

Arecor Therapeutics

New deals & first royalties to aid growth; key data H124

1 February 2024

- Arecor's FY23 trading update is a reminder of the significant progress made by and with partners, with the roll-out of Ogluo, and with the in-house portfolio during 2023. These have driven FY23 revenues to £4.6m (FY22: £2.4m), including £2.9m of Tetriss sales driven by Ogluo (FY22: £1.0m for five months post the 4 August acquisition). Total income is £5.6m (FY22: £3.5m), which includes the Innovate UK grant. Cash at end-December 2023 is £6.8m (end-June: £8.2m; end-Dec 2022: £12.8m), just ahead of our £5.8m forecast, suggesting good cost control.
- With partners, a key milestone was achieved with the launch of AT220 (believed to be Fresenius Kabi's tocilizumab) in Europe, the first commercial product incorporating the Arestat technology. This triggered an undisclosed milestone, and is now generating recurring royalties. We believe these will be a near-term growth driver, particularly once the product is approved and launched in the US. Milestones were also received from both Hikma on AT307, and from Inhibrx on INBRX-101, which is being acquired by Sanofi for >\$1.7bn, providing external validation of the value-add of Arecor's formulation expertise.
- A new Specialty Hospital deal was also struck for a high value, Arestat-enabled, ready-to-dilute (RTD) formulation of a blockbuster oncology product. Four new technology partnerships were executed in 2023, with a further deal also signed in January 2024. Such collaborations are revenue generating from day one through research fees and represent upside potential should they convert to licences.
- The diabetes franchise, consisting of the in-house ultra rapid insulins AT278 (ultra-rapid, ultra-concentrated) and AT247 (ultra-rapid), remains the main investor focus given the upside potential. Recruitment is now complete in the second Phase I study of AT278 in Type II diabetes patients, and data are on-track for H124. Diabetes remains a huge and growing global problem and advances in insulin pumps require specialist insulins, such as Arecor's products, to capitalise on their benefits.

Price	166p
Market Cap	£50.8m
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 platform results in enhanced products with lower development risks and less onerous regulatory approvals.

Trinity Delta view: Investor attention is focused on the diabetes franchise, hence the upcoming AT278 Phase I data are eagerly anticipated. However, an interesting growth story is emerging as Arecor continues to execute on new deals, with further partnerships expected. These have the potential to drive meaningful future royalties from multiple partners, building on the continued momentum from existing assets and partners. The second Specialty Hospital deal, commercial validation of Arecor's formulation expertise with the launch of AT220, plus further endorsement of the value-add of Arestat via the Sanofi acquisition of INBRX-101 have all been significant, yet underappreciated catalysts, in our view. Our valuation is £179m, equivalent to 583p per share.

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