Stock Data

Share Price:	154.5p
Market Cap:	£387.2m
Shares in issue:	250.6m

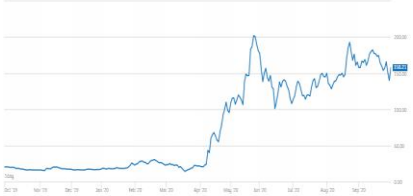
Company Profile

Sector:	Healthcare
Ticker:	AVCT
Exchange:	AIM

Activities

Avacta Group plc ('Avacta', 'the Group') 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 released its unaudited interim results for the six-month period ended 30 June 2020 on Monday. They detailed a period of significant advancement for the Group despite the restrictions placed upon it by the ongoing Pandemic. Very much echoing the view of many investors, the Chairman and CEO both described the milestones that the Group shortly expects to pass, including clinical validation of a rapid, saliva-based coronavirus antigen lateral flow test and its regulatory filing for AVA6000 pro-doxorubicin, the first pre|CISION pro-drug, as being 'momentous'. Together with multiple other pipeline opportunities, some of which have also been created using SARS-CoV-2 spike protein binding Affimers, such as progressing the BAMS™ assay with development partner Adeptrix in order to support CE marking and the recent detection & alert collaboration covering human breath and wastewater, the remainder of 2020 and 2021 are likely to a very busy periods on the news front for Avacta. With access to substantial financial resources, its Board now sees a runway out to 2023 for all planned developments while also satisfying any execution/OEM licensing/supply chain risks as it unlocks the potential of its two innovative therapeutic platforms.

Rapid coronavirus antigen testing opportunity

The potentially transformational year ahead for Avacta is likely to see investors remain focused on the multiple pipeline opportunities created by the Group's SARS-CoV-2 spike protein binding Affimers. In the UK alone, the demand for antigen testing in the community, for example, could be higher than 100 million tests per month in the medium-term. There is also likely to be a long-term need for antigen testing as the disease will remain in some societies for many years along with higher hospital detection capacity and real-time community alert systems, as governments around the world attempt to return their populations to some sort of 'normality'. The potential for significant near-term commercial value creation from these ground-breaking rapid detection, alert and research products under collaborative development and for which Avacta's technologies remain central is clear. Note, for example, Abbott's own lateral flow 15-minute COVID-19 antigen test that received FDA emergency use authorization which is priced at US$5/unit.

Major inflection points drawing ever closer

Having recently put the necessary financial resources in place, Avacta now appears to be rapidly closing-in on a number of major inflection points, while in tandem it secures longer-term value by partnering its proprietary technologies. Although timing clearly remains of the essence for the Group's COVID-19 test developments, potentially huge opportunities are available right now should the Group and its collaborators succeed in delivering an approved antigen test and/or detections products combined with the necessary scale, reliability and ease-of-use demanded by the global market. Importantly, the recent shift by governments world-wide to apply frequent testing with sensitivity sufficient to identify the most infectious people for isolation, such as is offered through the test Abbott recently launched, has made this technical hurdle much easier to achieve. While, not surprisingly, investor focus remains on the unsatisfied and very substantial commercial opportunities arising from the development of diagnostics to help combat the spread of the Coronavirus Pandemic, this is just one of a number of ambitious and rapidly developing projects Avacta presently has underway and all of which address areas of major growth potential. In this respect, it is important to note that while Avacta's COVID-related developments are likely to continue to drive near-term share price sentiment, these are in addition to the significant value potentially being generated through the Group's core operations which are

focused on developing diagnostics and novel cancer therapies, both in-house and with partners using its two proprietary platforms.

A number of potential milestones coming into view

The remainder of this year and 2021 are expected to produce significant news for Avacta and its collaborators as they announce the approach and passing of significant development milestones.

All potentially price-sensitive events, TPI has detailed anticipated timing for a number of these, as detailed below:

