

## Arecor Therapeutics

AT220 European launch marks first Arestat success

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- The first product incorporating Arecor's Arestat technology, AT220, has been launched in Europe with first commercial sale triggering an unspecified milestone payment, with future royalty payments on sales. As the first commercial programme developed with Arestat technology, AT220 effectively validates the approach of employing Arecor's formulation expertise to create differentiated products with enhanced or superior product features and physical properties.
- AT220 is a novel and differentiated formulation of a biosimilar developed with an undisclosed "global pharmaceutical and healthcare company". The deal was struck in late-2017 and two milestone payments have already been received. Reassuringly, the first approval and launch has been achieved within the expected timelines. Neither the product nor financial terms have been made public. However, in our [December 2022 Outlook](#) we had identified several potential candidates for the reference biologic.
- A mix of in-house assets and partnered products provides Arecor with an attractive blend of value inflection points, in our view. The next most advanced partnered asset, Inhibrx's INHBRX-101 is in a registration-enabling trial for emphysema due to alpha-1 antitrypsin deficiency (AATD). The milestone received on transfer of RTU injectable AT307 to Hikma for further development suggests progress here is also being maintained. We also anticipate the execution of further licensing agreements (particularly for the Specialty Hospital products), as well as technology partnerships.
- Arecor's diabetes franchise underpins the bulk of the investment case and the clinical data to date from the two key diabetes assets, AT278 (ultra-rapid, ultra-concentrated insulin) and AT247 (pump optimised insulin), suggest competitive profiles that are well suited to the changing diabetes landscape in terms of demographics and the technological advances seen with novel insulin pump delivery systems. The next diabetes-related catalyst is topline Phase I AT278 data in Type II diabetes in early 2024.

Price	182.5p
Market Cap	£56.7m
Primary exchange	AIM
Sector	Healthcare
Company Code	AREC
Corporate client	Yes

### Company description:

Arecor Therapeutics is a revenue-generating clinical stage drug developer, with a well-balanced portfolio of in-house and partnered programmes. Its proprietary Arestat formulation platforms result in enhanced products with lower development risks and less onerous regulatory approvals.

**Trinity Delta view:** Commercial launch of AT220 provides further evidence that Arecor's innovative and lower risk pipeline is making tangible progress. Management has created a broad and well-balanced pipeline of innovative products that potentially offer similar milestone and royalty streams to classic drug discovery plays, yet with lower development risks and in a less costly and more rapid manner. The proprietary diabetes programmes, AT278 and AT247, are particularly attractive and underpin a sizeable portion of our valuation. However, due to the commercial sensitivities surrounding the partnered programmes there is limited disclosure, which means the investment appeal of these as well as the partnered and in-house Specialty Hospital product portfolio tends to be overlooked, yet their likely future revenue streams are appealing and their collective contribution could be sizeable. Our valuation, based on conservative assumptions, is £176m, equivalent to 575p a share.

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