TheraCryf

£4.3m raise to advance Ox-1 to clinical trial readiness

19 February 2025

Price
1.0p

TICKER
TCF

Market Cap
£4.3m

Net cash (30 September 2024)
c£1.2m

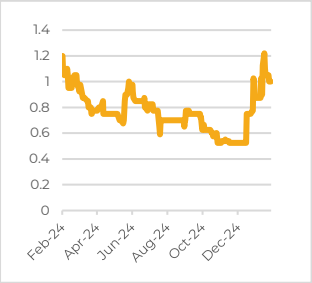
Free Float
81%

3mo Av. Daily Volume
430k

Broker
Cavendish

Index
AIM

Share Price Performance



Source: Bloomberg

TheraCryf is a clinical stage drug development company working to commercialise its proprietary formulation of sulforaphane, SFX-01, and its expanded portfolio of drug development candidates, following the Chronos acquisition. The company's focus is on cancer, neuro-developmental disorder, and neuropsychiatric drugs. The company is financed through end 2026.

Colin Smith
+44 20 7082 5522
Email the Analyst

Drug developer focused on cancer and behavioural brain disorders

Further to the Chronos acquisition in 2024, TheraCryf has conditionally raised £4.25m to advance its Orexin programme to clinical trial readiness and now has a cash runway through the end of calendar 2026. The company expects to issue 1.7bn shares at 0.25p/share. While the discount is steep, TheraCryf believes it has the most selective Ox-1 inhibitor molecule in drug development with significant patent protection, targeting a market with multi-billion dollar potential for the treatment of addiction and anxiety. This funding is expected to progress TheraCryf's Orexin programme up to readiness to start Phase 1 clinical trials in 2026. Multiple large scale drug deals in the space confirm the interest of big Pharma in the treatment of Central Nervous System conditions. In addition, TheraCryf has announced the appointment of Dr Alastair Smith, formerly CEO of Avacta, as its new Non-Executive Chair.

TheraCryf is conditionally raising £4.25m gross by way of issuance of 1.7bn shares at 0.25p, a 75% discount to the close. The funds raised are primarily to bring the company's Orexin programme to clinical Phase 1 trial readiness in calendar 2026 and now provide a cash runway through the end of 2026.

Besides advancing the Orexin programme, TheraCryf has announced the appointment of Dr Alastair Smith, the highly respected former CEO of Avacta, as its new Non-Executive Chair, following the passing of past chair, Dr Sue Foden. Moreover, the company has beefed up its panel of neuropsychiatry advisors and consultants, including the appointment of a number of highly experienced advisors with successful track records in the area.

Progressing the Orexin programme is in line with TheraCryf's strategy to leverage third party funding, once drug development is sufficiently advanced. This equity funding puts TheraCryf in position to bring its Orexin programme to clinical trial readiness and adds to the work ongoing in the various programmes relating to the development of the company's lead clinical asset, the fully synthetic sulforaphane SFX-01 molecule. That includes the potential first clinical read-out of SFX-01 in the treatment of Glioblastoma in late 2026 under the third party funded Erasmus programme.

With this announcement, TheraCryf is doubling the number of clinical assets undergoing meaningful development, similarly expanding the potential to add value for shareholders.

We have updated our forecasts for the equity raise and Orexin development programme and extended them to FY27.

TheraCryf continues to trade at a discounted valuation relative to peers given its potential for collaboration with big Pharma, milestone payments, and active clinical work. The company is now funded through the end of 2026 with multiple inflection points of newsflow.

At a Glance (Yr. to Mar)	Revenue (£k)	Opex (£k)	Net profit/ (loss) (£k)	Dil EPS (p)	Net (cash)/ debt (£k)*
FY23A	442	(5,546)	(4,043)	(1.47)	(5,000)
FY24A	396	(3,962)	(3,137)	(1.14)	(2,004)
FY25E	0	(2,126)	(1,765)	(0.31)	(4,938)
FY26E	0	(4,026)	(3,342)	(0.16)	(1,371)
FY27E	0	(3,276)	(2,719)	(0.13)	1,046

