

Stock Data

Share Price:	0.58p
Market Cap.:	£2.71m
Shares in issue:	467.34m
52 week high/low:	31.20p/0.55p

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](https://www.lse.com)

Past performance is not an indication of future performance.

Turner Pope contact details

Tel: 0203 657 0050
Email: info@turnerpope.com
Web: www.turnerpope.com

Andrew Thacker
Corporate Broking & Sales

Barry Gibb
Research Analyst

TPI acts as broker to Aptamer Group plc.

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Aptamer Group plc

Aptamer has published its unaudited first half results to 31 December 2023 (the 'Period'). Confirming core detail provided in its Half Year Trading Update released on 5 February 2024, the financials are very much in line with expectations, while the Board continues to report strong technical delivery leading to growing commercial traction. Presently, the Group has £1.3m of signed deals being processed through its laboratories along with c.£2.9m of pipeline opportunities considered to be at an advanced stage. Somewhat further out, amongst other opportunities, two longer-term deals with big pharma offer potential to crystallise into ongoing strategic relationships with c.£6m of value. The principal issue of course remains one of timing. Delivery of a customer's target materials required for a production run, for example, can sometimes delay revenue recognition by a matter of months. The extent of high-level interaction across a wide range of industry leaders through to smaller sector innovators, nevertheless 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 or novel applications in fast moving consumer goods ('FMCG') currently being progressed could be transformative (in terms of high volume/breakthrough licensing adoption) for the Group both financially and in terms of reputation. Moreover, having completed the scaling back of its cost base during the first half to around £0.3m/month, while 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 comfortably into the new financial year.

H1 FY2023/24 – Financial highlights

As had already been well posted, limited availability of working capital during the summer months of 2023 hindered uptake of new activity, as a result of which full year results will be significantly second half weighted:

- Revenue £0.3 million (H1 2023/24: £1.0 million)
- Gross profit £nil (H1 2023/24: £0.5 million)
- Cash balance at 31 December 2023 of £1.8 million (H1 2023: £1.9 million)
- Adjusted EBITDA loss of £1.8 million (H1 2023/24: £2.5 million)
- Recapitalised with £3.9 million (gross) by way of two equity subscriptions and placings completed in August and September 2023.
- Completed the reset of the fixed cost base to £3.5 million per annum in September 2023, whilst maintaining the ability to win sales and deliver projects.

Improved 2H FY2023/24 level of activity

Following the Group's refinancing last summer, the injection of additional working capital in tandem with the restructured Board's focus on short-term delivery of fee-for-service ('FFS') elements and pipeline conversion, December produced new customer agreements valued at c.£0.8m. These included work for a genetic medicines company for Optimer® targeting specific cell types, as well as a contract with a US-based biotechnology company for Optimer®-Fc reagent development to new targets.

Further significant post-Period technological progress and customer

development across the Group's Solutions, Diagnostics and Therapeutics divisions includes:

- Developed binders for a top 5 pharma company undergoing external validation for Immunohistochemistry ('IHC') validation, with initial results reported as promising and leading to a commercial request for more material in January.
- Entered the second phase of development with Neuro-Bio in February, to deliver additional Optimer® binders to support Alzheimer's lateral flow test development.
- In March, following successful testing of developed Optimer® binders by Unilever to support novel applications in fast moving consumer goods, patent applications for the binders are being prepared.
- An update on the technical progress to date in developing the new affinity ligand platform, Optimer®+, was made in February, highlighting the improved results compared to the current Optimer® platform, and good tolerance in animal studies, demonstrating its potential for use in therapeutics.
- In February, results from a gene therapy delivery partnership with a top 15 pharmaceutical company, led to a request to validate the material in their own labs. This material is currently being manufactured at Aptamer Group for shipment.

Positive validation of Optimer® performance, both in-house and from external partners, continues to heighten opportunity for licensing of current assets. This remains central to Group forward planning, particularly within its key focus areas of drug delivery and IHC, where a specific market need for the technology and its new Optimer®-Fc platform have been identified and for which it is well placed to address. Capable of delivering benefits including ethical compliance, rapid development to meet tight timelines, plus cost-efficiencies and security in supply, Optimer® binders clearly offer much-needed innovation to empower new research and bioprocessing solutions.

