Trinity Delta Lighthouse

Avacta

H124 interims: a time to reflect on progress achieved

30 September 2024

- In the four months since Dr Chris Coughlin was appointed CEO and Shaun Clifton Chairman there has been a notable shift in emphasis and direction. Avacta is firmly focused on Therapeutics, in particular exploiting the potential of the pre|CISION platform, beyond AVA6000, to create highly novel tumour targeting drug conjugates, supported by advances in understanding of FAP biology and by recent data. The process of divesting Diagnostics is underway, with several indicative offers received; this division has performed well with revenues up to £11.2m (H123: £9.9m) and an adjusted EBITDA of £0.1m (H123: loss of £0.4m). These activities are part of a wider strategy to increase Avacta's appeal to global specialist investors and help secure sustainable funding for further pipeline development (end-June 2024 cash of £32.5m).
- Lead asset, AVA6000, a doxorubicin pre|CISION conjugate, has completed a Phase Ia dose escalation study, with no maximum tolerated dose (MTD) seen. Updated data at ESMO 2024 (September 2024 Lighthouse) showed that AVA6000 was safe and well-tolerated with both three weekly and fortnightly dosing, with no serious cardiac safety signals. It confirmed selective targeted release of doxorubicin in the tumour-microenvironment (TME), resulting in lower toxicities than standard doxorubicin and preliminary efficacy in FAP over-expressing (FAP^{high}) doxorubicin sensitive cancers (eg salivary gland cancer and soft tissue sarcoma). These data will guide dose and indication selection for the planned Phase Ib expansion cohorts starting in H224, which, in turn, will inform the format of the Phase II efficacy trial planned for H225.
- AVA6000 can also be viewed as a first-generation pre|CISION peptide drug conjugate (PDC), employing relatively simple chemistries, that has proven the utility of the pre|CISION platform. Second-generation PDCs should be able to carry more specialised drug warheads, with additional caps and linkers that enable modifications to PK/PD and the delivery/release of the payload in the TME or tumour site. The third-generation, consisting of biologic drug conjugates (including either specialised Affimers or conventional antibodies), aims to deliver tailored AffyDCs/ADCs to the tumour in a sustained release format. More details on these developments should be showcased at the R&D Spotlight event in London on 30 October 2024.

Trinity Delta view: Avacta is transitioning into a developer of innovative highly targeted specialist oncology products. Lead asset, AVA6000, has successfully demonstrated the pre|CISION platform's ability for tumour-specific delivery of potent and toxic actives with minimal systemic effects. Broader data indicating that lower FAP activity is still sufficient for active drug release, extends the applicability of the pre|CISION platform to other FAP-expressing tumour types (FAP^{mid}), using novel warheads. Once the Diagnostics division has been divested, Avacta will become a fully focused biotech company. An important element of this strategy is to broaden Avacta's appeal to specialist healthcare investors via a potential additional listing on NASDAQ, securing sustainable funding for further pipeline development. Pending the October R&D event in London we maintain our Avacta valuation of £675m, equivalent to 188p/share.

Price	48.78p
Market Cap	£176.7m
Primary exchange	AIM
Sector	Healthcare
Company Code	AVCT
Corporate client	Yes

Company description:

Avacta owns two novel technology platforms: pre|CISION and Affimer. pre|CISION improves potency and reduces toxicity of cancer drugs by only activating them inside the tumour. Affimer proteins are antibody mimetics with applicability to oncology therapeutics and diagnostic reagents. Successful clinical trials would be transformative for Avacta.

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