Avacta

Momentum builds in Diagnostics and Therapeutics

28 September 2023

- Avacta's H123 revenue increased to £11.9m (H122: £5.5m), largely from the recent diagnostics acquisitions. Diagnostic revenues of £9.9m (H122: £0.1m) included six-months from Launch Diagnostics and one month for Coris Bioconcept. Therapeutics revenues of £2.0m (H122: £5.5m) reflected achievement of a further AffyXell milestone. Gross profit was £6.7m (H122: £5.3m), with an operating loss of £11.9m (H122: loss of £9.6m). End-June 2023 cash resources stood at c £26m (end-December 2022: £41.8m).
- Integrating the Launch (October 2022 Lighthouse) and Coris (June 2023 Lighthouse) acquisitions and leveraging synergies is Avacta's near-term Diagnostics focus as it works towards a positive divisional EBITDA, with H123 adjusted EBITDA loss narrowing to £0.4m (H122: £2.6m). Geographic expansion into Germany, portfolio expansion (including leveraging the Affimer platform), and distribution network optimisation should drive growth and margins. Longer-term, the 'buy and build' M&A strategy could add additional routes to market and/or grow the *in vitro* diagnostic portfolio.
- Post-period in Therapeutics, the sixth dose cohort (310 mg/m^2) was completed in the Phase Ia ALS-6000-101 study of doxorubicin pro-drug AVA6000. Dosing in the seventh and final cohort (385mg/m^2, c 3.5x the usual doxorubicin dose) has started and detailed Phase Ia data are expected once cohort seven is complete in Q423; this may be at a future conference.
- AVA6000 clinical data to date across all cohorts confirms a clean safety profile and no dose-limiting cardiotoxicity. Tumour biopsies indicate release of higher levels of active drug in the TME (tumour microenvironment) vs the bloodstream. There have been several positive responses to AVA6000, with a confirmed significant reduction in tumour volume in a soft tissue sarcoma (STS) patient. Importantly, the safety profile supports the potential for more frequent dosing, higher doses, or more cycles of treatment.
- Next steps for AVA6000 include a fortnightly dosing study (completing by mid-2024). Together with data from the ongoing three-weekly dosing Phase Ia study this should inform the recommended Phase II dose, for start of a potentially pivotal Phase II study in STS subtypes in 2024.

Trinity Delta view: The potential for long-term value creation in both Avacta divisions is highlighted by: (1) clinical momentum in Therapeutics as lead pre|CISION asset AVA6000 approaches key data read out and initiation of the first potentially registrational trial; and (2) by the commercial momentum in the maturing Diagnostics business as it advances towards self-sustainability. Avacta's near- and medium-term Therapeutics prospects are underpinned by the pre|CISION platform, with AVA6000 data helping to validate the platform's tumour targeting potential and providing the blueprint for a pipeline of related products, such as AVA3996. Accelerated clinical development for AVA6000 could mean approval of the first pre|CISION targeted chemotherapy towards end-2026. Our current Avacta valuation is £641m (equivalent to 228p per share).

Price	122.5p
Market Cap	£342.2m
Primary exchange	AIM
Sector	Healthcare
Company Codes	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.

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