut allergy sufferers initiated in collaboration with Imperial College London ([January 2021 Lighthouse](#)); results, expected in spring 2021, will support an IND submission for this VLP-based immunotherapy. Additionally, data from the positive challenge chamber study with ImmunoBON, Allergy's protein-based oral product for general allergy treatment, were [published](#) in the World Allergy Organisation Journal. ImmunoBON is set for German launch in January.
- Valuation of £325m, or 51p per share** Ahead of Allergy Therapeutics' H121 results on March 3, and 2021 catalysts, we maintain our SOTP valuation, which comprises a DCF of the commercial operations (£87m or 14p/share), a pipeline rNPV (£204m or 32p/share), and net cash.

| | |
|------------------|------------|
| Price | 18.05p |
| Market Cap | £115.5m |
| Enterprise Value | £67.5m |
| Shares in issue | 639.9m |
| 12-month range | 7.0-21.5p |
| Free float | 19.8% |
| Primary exchange | AIM London |
| Other exchanges | N/A |
| Sector | Healthcare |
| Company Code | AGY |

Corporate client Yes



Company description

Allergy Therapeutics specialises in the diagnosis and treatment of allergy. The existing European business generates c £80m annual sales. Near-term R&D efforts are focussed on the Pollinex Quattro platform, whilst in the medium-term the VLP platform is highly promising.

Analysts

Lala Gregorek

lgregorek@trinitydelta.org
+44 (0) 20 3637 5043

Franc Gregori

fgregori@trinitydelta.org
+44 (0) 20 3637 5041

Exhibit 1: Summary of financials

| Year-end: June 30 | £'000s | 2018 | 2019 | 2020 | 2021E | 2022E |
|---------------------------------------|--------|-----------------|-----------------|-----------------|-----------------|-----------------|
| INCOME STATEMENT | | | | | | |
| Revenues | | 68,346 | 73,717 | 78,204 | 83,788 | 86,710 |
| Cost of goods sold | | (17,013) | (18,379) | (20,201) | (22,623) | (21,678) |
| Gross Profit | | 51,333 | 55,338 | 58,003 | 61,165 | 65,033 |
| R&D expenses | | (16,017) | (12,987) | (9,000) | (15,300) | (13,770) |
| S&M expenses | | (27,133) | (26,995) | (24,853) | (27,960) | (29,637) |
| G&A expenses | | (15,543) | (17,595) | (19,627) | (22,655) | (25,494) |
| Underlying operating profit | | (7,360) | (2,239) | 4,523 | (4,750) | (3,868) |
| Share-based payments | | (985) | (1,367) | (794) | (834) | (850) |
| Exceptionals | | 0 | 6,037 | 3,152 | 0 | 0 |
| Other revenue/expenses | | 630 | 593 | 634 | 647 | 660 |
| EBITDA | | (4,486) | 6,481 | 12,223 | (280) | 629 |
| Operating Profit | | (6,730) | 4,391 | 8,309 | (4,103) | (3,208) |
| Operating profit (pre R&D) | | 9,287 | 11,341 | 14,157 | 11,197 | 10,562 |
| Financing costs/income | | (166) | (98) | (238) | (397) | (208) |
| Profit Before Taxes | | (6,896) | 4,293 | 8,071 | (4,500) | (3,416) |
| Adj. PBT | | (8,511) | (3,704) | 3,491 | (5,981) | (4,926) |
| Current tax income | | (637) | (826) | (1,159) | (1,071) | (1,033) |
| Net Income | | (7,533) | 3,467 | 6,912 | (5,571) | (4,449) |
| EPS (p) | | (1.3) | 0.5 | 1.1 | (0.9) | (0.7) |
| Adj. EPS | | (1.5) | (0.5) | 0.5 | (1.2) | (1.0) |
| DPS (p) | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Average no. of shares (m) | | 595.1 | 632.8 | 635.2 | 637.3 | 637.3 |
| <i>Gross margin</i> | | 75% | 75% | 74% | 73% | 75% |
| <i>EBITDA margin</i> | | N/A | 9% | 16% | N/A | 1% |
| <i>Underlying operating margin</i> | | N/A | N/A | 6% | N/A | N/A |
| BALANCE SHEET | | | | | | |
| Current assets | | 30,928 | 46,625 | 55,170 | 48,514 | 44,205 |
| Cash and cash equivalents | | 15,533 | 27,440 | 36,962 | 29,852 | 23,299 |
| Short-term investments | | 0 | 0 | 0 | 0 | 0 |
| Accounts receivable | | 6,587 | 9,776 | 8,076 | 6,887 | 7,246 |
| Inventories | | 8,808 | 9,409 | 10,132 | 11,776 | 13,660 |
| Other current assets | | 0 | 0 | 0 | 0 | 0 |
| Non-current assets | | 20,088 | 21,872 | 31,055 | 32,016 | 32,455 |
| Property, plant & equipment | | 10,096 | 11,481 | 20,417 | 20,116 | 19,978 |
| Intangible assets | | 4,949 | 4,840 | 4,736 | 5,012 | 5,288 |
| Other non-current assets | | 5,043 | 5,551 | 5,902 | 6,889 | 7,189 |
| Current liabilities | | (14,631) | (16,859) | (18,227) | (18,381) | (18,875) |
| Short-term debt | | (644) | (694) | (829) | (229) | (79) |
| Accounts payable | | (13,890) | (15,736) | (15,148) | (14,076) | (14,459) |
| Other current liabilities | | (97) | (429) | (2,250) | (4,076) | (4,338) |
| Non-current liabilities | | (13,351) | (14,080) | (24,215) | (23,105) | (22,338) |
| Long-term debt | | (2,414) | (1,742) | (2,927) | (2,627) | (2,327) |
| Other non-current liabilities | | (10,937) | (12,338) | (21,288) | (20,478) | (20,011) |
| Equity | | 23,034 | 37,558 | 43,783 | 39,045 | 35,447 |
| CASH FLOW STATEMENTS | | | | | | |
| Operating cash flow | | (3,802) | 5,600 | 12,010 | (616) | (1,359) |
| Profit before tax | | (6,896) | 4,293 | 8,071 | (4,500) | (3,416) |
| Non-cash adjustments | | 2,834 | 3,531 | 4,736 | 5,054 | 4,896 |
| Change in working capital | | 211 | (2,245) | 589 | (540) | (1,560) |
| Interest paid | | (318) | (204) | (489) | (397) | (208) |
| Taxes paid | | 367 | 225 | (897) | (232) | (1,071) |
| Investing cash flow | | (2,503) | (3,353) | (2,509) | (4,115) | (4,293) |
| CAPEX | | (2,184) | (3,099) | (2,547) | (3,798) | (3,976) |
| Acquisitions/disposals | | 0 | 0 | 0 | 0 | 0 |
| Other investing cash flows | | (319) | (254) | 38 | (317) | (317) |
| Financing cash flow | | (294) | 9,545 | (110) | (2,380) | (900) |
| Proceeds from equity | | 2 | 10,196 | 1 | 0 | 0 |
| Increase in loans | | (296) | (651) | 1,232 | (900) | (450) |
| Other financing cash flow | | 0 | 0 | (1,343) | (1,480) | (450) |
| Net increase in cash | | (6,599) | 11,792 | 9,391 | (7,110) | (6,553) |
| Exchange rate effects | | 10 | 115 | 131 | 0 | 0 |
| Cash at start of year | | 22,122 | 15,533 | 27,440 | 36,962 | 29,852 |
| Cash at end of year | | 15,533 | 27,440 | 36,962 | 29,852 | 23,299 |
| Net cash at end of year | | 12,475 | 25,004 | 33,206 | 26,996 | 20,893 |

