

**Weekly thoughts on the healthcare sector from finnCap's life sciences analysts: Mark Brewer and Arshad Ahad**

Market	Last	-1D	-1M	-3M	-12M	YTD	Health	Last	-1D	-1M	-3M	-12M	YTD
MSCI World Index	1,742	-0.5%	5.3%	11.6%	2.3%	-3.2%	MSCI World Pharma/Biotech	223	0.3%	3.1%	2.8%	17.9%	4.4%
FTSE All Share	3,392	0.4%	-0.3%	3.5%	-17.6%	-19.0%	FTSE All Share Health	13,016	0.9%	1.1%	1.9%	8.6%	1.1%
AIM All Share	889	0.2%	0.9%	10.7%	-4.0%	-7.0%	AIM Health	10,988	-0.2%	3.5%	11.9%	8.2%	6.0%
AIM 100	4,479	0.3%	-0.6%	8.9%	-6.1%	-8.9%							

## Life Sciences Quarterly – Cell and Gene Therapy

Our latest quarterly note can be accessed [here](#).

The AIM Healthcare index has risen 6% YTD in 2020, significantly outperforming the AIM All Share (-7%). AIM Healthcare also outperformed the larger cap FT All Share Health and World Health indices (+2% and +5%, respectively), which have been assisted by the defensive nature of the large cap sector against the backdrop of the COVID-19 pandemic. Fifteen finnLife 50 stocks have exhibited double-digit percentage increases YTD in 2020, a further six have exhibited triple-digit percentage increases, and one has posted a quadruple-digit rise, namely Synairgen\* (+2,390%), followed by Avacta\* (+654%), Omega Diagnostics\* (+322%), Tiziana Life Sciences (+283%), e-Therapeutics (+265%), Oncimmune\* (+209%) and Open Orphan\* (+189%). We remain optimistic for the sector in 2020 given the expected inflection points and superior growth.

### Cell and Gene Therapy

Few technologies in the life sciences sector hold as much promise as Cell and Gene Therapy (CGT). Rather than just treating a disease and its symptoms, this technology can target the underlying cause of a disease, with long-term benefits and curative potential. CGT has been seen as the 'future' of medicine for many years, and now we are closer than ever to that future becoming a reality. Multiple products are already approved (market estimate of c.\$1bn in 2018), representing only the tip of the iceberg in relation to the massive pipeline of upcoming therapies (FDA expects to approve 10-20 products per year by 2025), bolstered by the influx of funding and M&A (\$49bn in 2018-19) activity within this space.

### Rewards of innovation

The potential of cell and gene therapy is not easily realised, and the technology presents great challenges. However, these challenges are being tackled by innovative companies within this space. Those companies will be well placed for pharma's next 'wave of innovation' and the 'land grab' that follows. If CGT does become the backbone of treatment regimes in the future, similar to the rise of monoclonal antibodies, then these companies are developing technology and expertise in a critical sector of the life sciences industry, which should confer a competitive advantage as the sector matures further. Now is a good time to invest in the 'future'.

## Report highlights

We look at the universe of companies we follow, highlighting ones with a presence in CGT. Companies are categorised into those which focus on cell therapy, gene therapy or both. In addition, they can also be categorised into therapy developers, service companies, or both, enabling investors with different risk appetites to participate in this exciting space.

