Stock Data

Share Price:	150.0p
Market Cap:	£364.3m*
Shares in issue:	248.8m*

**Post-Placing numbers*

Company Profile

Sector:	Healthcare
Ticker:	AVCT
Exchange:	AIM

Activities

Avacta Group plc ('Avacta', 'the Company') is a biotechnology company which has developed the proprietary Affimer® technology platform, a unique engineered alterative to antibodies. Affimer® proteins can be developed quickly for drug development and a wide range of life sciences applications in the diagnostics and research sectors.

1-year Share price performance

Source: LSE

Past performance is not an indication of future performance.

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Avacta Group plc

Avacta has successfully completed the bookbuild of a heavily oversubscribed Placing that was announced yesterday morning. As joint broker to the Company, Turner Pope was able to secure a good allocation in the Fundraising for its clients through its participation in the bookbuild and also through a direct subscription. The Fundraising has conditionally raised gross proceeds of, in aggregate, £48 million, before expenses, through the issue of 40 million New Ordinary Shares at an issue price of 120p/share, representing just a 4.4% discount to 30-day volume weighted average price ('VWAP'). The originally proposed Fundraise was enlarged to accommodate significant retail demand. First Admission to trading of the new shares is expected to be on 10 June 2020 and the second on 25 June 2020. By taking this initiative, Avacta's Board has recognised the demand from institutional and private investors to capitalise the business fully to unlock the pipeline of differentiated cancer therapies centred on its pre|CISION™ and Affimer® platforms, expand its diagnostic products pipeline and provide the working capital required to grasp the potentially huge short and longer-term commercial opportunities now being presented by the COVID-19 antigen tests in development with partners. TPI considers the successful completion of this Fundraising will now enable the Company to reach a number of major inflection points it is currently presented with.

Use of Proceeds

Avacta plans a rapid scale-up of its broader Affimer® diagnostic products opportunities, including COVID-19 antigen rapid testing, and an accelerated expansion of the in-house Affimer® and pre|CISION™ cancer therapy pipeline.

From the £10m proposed for allocation to Diagnostics, working capital for the COVID-19 testing opportunity will be prioritised, comprising an expansion of the Company's in-house product development capabilities including facilities, capital equipment; scientific, commercial and senior leadership teams.

Up to £35m of the remaining will be directed to an accelerated expansion of the Company's pipeline of differentiated cancer therapies. This includes rapidly growing the pre|CISION™ pre-clinical pipeline and delivering pre-clinical packages for several pro-drugs (pre|CISION™ velcade, paclitaxel and oxaliplatin). It also proposes to expand the Affimer® immunotherapy pipeline (PDL1-TGFβ inhibitor and PDL1-cytokine bispecifics), along with IND/CTA filings for one or more Affimer® immunotherapies (TMAC drug conjugate (PDL1-IDASH) or first bispecific candidate) and one or more pre|CISION pro-drugs and to obtain first-in-human data for the Affimer® platform. Costs of the UK phase I clinical trial for first pre|CISION™ chemotherapy AVA6000 pro-doxorubicin were already covered, but the new proceeds will fund an IND (Investigational New Drug) filing for AVA6000.

Approaching a major inflection point?

With the necessary financial resources now in place, Avacta has positioned itself to reach a major inflection point. Timing is of the essence for any COVID-19 antigen test development. The proposed fundraise will permit expansion of the Company's R&D and production facilities sufficient to meet anticipated demand for Affimer® reagent production, while also supporting its commercialisation and wider product pipeline. Anticipated newsflow covering this business area will likely dominate near-term share price sentiment, although ongoing commercial and technical progress in its core therapeutic and diagnostic divisions clearly provides significant additional potential beyond satisfying the needs of the Pandemic. Avacta appears to have ideally positioned itself for the creation of significant long-term value for shareholders.

Share Placing - First and second Admissions

The allotment of 24,348,831 First Placing Shares and 2,005,451 New Ordinary Shares under the Subscription (together, the "First Admission Shares") is conditional upon (amongst other things) First Admission becoming effective, and is being carried pursuant to existing authorities and powers to allot shares on a non-pre-emptive basis..

The allotment of 8,669,682 Second Placing Shares, 914,215 New Ordinary Shares under the Subscription and 4,061,821 New Ordinary Shares issued under the PrimaryBid Offers (together "Second Admission Shares") is conditional upon (amongst other things), the Placing Agreement not having been terminated, First Admission becoming effective, the passing of the relevant resolution(s) at the general meeting of the Company (notice of which will be included in a circular to Shareholders expected to be despatched shortly) and Second Admission becoming effective on or before 8.00 a.m. on 25 June 2020 (or such later date and/or time as the Company and its Advisors may agree, being no later than 8.00 a.m. on 10 July 2020).

COVID-19 antigen testing

Avacta is responding rapidly to the obvious immediate and giant need to supply rapid COVID-19 antigen tests around the world. It is broadly expected that hundreds of millions of such tests will be required each month to support the fight against the Pandemic, the initial easing of the lock-down and the long-term challenge of containing both this endemic virus plus any similar future conditions.

