

Stock Data

Share Price:	0.78p
Market Cap.:	£3.65m
Shares in issue:	467.34m
52 week high/low:	45.00p/0.75p

Company Profile

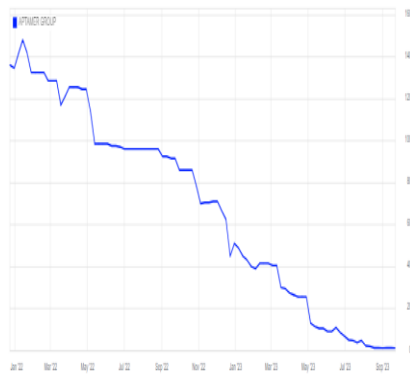
Sector:	Health Care
Ticker:	APTA
Exchange:	AIM

Activities

Aptamer Group plc ('APTA', 'Aptamer' 'the Group') is a leading provider of custom aptamer selection and development services for a wide range of research, diagnostic and therapeutic applications.

www.aptagroup.com

Share price performance since Admission*



*22 December 2021

Source: LSE

Past performance is not an indication of future performance.

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Aptamer Group plc

Aptamer has provided a first half trading update to 31 December 2023 in which it warns that the current year revenue target of £3m it set with release of its full year results to 30 June 2023 is now expected to be missed. Clear progress has nevertheless been registered since the Group confirmed its £3.6m (gross) fund raise and boardroom changes on 31 July 2023. Presently, it has over £1.4m of signed deals being processed through its laboratories along with c.£1.5m of pipeline opportunities considered to be at an advanced stage while, somewhat further out, two longer-term deals with big pharma could potentially crystallise into ongoing strategic relationships with c.£6m of value. The principal issue appears to be one of timing. Aptamer's customer base is one that cannot be hurried, although the extent of high-level interaction encompassing a wide range of industry leaders through to smaller sector innovators suggests it is not a case of 'if' but 'when' more sizeable uptake of its highly specialised services gets underway. In this respect, it is understood that just one of the larger big pharma contracts presently being negotiated could be transformative for the Group, both financially and in terms of reputation. Moreover, having completed the scaling back of its cost base during the first half while also bolstering its end-January 2024 cash position to £2.1m following receipt of a £0.5m tax credit, Aptamer's forward runway is presently sufficient to carry it well into the new financial year.

Timing issues continue to affect fee-for-service revenue

Back on 6 November 2023, Aptamer noted that a lull in customer confidence and limited availability of working capital in the lead-up to completion of August's £3.6m (gross) fundraise ('the Fundraise') plus boardroom changes, meant that the Group's half-year revenue figure to 31 December 2023 would be less than the £1.0m produced in comparative period (H1 FY2022/23). Revenue for the period is now expected to come in at approximately £0.3m.

To the extent that target material is delivered by customers in a timely manner, the Group expects to progress the £1.4m of signed work and a proportion of the £1.5m of advanced-stage sales pipeline through its laboratories before the end of the financial year. Both, of course, are subject to scientific attrition, meaning that some scheduled work could possibly be cancelled, deferred or otherwise reduced at an early stage. As a result, the Board now expects to deliver less than the £3.0m fee-for-service revenues for FY2023/24 it targeted when detailing the Fundraise on 31 July 2023.

Pipeline opportunities are converting into signed deals

Although arriving at a slower pace than was anticipated last summer, pipeline opportunities nevertheless continue to convert into signed deals. On 14 December 2023, for example, Aptamer announced a material agreement with a genetic medicines company for up to £0.55m fees (for discovery and development of Optimer binders), taking total deals signed that month of over £0.8m, which culminated in work of over £1.4 million currently being processed through its laboratories.

Since its management changes in August 2023, negotiations across a pipeline

of opportunities with total contract value between £2.0 million (medium term) and £8.0 million (including longer term) remain ongoing. Of this, c.£1.5 million of medium-term work is considered to be at an advanced stage, along with two other longer-term opportunities of c.£6 million with large pharma companies that the Board hopes will crystallise into ongoing strategic relationships.

