

Allergy Therapeutics

Commercialising and developing a differentiated portfolio

Update

13 January 2022

Allergy Therapeutics continues to trade solidly in a challenging environment. Its H122 trading statement confirmed six-month revenues to end-December 2021 of £48.7m (H121: £54.0m, down 5% on CER) reflecting commercial portfolio streamlining, phasing, and German headwinds. FY22 revenue guidance is for an upper single digit percentage decline on FY21, with pre-R&D operating profit in line with current consensus. A strong cash balance of £41.4m, when coupled with modest additional debt, will fund the ongoing Grass MATA MPL pivotal Phase III programme and Phase I trials for VLP Peanut. Resilient performance of the European allergy business and continued progress of the grass allergy programme underpin medium term prospects. Ahead of H122 results, we maintain our valuation of £350.7m (54.7p/share).

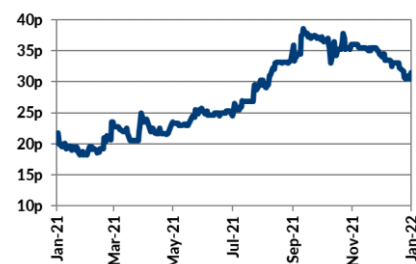
Year-end: June 30	2020	2021	2022E	2023E
Revenues (£m)	78.2	84.3	78.3	81.1
Adj. PBT (£m)	3.5	2.5	(13.5)	(18.5)
Net Income (£m)	6.9	2.9	(13.6)	(19.2)
Adj. EPS (p)	1.1	0.5	(2.1)	(3.0)
Cash (£m)	37.0	40.3	23.4	15.8
EBITDA (£m)	12.2	8.2	(8.3)	(13.3)

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

- Autumn start for second Grass MATA MPL Phase III** Positive top line results from the G309 exploratory field trial ([October 2021 Lighthouse](#)) showed a statistically significant improvement in combined symptom and medication score vs placebo in both the six week (29.1% improvement) and 14-week (36.8%) arms. Full data, which has informed the design of the G306 pivotal Phase III trial that is on track to initiate in Q3 CY22, will be presented at a future scientific conference.
- Stage set for PROTECT peanut study** An IND has been submitted to the FDA for the Phase I PROTECT study of VLP Peanut in peanut allergic adults. Following expert consultation, an adjustment to the trial protocol (ie moving planned paediatric and adolescent arms into a future Phase II study) accelerates expected read out of top line results to H123 (vs Q423). VLP Peanut clinical product has been manufactured, tested, and released in preparation for Phase I start.
- Positioned for the longer-term** Portfolio rationalisation (focussing on differentiated SCIT and innovative therapies), coupled with German headwinds and ongoing COVID impacts (Italy and Germany) impacted H121 revenues. Other regions (ie Spain) and key products (Pollinex, Venomil, Acarovac) grew strongly. On a like for like product and phasing basis, H122 sales were up 3% vs a reported decline of 10% (or down 5% CER) to £48.7m. End-December 2021 cash of £41.4m, plus a small amount of additional debt, will cover funding of the G306 and PROTECT studies.
- £350.7m, or 54.7p/share valuation** We plan to review our valuation and revisit forecasts post-H122 results (March 3). Our current valuation is £350.7m (54.7p/share), including cash and opex. We value the existing commercial business at £91.1m (14.2p/share) with the pipeline contributing £222.8m (34.7p/share).

Price	31.5p
Market Cap	£202.7m
Enterprise Value	£161.6m
Shares in issue	643.6m
12-month range	17.8-40.5p
Free float	21.8%
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 over £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

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Exhibit 1: Summary of financials

