



Market data

	AVCT
EPIC/TKR	
Price (p)	29.0
12m High (p)	91.6
12m Low (p)	28.0
Shares (m)	69.0
Mkt Cap (£m)	20.0
EV (£m)	11.7
Free Float*	60%
Market	AIM

*As defined by AIM Rule 26

Description

Avacta is a pre-clinical stage biotechnology company developing biotherapeutics based on its proprietary Affimer protein technology. It benefits from near-term revenues from research and diagnostic reagents.

Company information

CEO	Alastair Smith
CFO	Tony Gardiner
Chairman	Eliot Forster

Telephone number
www.website.com

Key shareholders

Directors	6.1%
IP Group	24.8%
Lombard Odier	10.8%
Aviva	9.6%
Ruffer LLP	7.1%
JO Hambro	6.7%

Diary

Oct-18	Finals
Jan-19	AGM
1H'19	PD-L1/LAG-3 drug candidate selection

Analysts

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Avacta

Gearing up the management team

Avacta (AVCT) is a pre-clinical biotechnology company and the proprietary owner of Affimer technology. Affimers represent a radical alternative to the established antibody technology, which continues to dominate the drug industry, despite its limitations. The significant technical and commercial benefits of Affimers are being recognised through increased corporate interest, on-going evaluations, and deal flow. AVCT recently strengthened its board with the appointment of Eliot Forster, ex-Immunocore CEO, as non-executive Chairman. This move provides greater expertise in maximising the potential of the Affimers as a therapeutic platform.

- ▶ **Strategy:** AVCT is aiming to commercialise its Affimer technology through licensing for research and diagnostics, and by identifying and developing its own proprietary therapeutic pipeline for partnering. AVCT has sufficient cash resources to identify an Affimer lead to be ready for first-in-man trials in 2020.
- ▶ **New Chairman:** Dr Eliot Forster has been appointed non-executive Chairman of the company, with immediate effect. The former Chairman, Dr Trevor Nichols, will remain on the Board as a non-executive director. Eliot brings a wealth of experience in the development of novel therapeutics, and an extensive network.
- ▶ **Background:** Eliot was CEO of Immunocore, a biotechnology company developing novel T-cell receptor-based biological drugs to treat cancer, viral infection and autoimmune disease. He has an entrepreneurial aptitude and was recently secured the largest ever Series A biotech financing round in Europe.
- ▶ **Risks:** Affimers represent a new disruptive technology and the potential customer base might take time to recognise their advantages. While all new drug development carries a high risk, Avacta has hit a number of important milestones over the last two years which have reduced the risk profile.
- ▶ **Investment summary:** AVCT has made considerable progress towards its goal of having its own proprietary Affimer-based drugs and growing a profitable reagents business. By itself, the company has identified potential leads and completed both *in vitro* and *in vivo* pharmacokinetic pre-clinical, efficacy and immunogenicity tests. Awareness of the potential of Affimers is also being enhanced through the rising number of collaborative deals being signed.

Financial summary and valuation

Year-end July (£m)	2015	2016	2017	2018E	2019E	2020E
Sales	1.81	2.17	2.74	3.00	3.50	5.40
R&D spend	-0.03	-1.50	-2.60	-3.25	-4.50	-5.50
EBITDA	-2.28	-4.79	-6.66	-7.95	-9.30	-9.20
Underlying EBIT	-2.85	-5.39	-7.60	-9.02	-10.37	-10.27
Reported EBIT	-5.51	-5.66	-7.98	-9.44	-10.84	-10.78
Underlying PBT	-2.83	-5.29	-7.51	-8.98	-10.37	-10.32
Statutory PBT	-5.48	-5.57	-7.89	-9.40	-10.84	-10.84
Underlying EPS (p)	-4.38	-6.46	-8.75	-11.55	-12.92	-12.48
Statutory EPS (p)	-9.72	-6.86	-9.31	-12.17	-13.59	-13.23
Net (debt)/cash	7.33	19.52	13.17	4.50	-5.98	-16.01
Capital increases	0.02	21.05	0.01	0.06	0.00	0.00
EV/sales (x)	16.0	13.4	10.6	9.7	8.3	5.4

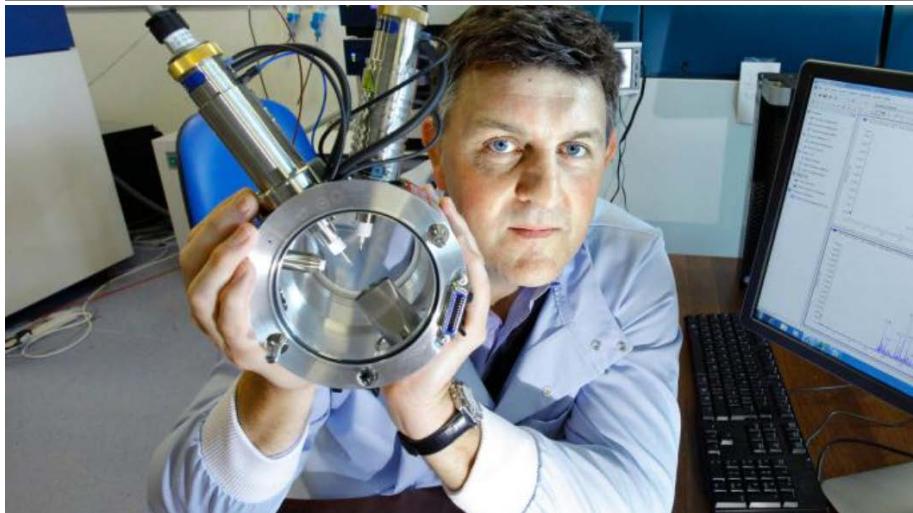
Source: Hardman & Co Life Sciences Research

A heavyweight biotech specialist

Chairman appointment

With the appointment of Dr Eliot Forster as non-executive Chairman, with immediate effect, Avacta has recruited a heavyweight of the UK biotech industry. The former Chairman, Dr Trevor Nichols, is to remain on the Board in a NED capacity.

