Avacta

Building Tx and Dx portfolios from proprietary platforms

29 September 2022

- Avacta's H122 revenues were £5.5m (H121: £1.5m; FY21: £2.9m). The Therapeutics Division was the major contributor with £5.4m (H121: £1.4m; FY21: £2.2m) from FTE reimbursement and milestones achieved under collaborations with LG Chem (£1.5m in cash) and AffyXell (£3.7m in new equity in the JV). Diagnostics revenue of £0.1m (H121: £0.1m; FY21: £0.8m) reflected the focus on in-house R&D and fewer custom projects. R&D spend of £6m was slightly lower (H121: £6.3m; FY21: £13.5m) with SG&A costs increased to £4.7m (£3.6m; FY21: £8.1m).
- Operating loss was £9.6m (H121: £11.3m; FY21: £29.1m), with a net loss from continuing operations of £9.0m (H121: £10.2m; FY21: £26.4m). The sale of the Animal Health Division in March 2022 for £0.9m upfront and a deferred contingent consideration of up to £1.4m resulted in a £1.1m discontinued operations profit. End-June 2022 cash and equivalents were £17.0m (end-December 2021: £26.2m).
- The Therapeutics Division has transitioned to a clinical-stage business, with lead asset AVA6000, a pre|CISION prodrug of the well-established cytotoxin doxorubicin, continuing to progress through dose-escalation in its Phase I trial. Post-period, the third dose cohort completed, and following positive review of the safety data, a fourth cohort (200mg/m^2) is recruiting which should complete in Q422. Successfully demonstrating proof-of-concept would lead to a portfolio of similarly acting oncology prodrugs. The next should be AVA3996, a prodrug of a Velcade (bortezomib) analogue, with CTA/IND filing targeted in 2023.
- The Diagnostics Division is focused on in-house development to build a broad *in vitro* diagnostic (IVD) product portfolio for consumer and professional use, which will underpin a profitable diagnostics business longer-term. Necessary infrastructure and regulatory processes are already in place, confirmed by ISO13485 accreditation. Re-development of the first CE marked Affimer-based diagnostic, AffiDX SARS-CoV-2 antigen LFT, is ongoing. However, Avacta has broader ambitions across decentralised testing, targeting four key areas: respiratory infections, cardiovascular disease, cancer, and general health and well-being.

Price	110p
Market Cap	£280.8m
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, the most advanced, improves potency and reduces toxicity of cancer drugs by only activating them inside the tumour. Success in clinical trials would be transformative for Avacta.

Trinity Delta view: Avacta's H122 results confirm operational progress in both the Therapeutics and Diagnostics divisions. AVA6000, the lead Therapeutic asset, remains the largest single element of our valuation model; continuing clinical progress bodes well as it not only represents an important value driver for Avacta, but successful proof-of-concept would validate the wider pre|CISION platform and boost appreciation of its potential utility. Reassuringly, the drug development collaborations (leveraging the pre|CISION and Affimer platforms) are also advancing. In Diagnostics, Avacta has embarked on building a broad yet focused IVD product portfolio. Our Avacta valuation is £557m (equivalent to 219.1p per share), with news flow over the next 18-24 months expected to provide multiple value-inflection points.

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