Year-end: June 30	£'000s	2019	2020	2021	2022E	2023E
INCOME STATEMENT						
Revenues		73,717	78,204	84,331	78,263	81,084
Cost of goods sold		(18,379)	(20,201)	(22,106)	(21,914)	(20,271)
Gross Profit		55,338	58,003	62,225	56,349	60,813
R&D expenses		(12,987)	(9,000)	(12,887)	(17,011)	(22,114)
S&M expenses		(26,995)	(24,853)	(25,200)	(27,720)	(31,046)
G&A expenses		(17,595)	(19,627)	(20,674)	(24,252)	(25,391)
Underlying operating profit		(2,239)	4,523	3,464	(12,634)	(17,739)
Share-based payments		(1,367)	(794)	(635)	(648)	(661)
Exceptionals		6,037	3,152	0	0	0
Other revenue/expenses		593	634	567	578	590
EBITDA		6,481	12,223	8,163	(8,295)	(13,275)
Operating Profit		4,391	8,309	4,031	(12,055)	(17,149)
Operating profit (pre R&D)		11,341	14,157	16,918	4,956	4,965
Financing costs/income		(98)	(238)	(374)	(225)	(149)
Profit Before Taxes		4,293	8,071	3,657	(12,280)	(17,298)
Adj. PBT		(3,704)	3,491	2,455	(13,507)	(18,549)
Current tax income		(826)	(1,159)	(771)	(1,276)	(1,880)
Net Income		3,467	6,912	2,886	(13,556)	(19,178)
EPS (p)		0.5	1.1	0.5	(2.1)	(3.0)
Adj. EPS		(0.5)	0.5	0.3	(2.3)	(3.2)
DPS (p)		0.0	0.0	0.0	0.0	0.0
Average no. of shares (m)		632.8	635.2	639.2	641.8	641.8
Gross margin		75%	74%	74%	72%	75%
EBITDA margin		9%	16%	10%	N/A	N/A
Underlying operating margin		N/A	6%	4%	N/A	N/A
BALANCE SHEET						
Current assets		46,625	55,170	57,858	46,353	34,135
Cash and cash equivalents		27,440	36,962	40,273	23,443	15,838
Short-term investments		0	0	0	0	0
Accounts receivable		9,776	8,076	6,222	8,577	7,775
Inventories		9,409	10,132	10,838	13,809	9,997
Other current assets		0	0	525	525	525
Non-current assets		21,872	31,055	30,231	30,101	31,356
Property, plant & equipment		11,481	20,417	19,717	19,301	20,270
Intangible assets		4,840	4,736	4,754	4,740	4,726
Other non-current assets		5,551	5,902	5,760	6,060	6,360
Current liabilities		(16,859)	(18,227)	(18,230)	(20,271)	(28,292)
Short-term debt		(694)	(829)	(963)	(813)	(813)
Accounts payable		(15,736)	(15,148)	(16,475)	(17,861)	(25,431)
Other current liabilities		(429)	(2,250)	(792)	(1,597)	(2,048)
Non-current liabilities		(14,080)	(24,215)	(21,324)	(20,557)	(20,090)
Long-term debt		(1,742)	(2,927)	(2,450)	(2,150)	(2,150)
Other non-current liabilities		(12,338)	(21,288)	(18,874)	(18,407)	(17,940)
Equity		37,558	43,783	48,535	35,626	17,109
CASH FLOW STATEMENTS						
Operating cash flow		5,600	12,010	8,341	(12,282)	(2,009)
Profit before tax		4,293	8,071	3,657	(12,280)	(17,298)
Non-cash adjustments		3,531	4,736	3,281	4,633	4,684
Change in working capital		(2,245)	589	1,552	(3,639)	12,483
Interest paid		(204)	(489)	(190)	(225)	(149)
Taxes paid		225	(897)	41	(771)	(1,729)
Investing cash flow		(3,353)	(2,509)	(2,639)	(3,648)	(5,146)
CAPEX		(3,099)	(2,547)	(2,562)	(3,331)	(4,829)
Acquisitions/disposals		0	0	0	0	0
Other investing cash flows		(254)	38	(77)	(317)	(317)
Financing cash flow		9,545	(110)	(2,034)	(900)	(450)
Proceeds from equity		10,196	1	4	0	0
Increase in loans		(651)	1,232	(132)	(450)	0
Other financing cash flow		0	(1,343)	(1,906)	(450)	(450)
Net increase in cash		11,792	9,391	3,668	(16,830)	(7,605)
Exchange rate effects		115	131	(357)	0	0
Cash at start of year		15,533	27,440	36,962	40,273	23,443
Cash at end of year		27,440	36,962	40,273	23,443	15,838
Net cash at end of year		25,004	33,206	36,860	20,480	12,875

Source: Company, Trinity Delta

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