Dr Eliot Forster



Source: The Times, June 5 2016

Eliot brings more than 25 years of experience in the pharmaceutical and biotechnology industry, with an extensive network. Notably, he was the CEO of the multi-award winning and rapidly growing immuno-oncology private biotech company Immunocore. He stepped down as a CEO of Immunocore and left in February 2018 as, having achieved what he was brought in to do, the time was right to hand over leadership of the company and to pursue new opportunities.

Avacta outlook

Avacta is entering a very important stage in its development and is gearing up the Board and senior management team. Eliot is an entrepreneurial Chairman, who has a track record of successes in progressing new therapies through clinical trials. This move will bring a stronger focus of the Affimers in the high-value area of therapeutics, in readiness for the first-in-man clinical trial in 2020.

Immunocore

Founded in 1999, Immunocore is a biotechnology company developing novel T-cell receptor (TCR)-based biological drugs to treat cancer, viral infection and autoimmune diseases. The company is developing a new class of bi-specific biologic molecules that combine an affinity-enhanced TCR-based targeting system with an anti-CD3 effector that activates a potent and specific T-cell response against cancer cells. Immunocore is currently progressing two clinical trials and several pre-clinical opportunities.

Eliot joined Immunocore in January 2015 and, under his leadership, the company raised \$320m/£205m of development capital, the largest ever amount raised for an European biotech, supported by Fidelity, Eli Lilly Ventures and Woodford IM. The company also secured partnerships with AstraZeneca, Eli Lilly and GSK, and received

\$40m from the Bill & Melinda Gates Foundation to develop immunotherapy for infectious diseases.

Also, during his time, Immunocore increased its infrastructure significantly through laboratory expansion undertaken at its Milton Park, Oxfordshire, headquarters to accommodate around 450 scientists, and also through the opening of a new US office in Conshohocken, PA, to accommodate its US clinical development, medical and regulatory operations. During Eliot's time at Immunocore, the company received many awards such as:

- ▶ Financing Deal of the Year at the SCRIP Awards, 2016
- ▶ Private UK Life Science Company of the Year, Biotech and Money, 2016
- ▶ Biotech of the Year at the SCRIP Awards, 2015
- ▶ Emerging Start of the Year Awards at the European Mediscience Awards, 2015

An entrepreneurial aptitude

Dr Forster holds a PhD in neurophysiology from Liverpool University and an MBA from Henley Management College. He is Chairman of the MedCity project, which promotes the Life Sciences in the London/Cambridge/Oxford "Golden Triangle". He is an Honorary Visiting Professor of the Pharmacology and Physiology Department at the University of Liverpool, and a Board member of the OSCHR (Office for Strategic Coordination of Health Research) and National Genomics Boards.

In his early career, Eliot held senior management positions at both GSK and later at Pfizer with the role of Head of Development and Operations for the EU and Asia. He was responsible for drug development activities across multiple geographies and brought several drugs to market, including Celebrex (celecoxib) and Relpax (eletriptan). Following this period of traditional pharmaceutical development at global multi-nationals, his career changed paths, given his desire for more entrepreneurial adventures, and increased contact with academics.

Biotech CEO positions include the following:

- ▶ **Creabilis (CEO, 2010-2015):** The company was focused on developing first-in-class topical treatments for common inflammatory skin conditions including psoriasis, atopic dermatitis and pruritus (itching). Creabilis was acquired in December 2016 by the medical dermatology and aesthetic company Sienna Biopharmaceutical for an undisclosed up-front payment in cash and stock as well as additional payments contingent upon achieving specific regulatory and commercial milestones, which could exceed \$150m in aggregate. At that time, Creabilis was running a Phase IIb trial for the treatment of pruritus and psoriasis.
- ▶ **Solace Pharmaceuticals (CEO, 2006-2010):** The main focus of the Boston-based company was the discovery and development of therapies for the treatment of chronic pain – neuropathic and inflammation.

Conclusion

Over the last three years, AVCT has successfully increased awareness and opportunities provided by its Affimer technology, which has resulted in a number of partnerships. Meanwhile it has been undertaking all the pre-clinical activity required to be ready to start its first clinical trial using a therapeutic Affimer at the end of 2019. Eliot has been appointed for his extensive knowledge, experience and networking skills in raising capital and progressing companies to their next stage of development in order to maximise returns for shareholders.

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The fact that we are commissioned to write the research is disclosed in the disclaimer, and the research is widely available.

The full detail is on page 26 of the full directive, which can be accessed here: <http://ec.europa.eu/finance/docs/level-2-measures/mifid-delegated-regulation-2016-2031.pdf>

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