

## ANGLE plc

### Gathering momentum in Pharma Services

Update

14 May 2024

**Three new Pharma Services agreements with large cap pharma in 2024 demonstrate that ANGLE's business development activities are successfully translating into customer income. These deals will make a valuable contribution to near-term revenues and also have the potential for more sizeable future revenues. Successful development of the underlying Parsortix-based assays could mean a transition into longer-term contracts for larger later-stage clinical studies, perhaps ultimately becoming companion diagnostics for commercial cancer drugs. Furthermore, the external validation provided by large cap pharma partners could facilitate future business development. Equally importantly, the resulting assays will augment ANGLE's menu that it can offer other customers. 'Content' development should support both the products and services business lines, which along with clinical data generated with Parsortix to demonstrate utility in patient management, should help drive adoption. Our DCF-based valuation of ANGLE is £174m, or 67p/share.**

Year-end: December 31	2021	2022	2023E	2024E
Revenues (£m)	1.0	1.0	2.2	6.3
Adj. PBT (£m)	(18.7)	(26.7)	(21.8)	(15.8)
Net income (£m)	(15.0)	(21.7)	(19.9)	(13.0)
Adj. EPS (p)	(7.2)	(9.6)	(7.8)	(5.6)
Cash (£m)	31.8	31.9	15.1	4.2
EBITDA (£m)	(15.7)	(21.4)	(19.3)	(12.3)

Source: Trinity Delta Note: Adjusted numbers exclude exceptionals.

- Three new Pharma Services agreements** Three partnerships have been secured with large pharma so far in 2024, two with AstraZeneca and one with Eisai. The deals have a c £905k aggregate headline value, which will contribute to FY24e revenue expectations. Importantly, there could be substantial future downstream income should any, or all, lead to further contracts for use of the respective Parsortix-based assays in later clinical trials. This could ultimately lead to a future companion diagnostic that could be a significant commercial opportunity.
- Key near-term revenue driver with upside potential** ANGLE's Pharma Services business offers clinical trial tools to pharmaceutical and biotech companies for oncology patient targeting and monitoring. Oncology trials are set to remain one of the most prolific areas of clinical activity and hence, over time, this could become a sizeable revenue stream. Growth will be driven by new customers and as existing customers progress to later stage and larger trials, potentially expanding to other programmes. The external validation provided by these latest large-cap pharma partners could facilitate and accelerate ongoing partnering discussions.
- Aiming to drive wider Parsortix industry uptake** Alongside Pharma Services, ANGLE's efforts are also focused on driving Product revenues through developing market-relevant "content" (menus of assays), supported by a growing network of distributors. In addition, continued generation of robust clinical data highlighting Parsortix's potential in multiple solid tumour treatment regimens should help drive wider industry recognition and partnering opportunities.

Price	21.0p
Market Cap	£61.2m
Enterprise Value	£26.6m
Shares in issue	260.6m
12 month range	9.07-37.4p
Free float	96.7%
Primary exchange	AIM
Other exchanges	OTC QX
Sector	Healthcare
Company Code	AGL

Corporate client Yes



#### Company description

ANGLE is a specialist diagnostics company. Its proprietary Parsortix technology can capture and harvest very rare cells, including CTCs (circulating tumour cells), from a blood sample. The FDA clearance for its clinical use to guide precision cancer care should open up multiple commercial opportunities.

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## ANGLE: Three new Pharma Services deals

### Pharma Services momentum should help drive near- and longer-term revenues

Pharma Services is likely to be a key revenue growth driver in both the near- and over the longer-term. Securing new partners will be key for future growth, and hence recent deals with large-cap pharma are highly encouraging as these could lead to: (1) future upside from later-stage and larger clinical trials; (2) broader future relationships with these partners; and (3) provide external validation to facilitate deal execution with new partners. The three deals recently signed are:

