

Avacta

Successful £31.1m fundraise despite challenging markets

6 March 2024

- Avacta has successfully raised £31.1m gross in a placing to institutional investors, and through a retail offer. Funds will be used to advance the therapeutics pipeline, in particular AVA6000 into initial Phase II studies. The institutional placing was to existing and new investors, including an EU specialist healthcare fund. Around 62.3m shares in total will be issued at a price of 50p, representing a 34% discount to the mid-market closing price on 27 February.
- The fundraise has three elements: (1) a firm placing of 27.5m shares issued under existing authorisations to raise £13.8m gross, including 130k shares (£65k) to certain directors of the company; (2) a conditional placing of 23.9m shares to raise £11.9m gross; and (3) a retail offer, which was limited to existing shareholders, which will raise £5.4m gross. Shares as part of the firm placing were admitted on 4 March, while issuance of the remaining shares will require approval at a General Meeting on 18 March.
- The main use of proceeds will be advancing AVA6000, which has been shown to be selectively activated at the target tumour site, resulting in lower toxicities, improved tolerability, and greater potency. Following recent additional AVA6000 data ([December 2023 Update](#)) from the seventh and final dosing cohort of Phase Ia three-weekly dosing arm, patients are being enrolled for the two-weekly arm in the US. Data will direct the format of the potentially pivotal Phase II trial (which could support initial regulatory approvals) and will include establishing a recommended Phase II dose. Dose expansions in several orphan indications, including soft tissue sarcomas, are expected to begin in H224. A Phase III trial (which would need to be initiated if AVA6000 is approved based on Phase II data) could potentially commence in 2026, subject to funding or partnering.
- In parallel, management is exploring routes to divest its Diagnostics business in a manner that maximises shareholder value. The October 2022 £62m convertible bond was issued to support the creation of a self-sustaining integrated Diagnostics business through both acquisition and organic investment. Launch Diagnostics was acquired for £24m ([October 2022 Lighthouse](#)) and Coris Bioconcept for £7.4m ([June 2023 Lighthouse](#)). FY23 adjusted revenues are expected to be c £22m and FY24 is forecast to be c £24m, becoming EBITDA positive in H224 and cash generative in FY25.

Trinity Delta view: The upsized fundraise of £31.1m (gross), together with existing cash of £16.6m (at 1 January 2024), are expected to provide a cash runway of c 24 months (ie into early 2026) covering a number of value inflection points in AVA6000's development pathway, which could bring opportunities for non-dilutive funding for the broader pre|CISION platform. Monetising Diagnostics through divestment would also bring in non-dilutive funding, but may, in our view, be targeted for later in this period, giving management time to embed the acquisitions, and improve the sales and profitability trajectory. As usual in such situations, we suspend our valuation and forecasts; for context our last published Avacta valuation was £672m (equivalent to 237p per share).

Price	52.75p
Market Cap	£166.55m
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.

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