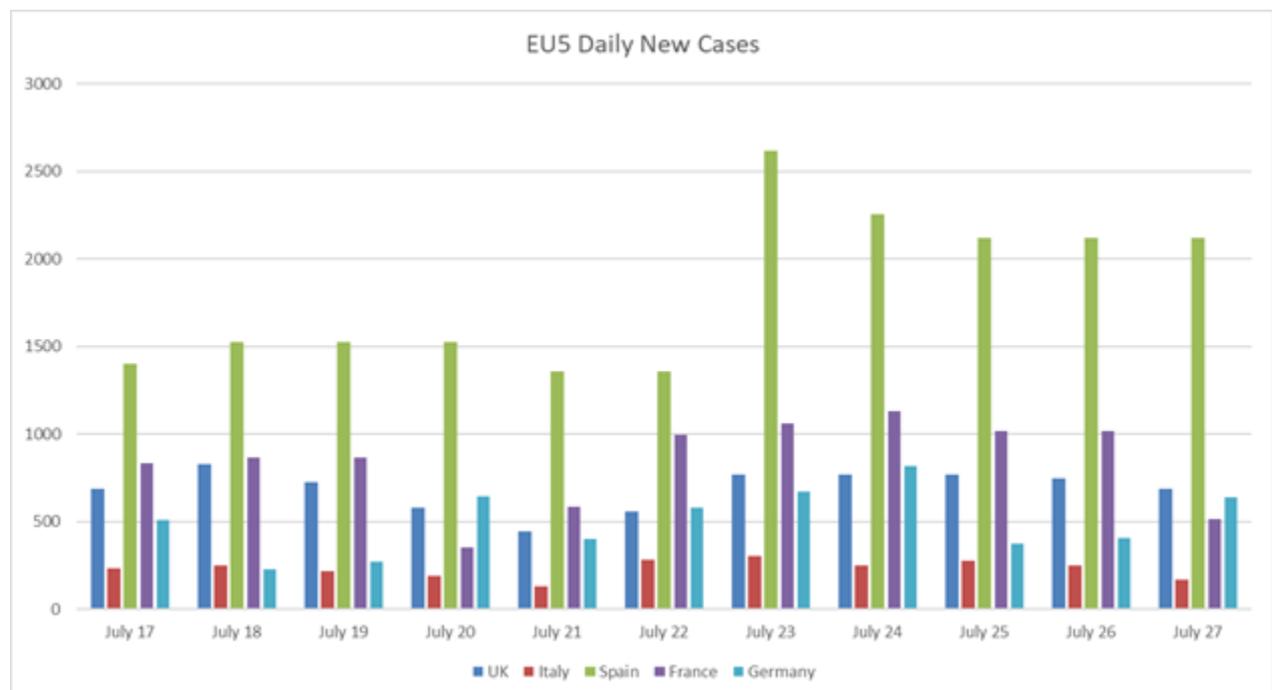
## CGT Stocks to Focus On

Stocks include Maxcyte (MXCT-GB), which provides its Flow Electroporation technology for next-gen cell engineering and is also developing its own CAR-T therapy platform; Horizon Discovery (HZD-GB), which provides CRISPR screening as a service; ReNeuron (RENE-GB), which has two stem cell therapy candidates in clinical development; Silence Therapeutics (SLN-GB), which is in pre-clinical development for siRNA's to selectively inhibit genes; and Avacta\* (AVCT-GB), with its AffyXell stem cell joint-venture and various CGT research collaborations. Investors who wish to avoid exposure to individual company risk should look at Syncona (LSE-SYNC), Arix (LSE-ARIX) or Malin Corporation (MLC), which have exposure across a number of platforms.