The Affimer®-based point-of-care rapid antigen test under development with Cytiva (formerly GE Healthcare Life Sciences), takes the form of a simple test strip to indicate whether a person has the COVID-19 infection. It is intended to give a result within minutes and is for use by both healthcare professionals and consumers. Using saliva for rapid point-of-care mass screening offers significant advantages over slower, typically laboratory-based PCR (polymerase chain reaction) testing which, due to sampling and logistical complications, will be neither able to undertake the volume of daily tests required nor deliver the rapid turnaround demanded.

In such circumstances, the most efficient and simplest to use, early to market solution supported by comprehensive international distribution will likely capture the greatest slice of the commercial opportunity. Avacta appears positioned to secure this crown, having in addition also announced a collaboration with Adeptrix (Beverly, MA, USA) to develop and manufacture an Affimer®-based BAMS™ (bead-assisted mass spectrometry) coronavirus antigen test that will provide clinicians with a significant expansion of the available testing capacity for COVID-19 infection in hospitals. Presently there is only one other 'nasal swab' FDA-approved antigen test (from Quidel Corp), yet it appears to be somewhat flawed due to relatively (85%) poor detection sensitivity and is something which Avacta's co-developed product is expected to surpass.

From this point, timing is clearly key. There are presently only a few rapid antigen tests in development and, as yet, none have CE/FDA approval. In anticipation of quick development and subsequent approval, Avacta has already put in place one distribution partner, Medusa19, for the direct-to-consumer market and will put in place additional distribution partners for the healthcare professional/work-force testing markets, as well as OEM partnerships in order to maximise the commercial opportunity for the Affimer reagents it has developed that detect the coronavirus. Avacta intends to further commercialise the COVID-19 Affimer® reagents that it has generated through additional diagnostic development partnerships.

Putting hard figures down on the opportunities now being presented to Avacta, is a highly uncertain exercise. Should its rapid saliva test strip development programme with Cytiva successfully commercialise, for example, one illustration could possibly be the £250m-plus incremental value created by Novacyt's (AIM:NYCT) COVID PCR test. Another might be the industry's initial estimates that suggest a potential cost of sales of c.US$2 per test strip (based on high volume production) for the developer with a unit sale price to the end consumer of, perhaps US$30 each. Considering Avacta retains ownership of the commercial rights to the reagents supplied, this possibly suggests this partnership offers near-term, transformational potential to generate cash flow sufficient to fully fund all the Company's existing development programmes.

COVID-19 'Neutralising' Technologies

Further work Avacta has carried out using ELISA (enzyme linked immunosorbent assay) measurements, demonstrate that several Affimer® reagents disrupt the binding of ACE-2 to the SARS-COV-2 S1 spike protein across a range of different potencies. These reagents block the interaction between the virus' spike protein and the receptor found on human cells, to which the virus spike protein then binds in order to infect cells. These Affimer® reagents therefore have the potential to prevent infection and effectively act as 'neutralising' therapies.

Large pharmaceutical companies, such as AstraZeneca and GSK, are now starting programmes to develop neutralising antibodies in an attempt to block the SARS-COV-2 spike protein's interaction with ACE-2. Recently, for example, GSK invested US$250 million in Vir Biotechnology Inc. to develop potential antibody treatments for COVID-19 by selecting antibodies from recovered patients; AstraZeneca also recently announced that it would start a programme to find new monoclonal antibodies that block the spike/ACE-2 interaction.

Given that Avacta has now demonstrated that several Affimer® reagents also perform this blocking function, the Company is now urgently seeking a partner that has the resources available to co-develop a neutralising Affimer® therapy as quickly as possible.

Further diagnostic opportunities

Good commercial progress reflected in strong revenue growth and a growing pipeline of Affimer® technology evaluations with a range of partners has already been made. These evaluations continue to progress well, with the primary objective of converting these into license deals that will drive future royalty revenue. Additionally, the Company is making very good progress with its own pipeline of diagnostic tests which will also deliver licensing opportunities in the medium-term.

Therapeutic pipeline - AVA6000 pro-doxorubicin filing anticipated

Avacta will file an IND/CTA application as soon as possible for a phase I dose escalation study for its lead pre|CISION™ pro-drug chemotherapy AVA6000 pro-doxorubicin. A positive outcome to this phase I study would require an improved safety profile compared with standard Doxorubicin since the efficacy of this existing chemotherapy is well known. Positive data could lead to a significant licensing opportunity for AVA6000 with companies currently marketing existing Doxorubicin products or with companies that are currently carrying out clinical studies combining Doxorubicin with their checkpoint inhibitors.

A successful outcome to the study would also open the potential to using the pre|CISION™ tumour targeting technology developed at Tufts University. Part of the use of proceeds of this placing is to begin development of some of these other chemotherapies in the pipeline.

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