

Arecor Therapeutics

Acquisition of Tetris Pharma and £6m equity raise

1 August 2022

- Arecor intends to acquire [Tetris Pharma](#), a commercial specialty pharma company that sells and distributes injectable specialty products across the UK and EU. Tetris Pharma's key asset is Ogluo, the first ready-to-use glucagon in an easy-to-use auto-injector pen for severe hypoglycaemia in diabetics. Ogluo is the pan-EU name for Xeris's [Gvoke](#), where Xeris has retained US rights and granted a minimum 16-year licence agreement to Tetris Pharma. Ogluo is patent protected across EU until at least 2035.
- An accelerated book build aims to raise c £6m at 300p/share, a modest 3.2% discount to the prior close. The acquisition consists of an initial consideration of 651,726 new shares, with an aggregate value of £2m, with a further earn-out of up to £4m payable on revenue and EBITDA targets being achieved on the first, second, and third anniversaries of deal completion. The £6m raise provides capital to accelerate Ogluo roll-out and funding to Tetris Pharma break even (expected within three years).
- Ogluo/Gvoke is a stable glucagon formulation available in a pre-mixed, pre-filled autoinjector pen that is administered rapidly through a two-step process vs a complex eight stage process which is the current standard of care for hypoglycaemic emergencies in the UK. The UK reimbursement price is £73 per single-use pen. Ogluo was made available in December 2021 with active launch in March 2022 and 1,729 units sold to date, contributing to Tetris Pharma's H122 sales of c £600k. Xeris launched Gvoke in the US in Q419; it now has a 22.8% US glucagon market share.
- Ogluo fits well within Arecor's formulation & development efforts, which seek to create products that are more effective, easier to use, more stable, clinically optimised, and commercially relevant. Tetris Pharma will now provide a sales/distribution channel that can be used for select products from Arecor's proprietary specialty hospital franchise. Marketing of Ogluo to diabetic specialists, patient groups, and payors should also provide valuable insights for Arecor's key AT278 and AT247 diabetes assets.

Price	310p
Market Cap	£88.8m
Primary exchange	AIM
Sector	Healthcare
Company Code	AREC
Corporate client	Yes

Company description:

Arecor Therapeutics is a revenue-generating clinical stage drug developer, with a well-balanced portfolio of in-house and partnered programmes. Its proprietary Arestat formulation platforms result in enhanced products with lower development risks and less onerous regulatory approvals.

Trinity Delta view: There are several clear strategic benefits underpinning the Tetris Pharma acquisition, in our view, which we believe offers a low-cost, low-risk way to securing longer-term value for Arecor's development efforts in Speciality Hospital Products and acceleration of revenue generation from Ogluo roll out. Currently Arecor's formulation expertise is employed to create a portfolio of proprietary and partnered clinical assets. The partnered assets generate development and commercial milestones, plus royalties or equivalent on sales. The Tetris Pharma acquisition will allow selected future niche products to be marketed directly across Europe, providing an optimal set-up to crystallise value. Importantly, we view the in-house diabetes insulins, AT247 (ultra-rapid) and AT278 (ultra-concentrated ultra-rapid) as the key value drivers. These continue to progress well with their commercialisation strategy unchanged. As usual, we suspend our valuation and forecasts until deal completion.

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