## COVID-19 Update

### Daily cases

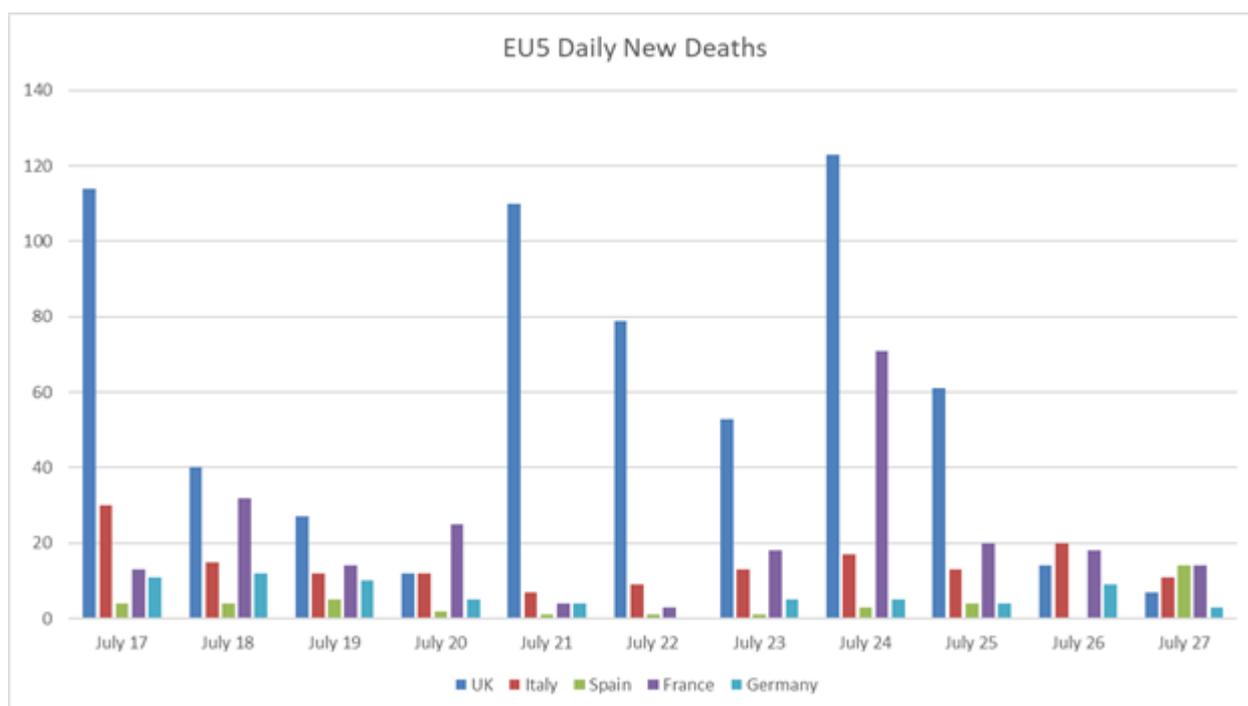
- Spain has experienced a surge of cases in recent days. While daily cases averaged around 400 in June, daily cases are now over 2,000, and it seems a second wave is quickly approaching.
- France is also experiencing a rise in cases, there were over 1,000 cases daily between July 23-July 26, compared to averages around 400 daily cases earlier in July.
- The UK daily cases remain stable



Source: worldometer, finnCap

## COVID-19 deaths

- UK COVID-19-deaths remain the highest in the EU5, although it is likely that the resurgence in Spain and France will lead to an uptick in deaths in the coming weeks.
- COVID-19 deaths in England and Wales were at their lowest level for 17 weeks in the week end 17 July.
- In England and Wales there were no excess deaths due to COVID-19 in the week ending 17 July



## Treatment and Testing Updates

### Open Orphan: Contract for Phase I COVID-19 vaccine trial

- On 28 July Open Orphan (AIM:ORPH) announced a contract with Codagenix Inc. to conduct a Phase I trial, evaluating safety and immunogenicity of a COVID-19 vaccine candidate, CodaVax-COVID.
- ORPH will use its quarantine facility to trial CodaVax-COVID, which is a codon deoptimised SARS-CoV-2 (COVID-19) single-dose, intranasal vaccine candidate.
- The trial is expected to start in early autumn 2020, and conclude by end of the year, and will include a second dose as surrogate viral challenge at day 28.
- We leave our forecasts unchanged, which includes FY 2020 revenues from the hVIVO quarantine facility of €15.8m, Forecasts, however, exclude the potential revenues that would arise from the development of a successful COVID-19 viral challenge model, for which there is great demand from global vaccine companies, or higher COVID-19 test revenues. It also excludes any value for the non-core assets, including Imutex. We reiterate our target price of 19p, based on a sum-of-the parts analysis.