- A deal with Eisai for a pilot study in which ANGLE's Portrait HER2 assay will be used to quantitatively analyse the HER2 (human epidermal growth factor receptor 2) status of CTCs (circulating tumour cells) for breast cancer patients in the Phase II study of Eisai's HER2 targeting antibody-drug conjugate BB-1701. The pilot phase is worth \$250k.
- A deal with AstraZeneca, initially worth £150k (over six-months), to develop a methodology to detect CTC micronuclei, a measure of DNA damage response (DDR), using ANGLE's existing Parsortix-based DDR assay for use in pharma R&D.
- A second deal with AstraZeneca for £550k (into Q125) which involves developing a Parsortix-based Androgen Receptor (AR) detection assay for use in multiple prostate cancer clinical studies.

### Each contract could have significant future revenue upside

As with all Pharma Services agreements, successful execution and development could mean adoption in future late-stage clinical trials to monitor patients at multiple timepoints. This could bring significant future revenue potential, as shown in Exhibit 1, especially if this leads to development of a companion diagnostic. Whilst this could take several years, the development path will be fully funded by the drug developers running the clinical trials.

### Exhibit 1: Pharma Services potential future revenue opportunities

<i>Pharma companion diagnostic pathway - indicative only</i>		<b>Revenue Potential</b>
Year 1	Phase I	£0.2m to £0.7m
Years 2-3	Phase II	£1.2m to £3.6m
Years 4-5	Phase III	£15m to £45m
Year 6 onwards	Companion Diagnostic	£20m to £100m per annum

1. Potential for each project if fully progressed with all phases funded by pharma in pursuit of \$multi-billion market per annum
2. Dependent on success of clinical trials and need for CDx to support regulatory clearance
3. Low development risk for ANGLE with exceptional potential

Source: ANGLE

### Business could be scaled to meet demand

The Pharma Services business is supported by ANGLE's dedicated UK-based certified laboratory. According to management, this has capacity to process over 40,000 samples per annum with pricing over \$3,000 per sample depending on the level of complexity and the degree of evaluation desired. This could be scaled further to match demand as new contracts are executed.