Source: Company, Trinity Delta

Lala Gregorek

lgregorek@trinitydelta.org
+44 (0) 20 3637 5043

Franc Gregori

fgregori@trinitydelta.org
+44 (0) 20 3637 5041

Disclaimer

Trinity Delta Research Limited ("TDRL"; firm reference number: 725161), which trades as Trinity Delta, is an appointed representative of Equity Development Limited ("ED"). The contents of this report, which has been prepared by and is the sole responsibility of TDRL, have been reviewed, but not independently verified, by ED which is authorised and regulated by the FCA, and whose reference number is 185325.

ED is acting for TDRL and not for any other person and will not be responsible for providing the protections provided to clients of TDRL nor for advising any other person in connection with the contents of this report and, except to the extent required by applicable law, including the rules of the FCA, owes no duty of care to any other such person. No reliance may be placed on ED for advice or recommendations with respect to the contents of this report and, to the extent it may do so under applicable law, ED makes no representation or warranty to the persons reading this report with regards to the information contained in it.

In the preparation of this report TDRL has used publicly available sources and taken reasonable efforts to ensure that the facts stated herein are clear, fair and not misleading, but make no guarantee or warranty as to the accuracy or completeness of the information or opinions contained herein, nor to provide updates should fresh information become available or opinions change.

Any person who is not a relevant person under section of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom should not act or rely on this document or any of its contents. Research on its client companies produced by TDRL is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent, as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. The report should be considered a marketing communication for purposes of the FCA rules. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. TDRL does not hold any positions in any of the companies mentioned in the report, although directors, employees or consultants of TDRL may hold positions in the companies mentioned. TDRL does impose restrictions on personal dealings. TDRL might also provide services to companies mentioned or solicit business from them.

This report is being provided to relevant persons to provide background information about the subject matter of the note. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever. The information that we provide is not intended to be, and should not in any manner whatsoever be, construed as personalised advice. Self-certification by investors can be completed free of charge at www.fisma.org. TDRL, its affiliates, officers, directors and employees, and ED will not be liable for any loss or damage arising from any use of this document, to the maximum extent that the law permits.

Copyright 2021 Trinity Delta Research Limited. All rights reserved.

More information is available on our website: www.trinitydelta.org