ANGLE

H124: renewed near-term focus on Pharma Services

1 October 2024

- ANGLE is focusing resources on Pharma Services to exploit growing momentum in this business line, while industry-wide headwinds impact the Products business. FY24 revenues are now expected to be between £3.0-3.7m (prior: revenues in-line with market expectations of £6.45m). Focus on Pharma Services, with reduced investment in the Products business, is expected to drive cash flow generation from H226 (prior: cashflow breakeven on a monthly basis by end-2025). This refocused strategy follows weakness in Products sales as a result of a US FDA regulatory change regarding LDTs (laboratory developed tests), which has led to a slowdown in LDT development, and a worsening of the research funding environment. While these are expected to improve, ANGLE is now prioritising resources on Pharma Services, particularly for large pharma who remain well-financed and where multiple discussions are progressing.
- A new Pharma Services deal was recently signed with Recursion Pharmaceuticals (NASDAQ: RXCX), a clinical stage TechBio company utilising machine-learning to industrialise drug discovery. The agreement will start with a modest, fully funded pilot study; financial details are undisclosed. As with all Pharma Services contracts, there could be future revenue upside if development is successfully progressed to larger late-stage clinical trials. This is the fourth Pharma Services contract in 2024, following Eisai (HER2) and AstraZeneca (DDR and androgen receptor) deals with a c £905k aggregate headline value (May 2024 Update); all are progressing well.
- An exclusive next generation sequencing (NGS) agreement was recently signed with NuProbe to analyse CTCs, and for the dual analysis of CTCs with ctDNA (circulating tumour DNA), using NuProbe's proprietary pan-cancer NGS panel. Results from a pilot study with this panel were presented at ESMO 2024. This agreement could aid in securing new Pharma Services contracts, in our view.
- H124 revenues were £1.0m (H123: £1.2m), with £0.5m from Pharma Services (H123: £0.4m) and £0.5m from Products (H123: £0.8m). ANGLE had a sold order book of £1.9m at end-June. The gross margin of 59% (H123: 62%; H223: 79%) reflects the product-service mix. Cost reduction initiatives, which are expected to deliver c £8m of savings to end-FY24, led to operating expenses of £8.9m (H123: £11.4m). Net loss narrowed to £7.7m (H123: £9.8m). End-June 2024 cash was £17.9m (end-December 2023: £16.2m) and £2.1m of tax credits are due.

Trinity Delta view: All the building blocks remain in place at ANGLE to deliver sustainable long-term growth from both Products and Services. However, in the near-term, resources will be appropriately focused on maximising the Pharma Services opportunity to capitalise on the recent momentum in this business. As and when conditions improve in the Products business, ANGLE is prepared and has the elements in place to re-invigorate this revenue stream. Whilst the slowdown in Products will impact near-term revenues, the Pharma Services focused strategy, particularly on large pharma, is an attractive mid-term opportunity. The Pharma Services sales cycle can be protracted for new customers; however, the prospect of broader relationships with existing clients could be swifter. Our valuation and forecasts remain suspended; for reference our last published ANGLE valuation was £174m, or 67p/share.

Price	8.25p
Market Cap	£26.6m
Primary exchange	AIM
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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