Arecor Therapeutics

Sanofi deal for INBRX-101 validates Arestat technology

24 January 2024

- Sanofi is acquiring Inhibrx for its Arecor-partnered asset INBRX-101 in a $2.2bn deal (non-INBRX-101 assets will be spun off into a new Inhibrx). For each Inhibrx share, shareholders will receive (1) $30 in cash ($1.7bn, fully diluted), (2) one non-transferable CVR (contingent value right) of $5, conditional on receiving FDA approval by June 30, 2027 (a potential $296m additional cash consideration), and (3) 0.25 shares of a new publicly traded company 'New Inhibrx', that will retain the non-INBRX-101 assets, in which Sanofi will hold an 8% equity stake. Deal closure is expected in Q224.
- In December 2020, Inhibrx exercised its option to licence AT292, a novel enhanced formulation of INBRX-101 enabled by Arecor's Arestat platform. Under the terms of the licence deal, Arecor received an upfront payment and is entitled to further payments on achieving development, regulatory, and commercial milestones, plus annual technology access fees post-launch. The most recent undisclosed milestone was triggered in November 2023, following dosing of the first patient in the registration-enabling ElevAAte trial for the treatment of emphysema due to alpha-1 antitrypsin deficiency (AATD). INBRX-101 was granted FDA Fast Track Designation in this indication in May 2022. Topline ElevAAte data are expected late-2024. Assuming these are positive, we have modelled a potential 2026 launch.
- INBRX-101 is a recombinant human Alpha-1 Antitrypsin Fc-fusion Protein in development for the treatment of AATD, AATD is an inherited orphan genetic disease characterised by low levels of the AAT enzyme (neutrophil elastase inhibitor), that predominantly affects the lung (but also the liver in c 15% of cases) resulting in progressive tissue deterioration. INBRX-101 has the potential to help AATD patients normalise their serum AAT levels with less frequent dosing (monthly vs weekly), helping reduce inflammation, preventing further decline in lung function, and improving quality of life vs the current standard of care.

Price	167.5p
Market Cap	£51.3m
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: Sanofi's acquisition of INBRX-101 fits in with its portfolio growth strategy and its focus and reputation in rare diseases, and the $1.7bn+ deal value underscores INBRX-101's attractiveness. For Arecor this is further commercial validation for its formulation expertise and ability to create clearly differentiated assets. INBRX-101 is Arecor's second most advanced partnered asset, behind biosimilar AT220 (believed to be Fresenius Kabi's tocilizumab) which launched in Europe in H223; both emerged from a technology formulation partnership. Such partnerships are a low-risk business model generating near-term revenues; Arecor receives research fees from day one of any formulation development collaboration under which it reformulates and develops optimised versions of a partner's own products or product candidates. Should these convert to licences, as with AT220 and INBRX-101, there is potential for meaningful financial upside via milestones and future commercialisation income (royalties or similar). For more detail on Arecor's investment case see our November 2023 Outlook. Our valuation remains £179m, equivalent to 583p per share.

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