

# Avacta Group

Partnership

## New JV gives further validation to Affimers

Pharma &amp; biotech

8 January 2020

Avacta has announced a joint venture with Daewoong Pharmaceuticals to develop mesenchymal stem cell (MSC) therapies incorporating Affimers. The joint venture (JV), will be based in South Korea and entirely funded by Daewoong with Avacta providing no financial investment. Avacta will develop Affimers (and be reimbursed by Daewoong for all research and development costs) for several undisclosed targets in inflammatory and autoimmune disorders. Avacta will have a 45% shareholding in the new company, will not contribute financially to the JV, and will retain the rights to any Affimers developed for the JV outside of their use in engineered cell therapies. We do not currently include the JV in our valuation due to its early nature; however, we view the deal positively and will reassess as work progresses. We retain our valuation of Avacta at £47m.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
07/17**	2.7	(7.9)	(9.8)	0.0	N/A	N/A
07/18**	2.8	(10.4)	(13.5)	0.0	N/A	N/A
12/19e	4.5	(11.1)	(8.1)	0.0	N/A	N/A
12/20e	4.5	(12.7)	(9.3)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. \*\*year end changed from July to December

Daewoong Pharmaceuticals is a Korea-listed pharmaceutical company (market cap: c £1.0bn) established in 1945 with global operations and approximately £700m in revenue in 2018. The JV will have access to Daewoong's proprietary process for generating human MSCs (which can differentiate into a variety of cells types). Once selected by Avacta, the Affimer gene sequences will be transferred to JV for incorporation into the MSCs. The Affimer proteins would be excreted by the MSCs on dosing a patient and could provide further immune or inflammatory modulating effects beyond that of MSCs alone. The JV will be operationally managed by the CEO of Dawoong, Seng-Ho Jeon, while Alastair Smith (CEO of Avacta) and Matthew Vincent (VP of business development) will take up board positions at the newly created company. Avacta now has a growing list of partners which are rapidly advancing and could provide near-term clinical validation.

**Price** 18.8p  
**Market cap** £33m

Net cash (£m) at end July 2019	6.51
Shares in issue	175.9m
Free float	78.9%
Code	AVCT
Primary exchange	AIM
Secondary exchange	N/A

### Share price performance



### Business description

Avacta is focused on the development of its Affimer technology for use in therapeutic and diagnostic/reagent applications. Assets include AVA004 (PD-L1), AVA021 (PD-L1/LAG-3) and AVA004/100 (PD-L1/I-DASH).

### Analysts

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