AVACTA GROUP PLC
(LON:AVACT)

A licensing-driven business model to maximize Affimer's potential across therapeutics and diagnostic applications

KEY INVESTOR MESSAGES

• Preliminary results for the financial year ending July 31, 2018 reveal a company on track to achieve key development and licensing milestones in the near term
• Lead in-house immuno-oncology programmes to produce the first in-human data by 2020/2021
• Affimer-drug conjugates (AfDC) co-developed with Tufts University to deliver in-vitro proof of concept (PoC) in 2019
• Multiple Affimer reagents' partnerships could be announced over the next twelve months
• After the recent fundraising the company is well funded for the next 18-24 months
• Avacta's market cap is well below comparable peers; key inflexion points over the coming 2-3 years point to significant upside

RECENT PROGRESS LEAVES US OPTIMISTIC ON KEY INFLECTION POINTS TO BE MET RIGHT ON TIME

Over the last year or so, management has delivered significant progress in bringing its Affimer platform into to the commercial stage, across both therapeutics and diagnostic applications.

This (and the recent fundraising) leaves us confident that Avacta is on track to meet key development targets over the next 2-3 years. Their main therapeutic programmes (in-house PD-L1/LAG3 bispecific Affimer and Affimer-drug conjugates co-developed with Tufts University) are on track to deliver key data points between 2019-2021.

As part of a broader portfolio development plan, several partnerships (Moderna, Fit Biotech, OncoSec and Iksuda Therapeutics) continue to progress well and may certainly bring a healthy degree of risk-diversification and upside to the investment case over the coming years.

The Affimer reagents business is being built around external technology evaluations, of which many are in progress, and an internal pipeline of assays readily available for licensing. From this basis, we expect Avacta to announce multiple royalty-bearing deals over the coming months.
The addressable market for Affimer-based targeted biologic therapies is already worth in excess of US$75bn and is growing rapidly. Despite no shortage of competitors, Avacta’s Affimer platform’s unique features and recent development progress (e.g. increased ability to fine tune Affimers’ half-life) put the company in a favourable position to start finalising partnerships with big pharma in the near term (Avacta has one of the only two single-molecule bispecific PD-L1/LAG-3 inhibitors).
recent portfolio development progress, Avacta’s market capitalisation is still significantly lower than biotech peers with unique protein-based platforms and drug candidates in the clinical stage, where Avacta is on track to be by 2020/2021.

As investors are likely waiting for a tangible proof of Affimer’s commercial potential, either in terms of a collaboration with big pharma or the first in-human data, the current stock price may provide an extremely attractive entry point for those who want to maximise their upside, already persuaded by Affimer’s strong scientific rationale and pre-clinical evidence.

In this respect it is also worth mentioning Ablynx’s US$4.8bn takeover by Sanofi in January 2018. The valuation of Ablynx, the leading non-antibody therapeutic platform, at the time of the deal reflected, of course, the fact that their lead drug was already under regulatory review, but a large portion of it was in our view related to the value attributed to their rich pipeline and their platform technology called Nanobodies. It is well known that Novo Nordisk was also looking at Ablynx and therefore it is likely that they continue to have interest in an alternative therapeutic platform like Avacta’s Affimer.
Important – Please read this information: This report has been commissioned by Avacta Group Plc and prepared and issued by Capital Network for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however, we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Capital Network at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. Capital Network does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Capital Network’s solicitation to effect, or attempt to effect, any transaction in a security. This document is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Capital Network has a restrictive policy relating to personal dealing. Capital Network does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Capital Network may have a position in any or related securities mentioned in this report. Capital Network or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a “personalised service” and, to the extent that it contains any financial advice, is intended only as a “class service” provided by Capital Network within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Capital Network, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication.