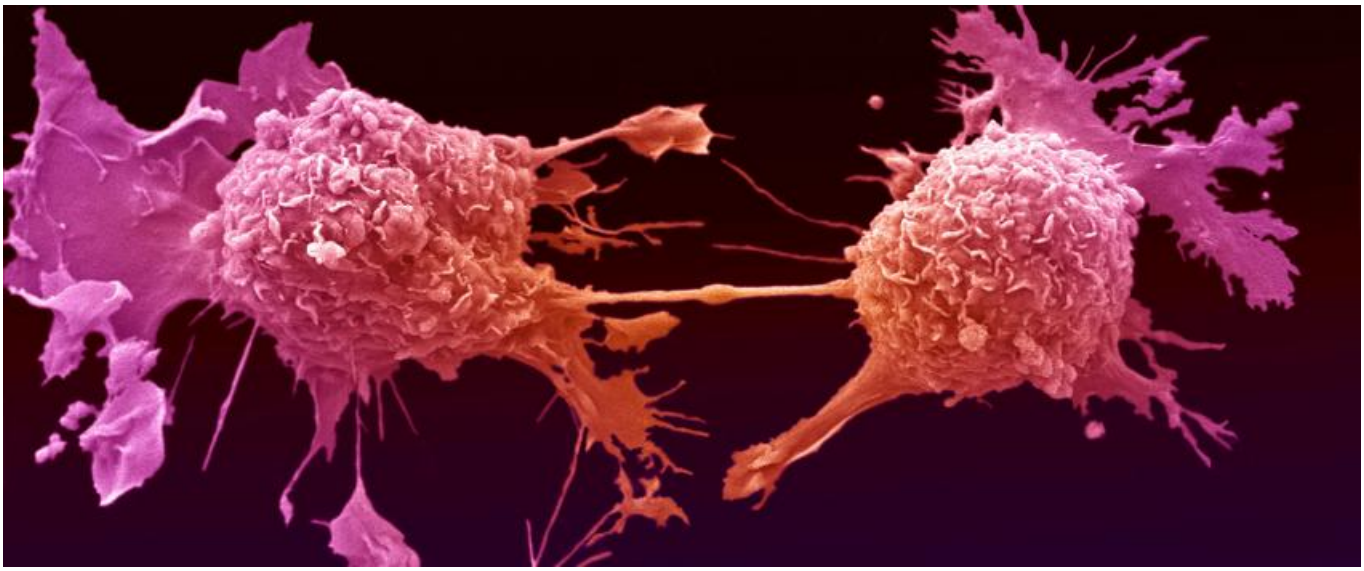
Evaluate Vantage

March 06, 2023

T-cell receptor behemoths consolidate? Not quite

Jacob Plieth



Adaptimmune merges with TCR2, but the move is effectively an equity raise with benefits.

Welcome to 2023, where biotechs increasingly find themselves trading well below their cash balances. One result of this is that it leaves them liable to low-ball takeovers, as TCR2 Therapeutics found today when it succumbed to an all-stock buyout from Adaptimmune.

In an upbeat investor presentation today Adaptimmune said the move would create a pre-eminent cell therapy company “poised to be an early leader” in a market worth $27bn in 2026. Behind the hype, however, a more prosaic rationale emerges: Adaptimmune is issuing stock to get its hands on TCR2’s cash, and the transaction is basically a glorified equity raise.

True, the move will see three TCR2 directors join the board, and at present Adaptimmune intends to continue developing TCR2’s technology, which clinically covers the anti-mesothelin projects gavo-cel and TC-510. But, with the risk of Adaptimmune having to undertake a solo launch of its first product next year, it is of vital importance that TCR2 will extend its cash runway from early 2025 into 2026.

Here is how the numbers work: Adaptimmune is issuing around 60 million new shares, increasing its outstanding share capital by around 35%, and these will be exchanged for existing TCR2 stock. The target company says it had $149m of cash at the end of last year, and it will probably have around $122m left at the end of this month.

Considering Adaptimmune’s 25% fall this morning the deal values TCR2 at just $77m. Put simply – and subject to other liabilities and the costs of doing this deal – the transaction can be seen as a way of Adaptimmune issuing $77m of stock to get its hands on $122m of cash, with TCR2’s pipeline thrown in for free.

Running the Adaptimmune/TCR2 numbers	
TCR2 Q4 2022 gross cash ($m)	149
TCR2 estimated quarterly burn ($m)	27
TCR2 estimated Q1 2023 gross cash ($m)	***122***
TCR2 shares outstanding (m)	38.66
Adaptimmune share ratio	1.5117
New Adaptimmune shares issued (m)	58.44
Adaptimmune share price ($)*	1.31
Implied value of TCR2 ($m)	***77***
*Note: *includes 25% fall on 6 Mar 2023. Source: company disclosures.*	

Why should TCR2 investors have agreed to such an apparently terrible deal? Probably because they had no other option; notwithstanding cash of well over $100m TCR2 was last week worth just $47m, having suffered a 92% fall since its 2019 IPO, and a 96% collapse since its early 2021 peak.

TCR2 this morning opened up 20%, so clearly the deal enables short-term holders to salvage some pride. Those who have held the stock for six months or more, however, must take the loss and move on.

Of course, those TCR2 holders who now stick with Adaptimmune might be rewarded further down the line. Afami-cel, Adaptimmune's lead project, yielded impressive synovial sarcoma data at Asco 2021, and could be filed for US approval at last this year; if launched in 2024 it would become the world's first marketed engineered T-cell receptor therapy.

Still, how would what is still a small biotech tackle a solo launch? Surely holders will be hoping for a takeout, and perhaps the TCR2 acquisition raises the chances of this happening.

Funded to deliver on multiple value creating catalysts

	2023	2024
afami-cel	• **BLA submission completion (synovial sarcoma).** Expected mid-year	• **Potential afami-cel PDUFA/FDA approval**; if approved would be the first marketed engineered TCR T-cell therapy for a solid tumor indication
ADP-A2M4CD8	• **SURPASS-3 trial initiation** in combo with nivolumab, for platinum resistant ovarian cancer • Ph 1 SURPASS: **New cohort initiation in combo with pembroluzimab, in 1st line treatment setting for head & neck cancer** • Ph 1 SURPASS: **New cohort initiation in combo with pembroluzimab, in 2nd line treatment setting for urothelial cancer**	• 1st readout from SURPASS-3 trial in ovarian cancer • 1st readout from H&N SURPASS Ph 1 cohort • 1st readout for urothelial Ph SURPASS 1 cohort
gavo-cel	• **1st readout from the Ph 2 portion of trial for platinum resistant or refractory ovarian cancer**. Expected end of year • Interim update, including key translational data, with mesothelioma patients treated early in the Ph 2 clinical trial. Expected mid-year	• Readout from Ph 2 trial for ovarian cancer
TC-510	• **1st readout from Ph 1 trial (ovarian, malignant pleural mesothelioma (MPM), pancreatic, colorectal, or triple negative breast cancer (TNBC).** Expected end of year	• Readout from Ph 1 trial and dose finding results
Preclinical Programs	• **PRAME** IND-ready	• **TC-520/CD70** IND-ready

Source: Adaptimmune presentation.

More from Evaluate Vantage

Evaluate HQ

44-(0)20-7377-0800

Evaluate Americas
+1-617-573-9450

Evaluate APAC
+81-(0)80-1164-4754