Cash runway sufficient to carry Aptamer into the next financial year

Aptamer's cost base completed its reset in September 2023, reducing projected FY2023/24 outgoings to £3.5 million (compared with £6.4m in FY2022/23).

Having secured a R&D tax credit claim of £0.5m for FY2022/23, the Group's end-January cash balance was in line with expectations at c.£2.1m. Based on this and just the high margin contracted work presently passing through its laboratories which are due to be invoiced in the second half, the Board considers it has runway sufficient for operations to continue well into FY2024/25.

Target to achieve cash neutrality within two years remains

When detailing the Fundraise on 31 July 2023, Aptamer's Board noted that in order to achieve EBITDA and cash break even during the year ending 30 June 2025, it was targeting revenue of £3.0m for current period rising to £6.0 million for the year ending 30 June 2026.

Although management now prudently states that the first revenue target is expected to be missed, it clearly is still capable of being achieved should its entire advanced pipeline be successfully converted during the period along with delivery of all work-in-progress. Subject to change of course, the second revenue target, along with the ambition to achieve cash neutrality before the start of FY2025/26, presently remains in place. This is not considered unrealistic, however given that the net proceeds of recent fundraises were ringfenced for support of existing developments/activities only, including ongoing process improvement. This should bolster work that had significantly curtailed as part of last year's aggressive cost-cutting exercises and in turn accelerate internal validation of its technology in key focus areas. While the highly technical nature of such work means that lead times can often be relatively extended, continuing to develop multiple new product opportunities within its rapidly emerging subsector of next generation affinity ligands, for which APTA justifiably claims technological leadership, ensures a highly sticky and not particularly price sensitive customer base. Delivery of just one of the larger, big pharma contracts presently under negotiation could be transformative for Aptamer, both financially and in terms of industrywide reputation.

Technical progress developing binders for gene therapy and immunohistochemistry markets

Aptamer's R&D team continues to focus on two specific areas of development: (i) Optimer-based pharmaceuticals for gene therapy delivery and precision chemotherapy and (ii) Its Optimer-Fc platform for the immunohistochemistry ('IHC') market. These incorporate both diagnostic and pharmaceutical applications. They underpin the Group's new growth strategy, which is to foster larger ongoing fee-for-service contract work with preferred partners, thus pursuing a stable revenue stream, whilst developing both partnership-ready diagnostic and drug-delivery platforms. In the fullness of time the Group also seeks to internally develop, wholly owned pharmaceutical assets that target specific therapy areas. The net proceeds of last September £0.3m placing and subscription were ringfenced to support these activities within the business.

The Group has already successfully developed drug conjugates that form the basis of delivery vehicles for gene therapies, radionuclides, and chemotherapeutic medicines. Recent results from a gene therapy delivery partnership with a top 15 pharmaceutical company, yielded data showing selective delivery of a drug conjugate and associated gene knockdown. Demonstrating that the Group has the technology to operate in therapeutics, this has led to the partner placing demand for Optimer® binders for their own internal validation which, if successful, could result in an important, potentially even transformative, licensing opportunity. Aptamer's product can also be tailored for the

delivery of multiple gene therapy or chemotherapeutic conjugates, with a potential to form a series of novel pharmaceutical entities.

Histopathology is currently the preferred method for detecting microscopic anatomical changes in tissue sections in many disease areas, including cancer, making the discovery of such biomarkers critical for early diagnosis and treatment. Antibodies have been used extensively as the molecular probes, but their production demands a series of costly, complicated and time-consuming processes, which are prone to batch variability. With aptamers having been demonstrated as excellent probes along with unique properties that make them highly suitable in clinical settings, development of the Group's Optimer-Fc platform for IHC has resulted in a first commercial contract. Agreed in December 2023 with a value of up to £147,500, progress in discovery and validation is continuing with deliver of new binders that demonstrate the platform's capabilities. Developed binders for IHC are now also undergoing external validation by a top 5 pharma company, with initial results reported to be promising and already resulting in a commercial request for more material. A patent application covering the platform has now been submitted.

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