

Arecor Therapeutics

Novel diabetes drug-device deal inked with Medtronic

9 May 2024

- Arecor has signed a collaboration with Medtronic, a leading global insulin pump manufacturer, to develop a novel, high concentration, thermostable insulin for use with a next-generation implantable pump. While precise deal economics are not disclosed, Medtronic will fund the formulation and development of an Arestat-enabled insulin. This insulin will be designed specifically with the profile to be delivered via an implantable pump.
- The deal provides further important external validation of Arecor's formulation and development expertise, particularly in this case in relation to novel insulins tailored to address specific patient needs. In addition, it demonstrates that, despite its size, larger players are aware of Arecor and recognise its ability to potentially add significant value to their products.
- [Medtronic](#) (NYSE: MDT) is a multinational healthcare technology company active in several market segments (cardiovascular, neuroscience, surgical, and diabetes), with its Diabetes business (FY23 sales: \$2.26bn) identified as one of the [highest growth](#) prospects. In contrast to its peers, Medtronic is investing across a range of technologies, including Smart Dosing systems, eg smart MDI (multiple dose injection) pumps and patches, and AID (automated insulin delivery) devices. The aim is to provide differentiated treatment options for diabetes patients with intensive insulin needs.
- Current innovation in diabetes treatment options to improve clinical outcomes and/or quality of life for patients is most focused on enhanced insulin delivery, with development of next-generation, miniaturised, devices with longer-wear times. However, to fully capitalise on their benefits, these advances in delivery technologies require novel specialist insulins.
- Arecor's diabetes franchise includes two proprietary clinical-stage programmes that fall in the category of specialist device-enabling insulins: ultra-rapid, ultra-concentrated (AT278) and ultra-rapid (AT247). These remain a core focus for investors given the upside potential, with an important catalyst on the horizon: top-line read out of the second Phase I study of AT278 in Type II diabetes patients during H124.

| | |
|------------------|------------|
| Price | 135.0p |
| Market Cap | £41.35m |
| 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: A deal with a major insulin device player such as Medtronic is undoubtedly a coup for Arecor, providing the opportunity to develop a closer relationship as well as broadening its existing diabetes franchise. This expanding franchise, centred on AT278 and AT247, now includes this novel implantable insulin-pump device combination with Medtronic (addressing an underserved niche patient population), an earlier co-development deal with TRx Biosciences to develop an oral GLP-1 ([March 2024 Lighthouse](#)), and the commercial product Ogluo, sold in the UK and Europe via Tetris Pharma. However, foremost in investor minds is the upcoming clinical readout from the AT278 Phase I trial, which should inform next steps for development and potentially stimulate interest from possible partners or collaborators. Ahead of data, our valuation remains £179m, equivalent to 583p per share.

Analysts

Lala Gregorek

lgregorek@trinitydelta.org
+44 (0) 20 3637 5043

Philippa Gardner

pgardner@trinitydelta.org
+44 (0) 20 3637 5042

Philippa Gardner

pgardner@trinitydelta.org
+44 (0) 20 3637 5042

Lala Gregorek

lgregorek@trinitydelta.org
+44 (0) 20 3637 5043

Franc Gregori

fgregori@trinitydelta.org
+44 (0) 20 3637 5041

Disclaimer

Trinity Delta Research Limited ("TDRL"; firm reference number: 725161), which trades as Trinity Delta, is an appointed representative of Equity Development Limited ("ED"). The contents of this report, which has been prepared by and is the sole responsibility of TDRL, have been reviewed, but not independently verified, by ED which is authorised and regulated by the FCA, and whose reference number is 185325.

ED is acting for TDRL and not for any other person and will not be responsible for providing the protections provided to clients of TDRL nor for advising any other person in connection with the contents of this report and, except to the extent required by applicable law, including the rules of the FCA, owes no duty of care to any other such person. No reliance may be placed on ED for advice or recommendations with respect to the contents of this report and, to the extent it may do so under applicable law, ED makes no representation or warranty to the persons reading this report with regards to the information contained in it.

In the preparation of this report TDRL has used publicly available sources and taken reasonable efforts to ensure that the facts stated herein are clear, fair and not misleading, but make no guarantee or warranty as to the accuracy or completeness of the information or opinions contained herein, nor to provide updates should fresh information become available or opinions change.

Any person who is not a relevant person under section of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom should not act or rely on this document or any of its contents. Research on its client companies produced by TDRL is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent, as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. The report should be considered a marketing communication for purposes of the FCA rules. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. TDRL does not hold any positions in any of the companies mentioned in the report, although directors, employees or consultants of TDRL may hold positions in the companies mentioned. TDRL does impose restrictions on personal dealings. TDRL might also provide services to companies mentioned or solicit business from them.

This report is being provided to relevant persons to provide background information about the subject matter of the note. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever. The information that we provide is not intended to be, and should not in any manner whatsoever be, construed as personalised advice. Self-certification by investors can be completed free of charge at www.fisma.org. TDRL, its affiliates, officers, directors and employees, and ED will not be liable for any loss or damage arising from any use of this document, to the maximum extent that the law permits.

Copyright 2024 Trinity Delta Research Limited. All rights reserved.

More information is available on our website: www.trinitydelta.org