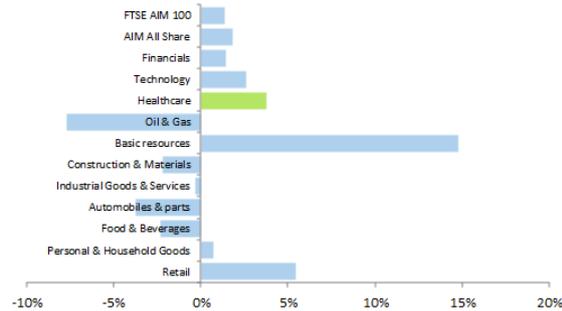
### Avacta: Expanded Partnership to include COVID-19 Neutralising Affimer Therapy

- On 29 July, Avacta (AIM: AVCT) announced that it has extended its collaboration and licence agreement with Daewoong Pharmaceutical and AffyXell Therapeutics (joint venture company in which Avacta has a 45% shareholding) to include the SARS-COV-2 neutralising Affimer therapy that Avacta has been developing.
- AffyXell will engineer mesenchymal stem cells to express SARS-COV-2 neutralising Affimers. This is expected to generate a synergistic benefit, combining: (i) the regenerative effect of stem cells to lung tissue damage caused by the over-activation of the patient's immune system to a virus (eg. cytokine release syndrome) with (ii) the anti-infective effect of Affimer neutralising molecules, which are produced by the stem cells in the lung tissue with the intention of preventing disease progression.
- This is a valuable extension to Avacta's low-cost, IP-rich entry into cell and gene therapy. Avacta's research and development costs will be fully covered by the joint venture, which is funded by Daewoong whilst it still retains the rights to commercialise therapeutic Affimers outside of the field of cell therapies.
- Our target price remains under review. Modelling the impact of a COVID-19 antigen test or for that matter, a therapeutic, with any degree of confidence is currently not possible. Suffice to say, the value of its 45% equity share in this JV could be worth many tens if not hundreds of millions of dollars, if recent pre-clinical deal values (up to \$1bn) for novel stem cell companies are anything to go by.

### Novacyt's Near-Patient (Mobile) Testing System

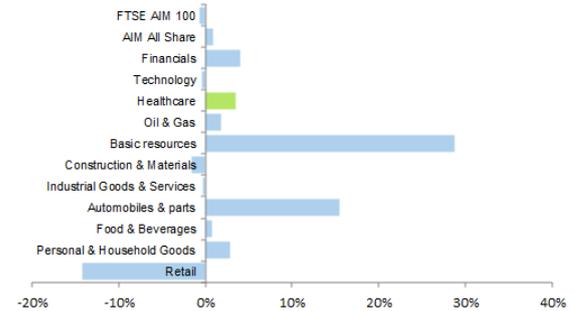
- On 27 July, Novacyt (AIM: NCYT) confirmed the launch of its near-patient testing (NPT) system, which incorporates the company's COVID-19 test, but with a reduced number of workflow steps. The aim of the NPT system is to increase options available for rapid and reliable COVID-19 testing outside of centralised care.
- Validation of the NPT system includes analysis of c.400 patient samples, and reported sensitivity and specificity on these samples were both greater than 99%.
- The NPT system is suited to applications in mobile settings, such as care homes, key hospital departments and other community locations.
- A number of NHS hospitals are already using the system. The NPT system is also being used in the private sector, such as professional sport and mining industries. NCYT is currently evaluating other markets where the system could be used for rapid and frequent testing.
- NCYT's COVID-19 test was one of the first diagnostic tests on the market (and the company announced total sales and confirmed orders of £130m as of June 2). The NPT system should help it to maintain a leading position in COVID-19 testing.

FTSE AIM all share sector performance (1 week)



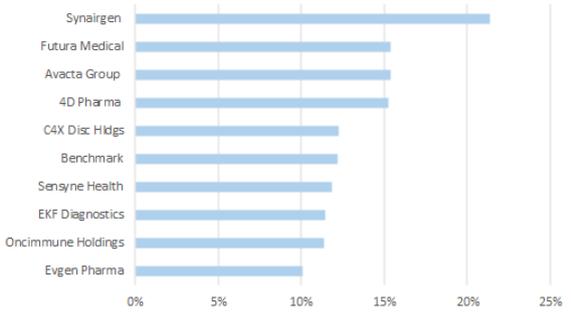
Source: FactSet

FTSE AIM all share sector performance (1 month)



