

Arecor Therapeutics

Funding growth; diabetes still the key value driver

23 July 2024

- Arecor has conditionally raised c £6.42m gross through: (1) a c £5.22m placing, including to international specialist healthcare funds; (2) a c £1.04m subscription; and (3) a c £0.16m retail offer. In total, c 7.13m shares will be issued (exceeding current allotment authorities) at 90p, representing a c 2.7% discount to the closing mid-market price on 18 July. The fundraising is conditional on shareholder approval at a General Meeting on 8 August.
- Arecor is exploring options for further development of lead asset AT278, a unique ultra-rapid and ultra-concentrated insulin. Recent best-case headline data ([May 2024 Update](#)) from a Phase I study in overweight and obese Type II diabetes patients demonstrated superiority to benchmark rapid or concentrated insulins. We expect detailed data to be presented at an upcoming scientific conference. Data support the view that AT278 has a unique profile ideally suited to the changing diabetes landscape. This includes miniaturisation and longer wear times for insulin pumps, which can only be achieved with an insulin like AT278. A small pump study, which Arecor is seeking to conduct, will provide key validation in the significant pump market, and data could catalyse future potentially high value strategic partnering; funding options could include a co-development deal.
- Net proceeds from the placing and subscription will be invested to deliver significant value inflexion points through: (1) continued R&D investment focused on an oral peptide delivery platform (including GLP-1) and enhanced injectables to drive significant future upside from licensing; and (2) investment in Tetris Pharma to increase Ogluo sales, including building up inventory plus education and marketing, with an aim for Tetris Pharma to be cashflow positive in 2026. The retail offer will provide general working capital. New funds, together with end-June 2024 cash of £2.5m, are expected to provide a runway for two years, subject to achieving forecast revenues and cash in-flows.
- Arecor's revenue base continues to broaden and diversify ([May 2024 Lighthouse](#)) with growing Tetris Pharma product sales, recurring royalties from AT220, on top of licence milestones and revenues under formulation development contracts. Management expects revenues for 2024 to be in-line with consensus (last published TD estimate: £6.8m), with H124 revenues, excluding Q2 royalties on AT220, reaching £1.9m.

Price	92.50p
Market Cap	£28.3m
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: New funds are welcome, and will allow Arecor to invest judiciously in Tetris Pharma to drive Ogluo sales, whilst also continuing to expand the technology platform to include oral delivery of peptides as well as developing enhanced injectables, with these potentially generating meaningful future income streams through deals and partnerships. The funds also remove recent working capital headwinds. The key value driver for Arecor remains the diabetes franchise, with further development of disruptor insulin AT278 strongly supported by recent best-case Phase I data, albeit this will be subject to additional funding. As is usual, we suspend our valuation and forecasts; for context our last published Arecor valuation was £179m (or 583p/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

Franco Gregori

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

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