**Exhibit 2: Summary of financials**

Year-end: Dec 31	£'000s	2020	2021	2022	2023E	2024E
<b>INCOME STATEMENT</b>						
Revenues		762	1,013	1,041	2,161	6,344
Cost of goods sold		(165)	(302)	(428)	(702)	(2,049)
<b>Gross Profit</b>		<b>597</b>	<b>711</b>	<b>613</b>	<b>1,459</b>	<b>4,295</b>
Operating expenses		(14,407)	(17,987)	(22,721)	(21,567)	(18,229)
<b>Underlying operating profit</b>		<b>(13,810)</b>	<b>(17,276)</b>	<b>(22,108)</b>	<b>(20,108)</b>	<b>(13,934)</b>
Share-based payments		(268)	(1,325)	(4,386)	(1,754)	(1,789)
Exceptionals		0	0	(2,100)	(1,200)	0
Other revenue/expenses		79	41	1	0	0
<b>EBITDA</b>		<b>(12,312)</b>	<b>(15,748)</b>	<b>(21,369)</b>	<b>(19,305)</b>	<b>(12,335)</b>
<b>Operating Profit</b>		<b>(13,731)</b>	<b>(17,235)</b>	<b>(24,207)</b>	<b>(21,308)</b>	<b>(13,934)</b>
Financing costs/income		(14)	(128)	(232)	109	(108)
<b>Profit Before Taxes</b>		<b>(13,745)</b>	<b>(17,363)</b>	<b>(24,439)</b>	<b>(21,199)</b>	<b>(14,042)</b>
<b>Adj. PBT</b>		<b>(14,092)</b>	<b>(18,729)</b>	<b>(26,726)</b>	<b>(21,753)</b>	<b>(15,832)</b>
Current tax income		2,139	2,351	2,753	1,323	1,000
<b>Net Income</b>		<b>(11,606)</b>	<b>(15,012)</b>	<b>(21,686)</b>	<b>(19,876)</b>	<b>(13,043)</b>
EPS (p)		(6.5)	(6.7)	(8.8)	(7.6)	(5.0)
Adj. EPS		(6.7)	(7.2)	(9.6)	(7.8)	(5.6)
DPS (p)		0.0	0.0	0.0	0.0	0.0
Average no. of shares (m)		178.0	225.1	246.6	260.6	260.6
<b>BALANCE SHEET</b>						
<b>Current assets</b>		<b>32,930</b>	<b>39,366</b>	<b>38,628</b>	<b>20,125</b>	<b>9,494</b>
Cash and short-term deposits		28,618	31,839	31,896	15,128	4,209
Trade and other receivables		1,443	1,269	1,797	1,036	1,304
Inventories		742	1,748	2,059	1,442	1,544
Other current assets		2,127	4,510	2,876	2,519	2,438
<b>Non-current assets</b>		<b>6,119</b>	<b>7,949</b>	<b>11,240</b>	<b>10,093</b>	<b>8,938</b>
Property, plant & equipment		2,409	4,376	8,476	7,298	6,114
Intangible assets		3,710	3,573	2,764	2,795	2,824
Other non-current assets		0	0	0	0	0
<b>Current liabilities</b>		<b>(3,777)</b>	<b>(4,912)</b>	<b>(5,250)</b>	<b>(3,722)</b>	<b>(3,188)</b>
Short-term debt		0	0	0	0	0
Trade payables		(3,343)	(4,390)	(3,978)	(2,450)	(1,916)
Other current liabilities		(434)	(522)	(1,272)	(1,272)	(1,272)
<b>Non-current liabilities</b>		<b>(928)</b>	<b>(2,073)</b>	<b>(4,555)</b>	<b>(4,555)</b>	<b>(4,555)</b>
Long-term debt		0	0	0	0	0
Other non-current liabilities		(928)	(2,073)	(4,555)	(4,555)	(4,555)
<b>Equity</b>		<b>34,344</b>	<b>40,330</b>	<b>40,063</b>	<b>21,941</b>	<b>10,688</b>
<b>CASH FLOW STATEMENTS</b>						
<b>Operating cash flow</b>		<b>(7,848)</b>	<b>(14,010)</b>	<b>(16,050)</b>	<b>(15,911)</b>	<b>(10,476)</b>
Profit before tax		(13,745)	(17,363)	(24,439)	(21,199)	(14,042)
Non-cash adjustments		2,268	2,774	5,556	3,648	3,497
Change in working capital		228	606	(1,614)	(150)	(903)
Interest paid		0	0	0	109	(108)
Taxes paid		3,401	(27)	4,447	1,681	1,080
<b>Investing cash flow</b>		<b>(1,966)</b>	<b>14,774</b>	<b>(1,751)</b>	<b>(856)</b>	<b>(444)</b>
CAPEX on tangible assets		(506)	(1,788)	(1,887)	(856)	(444)
Acquisitions/disposals		0	0	0	0	0
Other investing cash flows		(1,460)	16,562	136	0	0
<b>Financing cash flow</b>		<b>18,143</b>	<b>18,991</b>	<b>18,096</b>	<b>0</b>	<b>0</b>
Proceeds from equity		18,650	19,690	19,045	0	0
Increase in loans		0	0	0	0	0
Other financing cash flow		(507)	(699)	(949)	0	0
<b>Net increase in cash</b>		<b>8,329</b>	<b>19,755</b>	<b>295</b>	<b>(16,768)</b>	<b>(10,920)</b>
Cash at start of year		3,757	12,080	31,839	31,896	15,128
<b>Cash at end of year</b>		<b>28,618</b>	<b>31,839</b>	<b>31,896</b>	<b>15,128</b>	<b>4,209</b>
<b>Net cash at end of year</b>		<b>28,618</b>	<b>31,839</b>	<b>31,896</b>	<b>15,128</b>	<b>4,209</b>

Source: ANGLE, Trinity Delta. Note: Adjusted numbers exclude exceptionals.

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