Arecor Therapeutics

AT278 co-development deal in advanced discussions

4 February 2025

- Arecor's trading update confirms management's firm focus on progressing its unique insulin programmes, notably the ultra-rapid ultra-concentrated AT278 insulin, and the novel oral peptide delivery platform, where development of an oral GLP-1 is targeted. FY24 revenues were £5.1m (TD FY24e: £5.7m; FY23: £4.6m), with Tetris Pharma contributing £3.4m (FY23: £2.9m) and the balance from AT220 royalties and revenues from other partnered programmes. Tetris Pharma operations are being wound down in an orderly manner over the course of 2025 (January 2025 Lighthouse), with sales of existing Ogluo inventory expected to generate cash into H225. Cash at end-December 2024 was £3.3m, compared to £6.6m at end-2023.
- AT278 is Arecor's lead asset. It is a unique ultra-rapid ultra-concentrated insulin aspart formulation that appears ideally suited for emerging diabetes market needs. AT278's profile could make it a key enabler of miniaturised "next generation" automated insulin delivery (AID) pump systems with longer-wear times, increased convenience, and suitability for a wider patient range. Management appears to be in advanced negotiations with a co-development partner for the next phase of clinical development, which should demonstrate AT278's potential and provide validation in this key segment. Trial success with AT278 would be transformative for Arecor, highlighting the inherent value of its Arestat formulation platform.
- The oral peptide delivery platform is at an earlier stage, with the aim of developing an oral GLP-1, with superior bioavailability, to demonstrate its capabilities. The positive *in-vitro* results seen to date have encouraged management to expedite its progression through the preclinical stages, with non-clinical pharmacokinetic (PK) data on track to be delivered in H125. The early-stage oral GLP-1 programme could have significant commercial potential, and progress will help validate oral delivery of peptides, a technically challenging but highly desirable alternative to typical injections.
- Audited FY24 results are expected in April 2025. Our forecasts and rNPV model are pending review following the recent Tetris Pharma announcement. We reiterate our view that Arecor is not a revenue story, and the impact of Tetris Pharma related changes to our models is relatively small. For context, Tetris Pharma represented less than 5% (£7m, or 18.7p per share) of our previous Arecor valuation of £155m, or 410p per share.

Trinity Delta view: Arecor's diabetes franchise is central to its investment case, with AT278 making a significant contribution to our rNPV-based valuation. Management has taken some tough decisions, notably the cessation of Tetris operations, in order to remain focussed on demonstrating the value of its novel insulins and confirming their central role in the emerging field of AID pump systems. The news of progress on co-development partnering of AT278 for the next study programme is welcomed and highly reassuring. The oral peptide delivery is at a much earlier stage of development, nonetheless its clear appeal and timely need will likely attract investor and industry attention.

Price	56.50p
Market Cap	£21.5m
Primary exchange	AIM
Sector	Healthcare
Company Code	AREC
Corporate client	Yes

Company description:

Arecor Therapeutics is a clinical stage drug developer, with a well-balanced portfolio of in-house and partnered assets, and an internal focus on diabetes. Its proprietary Arestat formulation platform results in enhanced products with lower development risks and less onerous regulatory approvals.

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