

Arecor Therapeutics

H124: Focus on next steps for diabetes and obesity

26 September 2024

- Arecor's H124 interim results reaffirm that the focus remains on advancing the key diabetes and obesity franchise. This includes: (1) next development steps for lead asset AT278, a unique ultra-rapid and ultra-concentrated insulin that could enable next-generation insulin pump delivery systems, following best-case Phase I data in overweight and obese Type II diabetes ([September 2024 Update](#)); (2) potential for first insights into the early-stage oral GLP-1 for obesity, with initial formulation development successfully completed and data from non-clinical PK (pharmacokinetic) studies expected H125; and (3) profile raising through attendance at key diabetes conferences, also enabling deepening of industry relationships, such as the existing collaboration with Medtronic for a thermostable insulin for implantable pump delivery.
- Arecor continues to explore options for further development of lead diabetes asset AT278, supported by best-case Phase I data where AT278 demonstrated superiority to both the benchmark rapid insulin NovoRapid (100IU) and to concentrated Humulin (500IU). Data support the view that AT278 has a unique profile ideally suited to the changing diabetes landscape, notably miniaturisation and longer wear times for insulin pumps to address the growing demographic of diabetes patients with high insulin needs, who are currently poorly served. Arecor is seeking to conduct a small, three-day pump trial, and is assessing various options to progress study plans, which include a co-development opportunity.
- H124 revenues were £2.0m (H123: £1.7m), including £1.4m from Tetriz Pharma (H123: £1.2m); Ogluo was impacted by supply constraints, and these should ease once a packaging issue is resolved and Arecor can build inventory. The remainder of revenues were £0.2m for AT220 royalties (H123: £nil) and £0.4m for formulation development (H123: £0.3m). Management continues to target achieving market consensus revenue expectations (TD est: £6.2m), subject to Ogluo and AT220 growth, and executing on partnering opportunities. R&D spend was £2.1m (H123: £2.9m) and SG&A was £4.8m (H123: £4.4m). Cash at end-June 2024 was £2.5m (H123: £6.6m), which has been boosted by the recent £6.4m gross fundraise. Cash is being actively managed, with a focus on the timing of Ogluo inventory investment, and a targeted headcount reduction.

Trinity Delta view: The key value driver for Arecor with the biggest upside potential is the diabetes and obesity franchise, in our view. The highly positive Phase I data for lead asset AT278, a potential disruptor insulin, strongly support conducting a pump study, and we believe Arecor is well positioned to determine the most optimal route forward. In addition, whilst early-stage, the oral GLP-1 programme could have significant commercial potential, and progress will help validate oral delivery of peptides, a technically challenging but highly desirable alternative to typical injections. This could broaden Arecor's existing formulation expertise, which underpins the current growing technology partnership portfolio; more deals are expected, all of which could lead to future upside from licensing. Our Arecor valuation is £157m, equivalent to 415p per share.

Price	67.50p
Market Cap	£25.5m
Primary exchange	AIM
Sector	Healthcare
Company Code	AREC
Corporate client	Yes

Company description:

Arecor Therapeutics is a clinical stage drug developer, with a well-balanced portfolio of in-house and partnered assets, and an internal focus on diabetes. Its proprietary Arestat formulation platform results in enhanced products with lower development risks and less onerous regulatory approvals.

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