Development work on Aptamer's novel Optimer®+ platform has resulted in the demonstration of the new affinity ligands as possessing improved performance and development times compared to the current platform, while also being stable and well tolerated in mice, therein indicating the basic requirements for therapeutic use. Optimer®+ uses a modified oligonucleotide library that creates hybrid Optimer®-peptide binders engineered with a scaffold structure that bridges the gap between traditional aptamers and protein-based affinity ligands, thereby occupying a niche between large biologics and small molecule drugs. Development of the new platform is ongoing, alongside discussions with partners to scale manufacturing processes. The new platform is expected to launch to the market in FY2024/25.

Cash runway takes Aptamer well into the new financial year

Following appointment of the new Board in August 2023, Aptamer completed the reset its cost base by 30 September, 2023. This process saw a reduction in operational headcount to the level (around 37 members) required to meet forecasted revenues, where the top performers were retained and incentivised followed, post-Period end, by a reduction in the Group's operational footprint. This reset, along with continued tight cost discipline, is intended to support the move towards a positive cash flow position over the next two years.

Cash burn has been reduced to just under £0.3m/month. A cash balance of £2.1m as of 31 January 2024 (benefitting from receipt of a £0.5m R&D tax credit), suggests visibility into August 2024 in the absence of any revenue generation. Aptamer's current, high margin production pipeline is valued at £1.3m, at least part of which should be serviced for in the coming months, along with expected conversion of a reasonable proportion of the £2.9m sales pipeline. Noting recent customer momentum and ability to secure repeat business, this suggests that while the Group balance sheet undoubtedly remains tight, its Board remains confident in its ability to fund continuing needs at this time.

Targeting positive cash flow over the next two years

The Board states that it's reset of the cost base, along with continued tight cost discipline, is intended to support the

move towards a positive cash flow position over the next two years. Going back to the time of its 31 July 2023 Fundraise announcement, Aptamer stated that in order to achieve a positive EBITDA and cash break even during the year ending 30 June 2025, it was targeting revenue of £3.0 million for current period rising to £6.0 million for the year ending 30 June 2026.

While management prudently states that the first revenue target is likely to be missed, it nevertheless remains possible to exceed this amount in the coming financial year, assuming the Group's entire advanced pipeline will be successfully converted along with delivery of all work-in-progress. Subject to change of course, the second revenue target, along with ambition to achieve cash neutrality during FY2025/26, is now in place. Given that the net proceeds of the fundraises were ringfenced in support of existing developments/activities only, including ongoing process improvement, this is not altogether unrealistic. Supporting such expectations, it is worth highlighting the extent of repeat business with large pharma partners, which presently includes work for a top 5 company to develop multiple Optimer[®] binders for different applications and no less than 18 separate contracts from two other top 15 partners. Elsewhere, the Group reports successful progression with Unilever for novel applications in FMCG, while entering a second phase of development with Neuro-Bio for Optimer[®] binders to enable Alzheimer's disease lateral flow diagnostics. For the latter two, patent applications are currently being prepared.

Future planning

The Group's second half focus remains on delivery of FFS elements and ongoing pipeline conversion, while actively working with partners to support adoption of Optimer[®] technology. One potentially increasingly important area for continued development there is with Optimer[®] drug delivery vehicles. Hepatocytes transfected with Optimer[®]-siRNA, for example, demonstrate effective silencing of diseased liver cells. This aspect is now being manufactured for evaluation by one of Aptamer's top 15 pharma partners that recognises the role Optimers play in permitting the conjugate's entrance into such cells in order for the gene therapy to become functional. During the same period, the partnership with Unilever is expected to progress (including expected patent application in FY24), while also overseeing the transitioning of Neuro-Bio's binders to a LFD development partner before the end of the calendar year.

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 sticky and not particularly price sensitive customer base. Breakthrough adoption of any of the Group's patented novel applications by any of its major partners could of course be transformative both financially (in terms of downstream licensing revenues) and industrywide reputation.

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