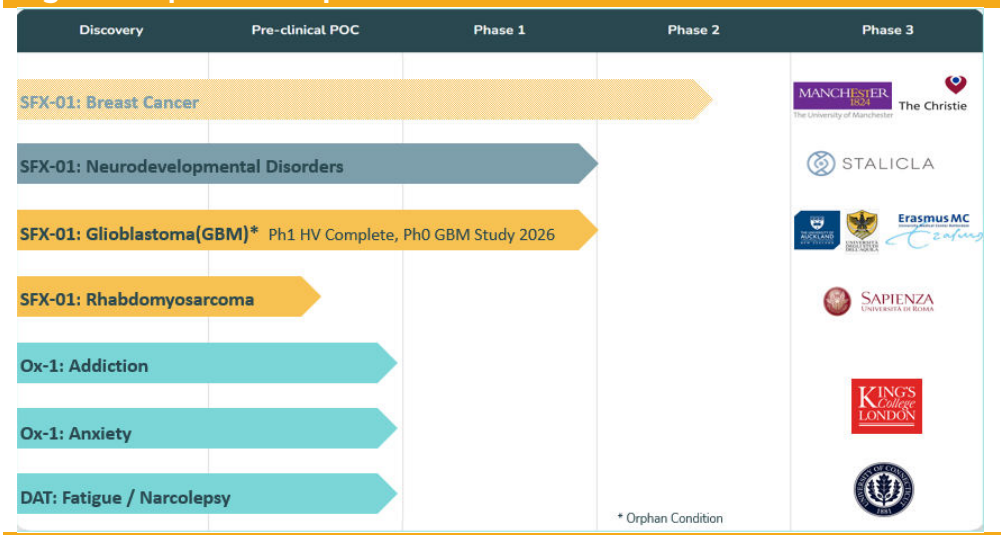
*Source: TheraCryf, CAG Research. *Excludes any milestone payment.*

Investment thesis

The acquisition of Chronos in 2024 added an Orexin and a DAT programme to TheraCryf's existing Sulforaphane drug development programme. TheraCryf believes it now has the most selective Ox-1 inhibitor molecule in drug development. This equity raise should see the Orexin programme advanced to readiness for clinical stage testing with a view to unlocking shareholder value. TheraCryf continues to look undervalued, given its potential for collaboration with big Pharma, milestone payments, and active clinical work, relative to other small-cap UK drug developers

TheraCryf acquired Chronos in April 2024 for £0.9m in stock, tripling TheraCryf's drug pipeline with the addition of an Orexin programme (see Orexin programme) and a dopamine transporter (DAT) inhibitor programme to TheraCryf's drug development portfolio (Figure 1).

Figure 1: Pipeline and partners



Source: TheraCryf, CAG Research.

TheraCryf believes it now has the most selective Ox-1 inhibitor molecule in drug development, with selectivity being crucial to avoid the side effects of extreme tiredness. Initial toxicology tests have been completed and are unremarkable.

In order to bring the Orexin programme to clinical readiness, sufficient quantities of the Ox-1 inhibitor need to be manufactured and formulated to test for toxicology following regulatory standard Good Laboratory Practice (GLP). This is the primary use of this fund raise. Given the results of the initial testing for toxicology, there is a low risk of failure at this stage before the compound would be ready to test in humans in clinical trials. Clinical trials will require additional funding but this would be a natural inflection point to seek non-dilutive funding, in keeping with TheraCryf's broader strategy.

The Orexin programme is initially targeting Binge Eating Disorder (BED) which is a potential US$1bn pa market in and of itself. However, the overall market for addiction treatment is estimated at US$40.3bn in 2024 rising to US$67.6bn by 2034 (Source: Future Market Insights).

Perhaps given the scale of the potential market and the paucity of good treatments, there has been a resurgence of interest in Central Nervous System related conditions by big Pharma. As examples, over the last fifteen months or so Bristol Myers Squib, J&J, AbbVie, and Gedeon Richter among others have announced acquisitions/collaborations on novel targets for the

potential treatment of neuropsychiatric conditions amounting to tens of billions of dollars.

The European Patent Office awarded a Composition of Matter patent for TheraCryf's Ox-1 receptor antagonist late last year and the company now has extensive patent protection including the US and China, in addition to Europe with exclusivity extending to 2038 and, in the US, to 2039.