Potential Milestone Announcements from Avacta Group plc in Coming Periods

Q4 2020
• **Rapid COVID-19 antigen test for mass population screening collaboration with Cytiva** – Pilot batch devices from BBI Solutions will be used for clinical validation potentially to be announced in Q4 2020. Designed to demonstrate production of the antigen test at scale, following which it should become possible to define the expected timeline for CE marking with a greater degree of timing certainty. Expected to initially be self-certified for professional use and then for consumer self-testing products, following which plans are in place to transfer this to a number of manufacturers globally in order to meet the anticipated demand.
• **Regulatory filing for AVA6000 pro-doxorubicin in the UK** - It remains the Group's intention to make its regulatory filing ('CTA') in the UK by the end of 2020. Anticipated first patient dosing in Q1 2020 (although restrictions imposed due to a second wave of coronavirus cases could delay this) and initial data by mid-2021 which could possibly also be followed by IND filing with FDA in the same year. AVA6000 addresses the safety issues for this generic standard of care drug, for which Avacta has estimated US/EU peak sales alone could generate c.US$1.5bn/year with 5% to 10% royalty plus milestone payments.
• **Adeptrix's bead-assisted mass spectrometry ('BAMS™') assay platform** – Clinical evaluation data of the BAMS™ assay is key to securing commercial agreements with international mass spectrometer manufacturing partners. Having accelerated access to source patient samples for initial evaluation using the UK government's CONDOR programme, Avacta's BAMS assay to detect the SARS-CoV-2 virus has now been launched in the form of a research kit. This is expected to support clinical evaluation in Q4 2020 followed by CE marking for diagnostic use.
2021
• **Affimer® based enzyme linked immunosorbent assays ('ELISA') laboratory test for the SARS-CoV-2 spike protein -** Avacta plans to supply the SARS-CoV-2 spike protein ELISA reagent kit directly to researcher and also to continue active discussions with potential OEM partners and distributors globally in 2021.
• **AffyXell Therapeutics joint venture in South Korea with Daewoong Pharmaceutical Co. Ltd. -** Transfer of Affimer® binders to the targets of interest and demonstration that mesenchymal stem cells ('MSCs') can be primed to make and secrete and that these Affimer® drugs are functional. This is expected to be achieved during the second half of 2021.
• **Human breath and wastewater real-time detection, alert and monitoring to warn of localised COVID-19 outbreaks –** Collaboration with two AIM-quoted companies along with their IT and manufacturing partners in order to evaluate ability of recently generated Affimer® reagents that bind the SARS-CoV-2 to provide 'health passes' to individuals seeking access to different communities (be their work, entertainment, travel etc. related). The originators target CE marking their products in 2021 to permit application for community monitoring and consumer use following clinical validation.
• **Collaboration and option agreement with ADC Therapeutics SA ('ADC')** - Avacta is in the process of generating Affimer® binders to targets nominated by ADC and will characterise these before transferring them to ADC Therapeutics to be developed into drug conjugates for pre-clinical testing during 2021.
• **LG Chem agreement to develop Affimer® therapeutics in several disease areas** - Next key milestone for this programme could be the IND filing by LG Chem for its lead programme targeted by LG for 2021.
• **Core Diagnostic and Therapeutic** - Licensing and commercial partnership and/or collaborative developments.

Source: TPI estimates

Financial Results for half-year ended 30 June 2020

Group revenues for the 6 months ended 30 July 2020 increased to £1.8 million compared to the same period in 2019 (H1 2019: £1.1 million). Contribution from the Group's Therapeutics business increased to £0.8 million (H1 2019: £0.2 million) due to the increase of funded research projects, with a comparative figure for the 17 months to end-December 2019 of £2.52m including an upfront technology access fee arising from the LG Chem collaboration. The Diagnostic contribution increased to £0.3 million (1H 2019: £0.1 million) due to an increasing number of custom projects. Revenues from Avacta Animal Health, the allergy and diagnostic testing business, decreased marginally to £0.7 million (1H 2019: £0.8 million).

Avacta reported a total operating loss of £8.1 million (H1 2019: £6.6 million) after accounting for research costs from the expanding Therapeutics business which are expensed through the income statement and increased to £3.54 million (1H 2019: £2.18 million), as the Group continued to invest in the Affimer® and pre|CISION therapeutics programmes. Taken together with increased amortisation of development costs this amounted to £4.2 million (H1 2019: £2.9 million). Benefitting from a R&D tax credit of £1.1 million (H1 2019: £0.9 million), the Group's total comprehensive loss for the period amounted to £7.0m (1H 2019 £5.9 million). Avacta's basic and diluted loss per ordinary share was 3.74p (1H 2019: 5.12p).

There was a cash outflow from operations of £4.39 million (H1 2019: £5.59 million) and an outflow from investing activities of £1.02 million on capital expenditure and capitalised development costs (H1 2019: £1.43 million). Cash inflow from financing activities, being amounts received from the issue of shares and exercise of share options net of lease payments amounted to £51.09 million (H1 2019: outflow £0.07 million). The Group ended the period with £54.45 million net cash (H1 2019: £5.63 million) following equity fund raises in April 2020 and June 2020. Management has stated that this cash position provides it with a runway to fund all planned projects along with any costs associated with execution of commercialisation strategies out to 2023 by which time multiple value-inflection points should have been passed.

Launch of SARS-CoV-2 bead-assisted mass spectrometry ('BAMS') assay research test

Avacta yesterday announced that its Affimer®-based BAMS assay has been launched in the form of a BAMS™ research assay kit by its development partner, Adeptrix, for scientists to use in their research into the Coronavirus. This is significant, in the respect that this research use assay is the first step in commercialising the powerful Coronavirus research and diagnostic tool and the clinical evaluation of the assay in the UK to support CE marking for diagnostic use, which remains a high priority for the Group.

The BAMS™ assay uses Affimer® reagents specific to the SARS-CoV-2 virus to capture the virus spike protein from the sample for rapid detection by mass spectrometry, using the installed base of these instruments in hospitals. Up to one thousand samples per day can be analysed by a single technician using BAMS™, making it an attractive high throughput technique for COVID-19 diagnosis and research. Work carried out in parallel by Bruker Corporation, a leading mass spectrometer manufacturer with a significant installed base of instruments in hospitals globally, to assess the performance of the assay has been published in a detailed application note and represents a further important validation of the Affimer® platform.

Although Avacta has not disclosed specific commercial details regarding use of its Affimer® reagents by development partners, it notes that it will receive a royalty on the SARS-CoV-2 BAMS research kit sales. It continues to work actively with the UK government's CONDOR programme to clinically evaluate the coronavirus BAMS assay in order to obtain regulatory approval for diagnostic use. Avacta and Adeptrix are also in discussions with mass spectrometer manufacturers with a view to establishing commercial partnerships to market the research use and diagnostic products.

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