

Avacta

Foundations for two healthy businesses now in place

30 September 2021

- Avacta's H121 results show a healthy cash position of £37.0m vs £47.9m at end-December 2020 and £54.5m at end-June 2020. Revenues were £2.3m (H120: £1.8m), with operating loss of £11.3m (H120: £8.1m) and net loss of £10.2m (H120: £7.9m). This was driven largely by the increase in R&D investment to £10.2m (H120: £7.0m). First shipments of AffiDX SARS-CoV-2 antigen lateral flow test (LFT) were made post-period end. Avacta's strong balance sheet provides a cash runway through to 2023.
- The Diagnostics division remains in the spotlight. Clinical validation studies have demonstrated that the AffiDX SARS-CoV-2 LFT has a clinical sensitivity of 98.0% and clinical specificity of 99.0%, with later data showing a specificity of 99.6%. The LFT was proven to be effective in detecting the Alpha, Beta, Gamma, and Delta variants. The European CE Mark for professional use is in place, with a broadening of approvals for both use and other geographies underway. Several distribution agreements have also been secured.
- The Therapeutics division achieved a key milestone, with the start of a Phase I study with AVA6000 marking Avacta's transition to a clinical stage company. AVA6000, a pre|CISION prodrug of doxorubicin, offers potentially improved efficacy and reduced toxicity. If clinical data confirms this, it will validate the pre|CISION platform and pave the way for many related programmes. An IND submission for clearance to start a Phase I trial in the US is planned before end-2021.
- Of Avacta's two therapeutics platforms, the Affimer platform has the larger commercial opportunity as these synthetic antibody mimetics have wide applicability as therapeutic products. However, the pre|CISION platform offers a shorter and quicker route to validate its scientific premise. Clinical success for either would lead to a healthy pipeline of development candidates.

Price	118p
Market Cap	£301m
Primary exchange	AIM
Sector	Healthcare
Company Code	AVCT
Corporate client	Yes

Company description:

Avacta owns two novel technology platforms: Affimer and pre|CISION. Affimer proteins are antibody mimetics being developed as diagnostic reagents and oncology therapeutics. pre|CISION improves potency and reduces toxicity of cancer drugs by only activating them inside the tumour. Successful clinical trials would be transformative for Avacta.

Trinity Delta view: The development of a competitive COVID-19 LFT has demonstrated the value of Affimer proteins for diagnostic applications. The rapid creation of an accurate and sensitive test has established Avacta's skills and abilities within the industry. Attention now shifts to commercial execution, with the challenging market environment limiting the near-term revenue visibility. The Therapeutics operations should prove to be the longer-term value driver, as the Affimer and pre|CISION platforms have the potential to generate an extensive pipeline of prospective products. Although Phase II proof-of-concept data will be required, results from Phase I studies could provide useful signposting. We currently value Avacta at £710m, or 280p per share, with the Diagnostic opportunities representing £133m and the Therapeutic pipeline rNPV £559m.

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