

# Arovella Therapeutics

## Strategic refocus on iNKT platform

Q123 trading update

Pharma and biotech

3 November 2022

**Price** **A\$0.03**  
**Market cap** **A\$20m**

Cash balance (A\$m) at 30 September 2022	4.3
Shares in issue	670.8m
Free float	98.4%
Code	ALA
Primary exchange	ASX
Secondary exchange	N/A

### Share price performance



### Business description

Arovella Therapeutics is a biotech company focused on the areas of oncology through its iNKT cell therapy platform. In 2021 it acquired a CAR-iNKT programme for haematological malignancies and a DKK1 antibody that has potential in multiple myeloma and solid tumours. In October 2022, the company announced that it would cease further development work on its legacy platform, OroMist (oromucosal spray versions of established medicines). ZolpiMist, the spray version of Ambien for insomnia, was the key asset under the OroMist platform and was recently launched in Australia.

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Arovella has released its activity report for Q123, the key highlight of which was the company's decision to focus exclusively on its invariant Natural Killer T (iNKT) cell platform and cease R&D operations on its legacy OroMist platform (of which Zolpimist is the flagship asset). We consider this move as sensible as it allows Arovella to focus its resources and efforts to progress its immunoncology franchise following the in-licensing of its iNKT portfolio in mid-2021. We also believe that the decision has been bolstered by the recently announced collaboration agreement with Imugene (which could potentially expand the platform's utility into solid tumours, a space multi-fold the size of the current haematological focus). The restructuring will entail a one-time expense of A\$300k in FY23 but management anticipates annual cost savings of A\$1.5m thereafter. In light of the announcement, we will revisit our valuation and publish revised estimates for Arovella in due course.

Year end	Revenue (A\$m)	PBT* (A\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/21	0.3	(3.4)	(1.15)	0.0	N/A	N/A
06/22	0.3	(7.4)	(1.42)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

The iNKT technology is a cell therapy platform using immune cells for primarily treating blood cancers (leukemia and lymphoma). In [September](#), Arovella signed a collaboration agreement with Imugene to investigate if the applicability of its lead iNKT asset, ALA-101 can be expanded to solid tumours using Imugene's onCARlytics platform. As a reminder, ALA-101 contains a chimeric antigen receptor and is being developed as an 'off-the-shelf' treatment for blood cancers, which allows dual targeting of CD1d and CD19 expressed on the surface of cancer cells. Imugene's oncolytic viral therapy, CF33-CD19, works by infecting solid tumour cancer cells and stimulating them to express CD19 on their surface. We therefore see potential in this combination treatment which, if successful, could expand ALA-101's utility into the broader solid tumour space (solid tumours make up almost 90% of all diagnosed cancers). Data readout from preclinical studies is expected in H1 CY23.

As part of the business realignment, Arovella has decided to suspend all development activities for OroMist (its proprietary oromucosal drug delivery platform) and suspend operations at its Perth-based R&D facility. The closure would entail \$300k in a one-time restructuring expense in FY23 but will help the company realise \$1.5m in annual cost savings thereafter. Arovella is also reviewing its contractual arrangements for ZolpiMist (treatment of short-term insomnia), which was recently launched in Australia by distribution partner STADA Australia.

Arovella recorded an operating cash burn of A\$1.8m in Q123, which is expected to reduce with the closure of the R&D facility. The period-end cash balance was A\$4.3m. In light of the aforementioned developments, we have put our estimates on hold and we will revisit our valuation of the company.

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