Avacta

Therapeutics focus sharpening; cash to key catalysts

30 April 2024

- Avacta's FY23 revenues increased to £23.2m (FY22: £9.7m), driven by Diagnostics revenues of £21.2m (FY22: £4.2m) which included a full year of Launch Diagnostics and c 7 months of Coris Bioconcept. Therapeutics revenues were £2.1m (FY22: £5.5m) with the prior year including more milestones. Gross profit was £11.2m (FY22: £7.2m), the operating loss was £28.4m (FY22: loss of £32.6m), which together with non-cash elements relating to the convertible bond led to a £24.9m net loss (FY22: £36.6m loss). End-December 2023 cash of c £16.6m (end-June: £26.0m) was recently boosted by the March £31.1m (gross) fundraise (March 2024 Lighthouse).
- Avacta's focus is now primarily on the therapeutics pipeline. Updated Phase I data for lead programme AVA6000 were recently reported at AACR (April 2024 Lighthouse). The data reaffirm prior observations that AVA6000 is selectively activated at the target tumour site, resulting in lower toxicities than standard doxorubicin, and leading to anti-tumour effects in cancers with over-expression of FAP and which are sensitive to doxorubicin monotherapy.
- An AVA6000 two-weekly dosing arm is currently ongoing, given the favourable safety in the three-weekly arm. Patients can be dosed in parallel in this arm, and it is expected to complete around mid-2024. Data will define the recommended Phase II dose for the planned dose expansion studies (in as yet undisclosed indications), planned to start in the US during H224. Subject to data and trial regulatory approval, this will be followed by a potentially pivotal Phase II efficacy study, which could support initial regulatory approvals (conditional subject to a confirmatory Phase III trial).
- With the focus on Therapeutics, management continues to explore routes to divest the Diagnostics division in a manner that maximises shareholder value. The integration of Launch Diagnostics, which was acquired for £24m (October 2022 Lighthouse), and Coris Bioconcept, acquired for £7.4m (June 2023 Lighthouse) has resulted in a business that now generates annualised growth of c 10%, is approaching positive EBITDA (FY23 loss of £1.2m; FY22 loss of £5.1m) and is expected to be cash generative in the near future.

Trinity Delta view: Prioritisation of the Therapeutics division continues, with Christina Coughlin's appointment as CEO (having been on the Board since March 2022 and Head of R&D since February 2024). Once the Diagnostics division has been divested, Avacta will become a fully focused biotech company. This strategy is underpinned by the proprietary pre|CISION platform, and lead peptide drug conjugate AVA6000. Completion of the two-weekly safety study and progression into dose expansion cohorts during H224 will give some idea on the potential indication(s) that may be pursued by Avacta in a subsequent Phase II efficacy study. Current cash, including the £31.1m fundraise, provides a runway into early 2026 to advance the therapeutics pipeline, and should cover a number of value inflection points in AVA6000's development. Our valuation and forecasts are currently suspended (since the fundraise); our last published valuation was £672m (equivalent to 237p/share).

Price	48.30p
Market Cap	£173.4m
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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