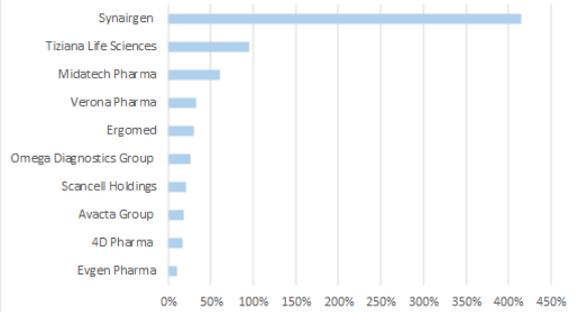
Source: FactSet

finnLife 50 - Top ten price performers (past week)



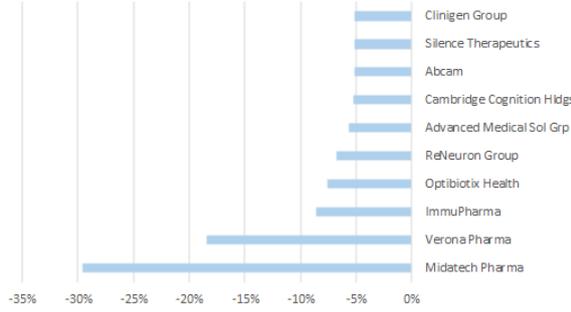
Source: FactSet

finnLife 50 - Top ten price performers (past month)



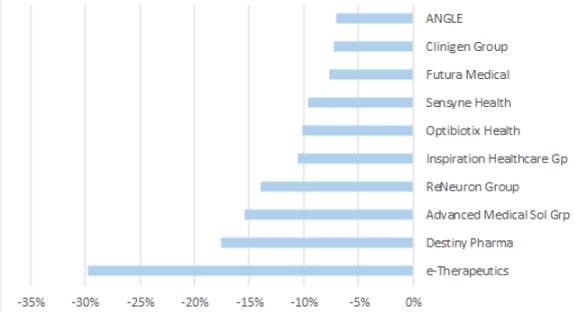
Source: FactSet

finnLife 50 - Bottom ten price performers (past week)



Source: FactSet

finnLife 50 - Bottom ten price performers (past month)



Source: FactSet

## Research reports and comments in the past two weeks

Company	Date	Title	Research Type
Avacta*	29-Jul	Daewoong Pharmaceutical partnership extension	<a href="#">Morning Note</a>
Open Orphan*	28-Jul	Contract for Phase I COVID-19 vaccine trial	<a href="#">Morning Note</a>
Life Sciences Quarterly	28-Jul	Rude Health: Cell and Gene Therapy	<a href="#">Sector Note</a>
Destiny Pharma*	27-Jul	Phase 2b update – FDA agreed amendment – positive	<a href="#">Morning Note</a>
Oncimmune*	27-Jul	Roche contract extension	<a href="#">Morning Note</a>
Tristel*	22-Jul	FY 2020 trading update – net COVID-19 benefit	<a href="#">Company Note</a>
SDI Group*	21-Jul	FY 2020 – introducing 2021 and 2022 forecasts	<a href="#">Company Note</a>
Synairgen*	20-Jul	COVID-19 treatment – positive Phase II data	<a href="#">Company Note</a>
ANGLE*	20-Jul	Peer-reviewed paper in metastatic breast cancer	<a href="#">Morning Note</a>
Allergy Therapeutics*	15-Jul	FY 2020 trading update – above market earnings	<a href="#">Company Note</a>

## Upcoming roadshows and events

Company Name	Ticker	Event Type	Date(s) - 1:1's & Group meetings available
Destiny Pharma plc	DEST	Conference Call Roadshow	27th – 31st July – Conference Calls

An archive of previous Health Matters can be found [here](#).

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The recommendation system used for this research is as follows. We expect the indicated target price relative to the FT All Share Index to be achieved within 12 months of the date of this publication. A 'Hold' indicates expected performance relative to this index of +/-10%, a 'Buy' indicates expected outperformance >10% and a 'Sell' indicates expected underperformance of >10%.

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