

Arecor Therapeutics

Specialty Hospital products formulation collaboration

10 November 2022

- Arecor has struck an exclusive Specialty Hospital product formulation study collaboration with a new, but un-named, partner. The deal is with the pharmaceutical division of one of the largest global chemicals and pharmaceuticals companies that, importantly, is focused on the development and commercialisation of such specialty products.
- Arecor's proprietary Arestat formulation technology will be used to create a novel, and differentiated, formulation of an intravenous injectable drug. The aim is to create a stable and convenient Ready to Use (RTU) product that eliminates the need for reconstitution prior to administration. RTU products are clinically appealing given the time saving element (numerous studies have shown staff time savings comfortably justify even material price premiums), and, more importantly, the simpler handling which materially reduces dispensing and administration errors.
- The undisclosed partner will fund the development work and, once the formulation is delivered, it has the option to acquire the rights and associated intellectual property to allow further development and commercialisation of the product. As described in previous notes, such collaborations are immediately revenue generating through research fees. If the option is exercised, the licensing deal will likely, in line with Arecor's existing pre-licence technology partnerships, include clinical and commercial milestones and net sales royalties or equivalent.
- Arecor has created a portfolio of partnered and in-house assets with improved properties through application of the Arestat technology to develop novel formulations of existing drugs with enhanced properties that would otherwise be challenging to achieve. These properties range from improved stability (extending the shelf-life of protein products), to altered supply chain requirements (greater temperature stability eliminating the need for cold chains), to conversion of lyophilised powders to stable RTU liquid dose forms (for faster and safer use), to improved therapeutic profiles (impacting patient outcomes and quality of life). Once commercialised, products derived from technology collaborations will provide a stream of recurring royalty-based revenues.

Price	235p
Market Cap	£71.6m
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: This collaboration is a valuable reminder of the importance of Arecor's Specialty Hospital products business and the applicability of its Arestat technology platforms in assisting larger, often blue chip, companies in addressing varied formulation challenges. The clinical and commercial potential of its diabetes franchise has focussed investor attention on development progress of AT278 (ultra-rapid ultra-concentrated insulin) and AT247 (ultra-rapid insulin), and so it is easy to overlook the value inherent in such Specialty Hospital products. The current pipeline includes two Specialty Hospital products licensed to Hikma, while disclosed formulation development partners include Lilly, Par Pharma, and Intas. Collectively the known Specialty Hospital product assets represent £75.2m (246.1p per share) of our £177.1m (580.9p per share) rNPV-based valuation.

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