

Allergy Therapeutics

Key data on track, return to growth expected next year

15 July 2022

- Allergy Therapeutics' trading update reports FY22 revenues of £72.8m vs £84.3m in FY21 (against our £78.3m). Whilst this represents a 14% decline (-9% CER), it masks the impact of the planned portfolio streamlining, an issue which has affected the allergy industry as a whole, with the shift from older products to the newer regulated innovative treatments. On an underlying basis, management noted a robust performance, with growth in most markets. Encouragingly, and reflecting the temporary near-term impact of this streamlining, revenues are expected to return to near double-digit growth in FY23.
- FY22 Net Income is expected to be in-line with consensus (we forecast a net loss of £13.2m), largely through ongoing cost control. However, FY22 Operating Profit before R&D is expected to be lower than consensus (we forecast £5.3m) owing to supply chain delays of £1.4m, albeit this is offset by R&D cost phasing, notably for the two key clinical trials of VLP Peanut and Grass MATA MPL. Cash at end June was £20.5m (from £41.4m at December 21 and £40.3m at June 21) vs our expected £21.3m. This, together with the £10m revolving credit facility, should be sufficient to fund the key R&D programmes to data in 2023.
- The VLP Peanut Phase I PROTECT study is set to initiate in coming months, with clinical trial sites in the process of being contracted. The format will use a stepwise protocol; the first stage involving non-allergic volunteers, proceeding to skin prick tests in adult peanut allergy patients, before embarking on the subcutaneous injection stage. Initial data continue to be expected in H123. Compelling preclinical data suggest VLP Peanut could lead to long-lasting protective immunity, without inducing allergic reactions, after only a few injections. Assuming VLP Peanut's clinical profile does deliver on its early promise, then this could transform Allergy Therapeutics' prospects.
- The Grass MATA MPL pivotal G306 Phase III trial is also due to start in the US and Europe this quarter to run over the 2022-23 grass allergy season. Top line results continue to be expected in Q423. Grass MATA MPL will be key for initial US entry and for market expansion in Europe.

Price	18.25p
Market Cap	£117.5m
Primary exchange	AIM
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.

Trinity Delta view: Revenues continue to be impacted by the planned portfolio streamlining, masking underlying performance, albeit these effects should wash out in FY23 with a return to near double-digit growth anticipated. Tight cost control continues, with phasing affecting various line items, for Net Income to be in-line with consensus. Importantly, the two key pipeline programmes, VLP Peanut and Grass MATA MPL, remain on-track to initiate trials this year. Cash together with some debt should be sufficient to reach key data read-outs for both next year. Our valuation remains £341.6m (53.1p per share).

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