With this funding, TheraCryf has multiple inflection points of newsflow (Figure 2).

Figure 2: Newsflow

1Q25	▸ Neuropsychiatry programme restarts ▸ Ox-1 manufacturing optimisation commences ▸ New Board appointments
2Q25	▸ Further SFX-01 in-vivo data from Erasmus collaboration ▸ Ox-1 bulk manufacturing commences
3Q25	▸ Ox-1 bulk manufacturing complete ▸ Ox-1 formulation for toxicology studies complete
4Q25	▸ Ox-1 chronic toxicology studies commence ▸ SFX-01 Glioblastoma clinical trial prep commences
1H26	▸ SFX-01 1st Glioblastoma patients dosed in Ph0 study ▸ Ox-1 enabling studies, for first in-human clinical trials complete ▸ Ox-1 regulatory submission (IND/CTA) and responses
2H26	▸ SFX-01 Glioblastoma clinical data flow ▸ Ox-1 MHRA/FDA approval for P1 study ▸ Ox-1 P1 study (subject to funding)

Source: TheraCryf, CAG Research.

We have updated our forecasts to reflect the impact of the fundraising, and extended them to FY27. We have also modelled £1.2m in likely R&D tax receipts through calendar 2026. Highlights are shown in Figure 3 with details in Summary financial statements.

Figure 3: Key financials (£k)

Item (March YE)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	442	396	0	0	0
Operating expenses	(5,546)	(3,962)	(2,126)	(4,026)	(3,276)
Tax repayment	475	913	390	300	700
Tax repayment as % of opex	9%	23%	18%	7%	21%
Net loss	(4,043)	(3,137)	(1,765)	(3,342)	(2,719)
Diluted EPS	(1.47p)	(1.14p)	(0.31p)	(0.16p)	(0.13p)
Net (cash)/debt	(5,000)	(2,004)	(4,938)	(1,371)	1,046

Source: TheraCryf, CAG Research.

Ideally, TheraCryf would have been able to source non-dilutive funding to advance both of the programmes acquired in the Chronos transaction. However, management have now bitten the bullet in seeking equity funding to advance the most promising of the two programmes with a view to unlocking shareholder value.

Progressing the DAT programme, which is targeting the fatigue commonly associated with multiple sclerosis, remains subject to non-dilutive funding.

At current valuations and given its potential for collaboration with big Pharma, milestone payments, and active clinical work, TheraCryf continues to look undervalued against smaller-cap UK drug developers, many of whom have also recently sought equity funding (Figure 4).

Figure 4: TheraCryf valuation to peers

Company	Mkt cap (£m)	Disclosed max milestone (US$m)	Disclosed milestone /mkt cap (X)	EV (£m)	Disclosed milestone /EV (X)	Sales (£m)	Most advanced current trial	Net cash /(debt) (£m)	Focus
TheraCryf*	**4.3**	**161**	**30.0**	**3.1**	**40.9**	**0.4**	**Phase 1**	**1.2**	**Cancer, neurodevelopmental disorder, neuroscience**
Scancell	95.4	624	5.2	101.1	4.9	5.3	Phase 2	-5.7	Cancer and infectious diseases
Synairgen	24.8	n/a	n/a	-1.8	n/a	0.0	Phase 3	26.6	Viral lung infection
Arecor Therapeutics	20.6	n/d	n/a	11.6	n/a	2.4	Phase 1	9.0	Diabetes; reformulating existing therapies using Arestat™ platform
Immupharma	16.7	70	3.4	12.7	4.3	0.0	Phase 2/3	4.0	Autoimmunity & inflammation; anti-infection
Hemogenyx Pharma	12.1	n/a	n/a	9.5	n/a	0.0	Phase 1	2.6	Blood disease
Genflow Bioscience	6.7	n/a	n/a	5.3	n/a	0.0	Pre-clinical	1.4	Liver, Werner Syndrome
Roquefort Therapeutics	3.2	10	10.0	2.6	3.0	0.0	Pre-clinical	0.6	Cancer
ValiRx	2.3	20	7.0	1.5	10.6	0.0	n/a	0.8	Cancer, women's health

*Source: Bloomberg, Companies, CAG Research. *Prior to equity raise.*

Orexin programme

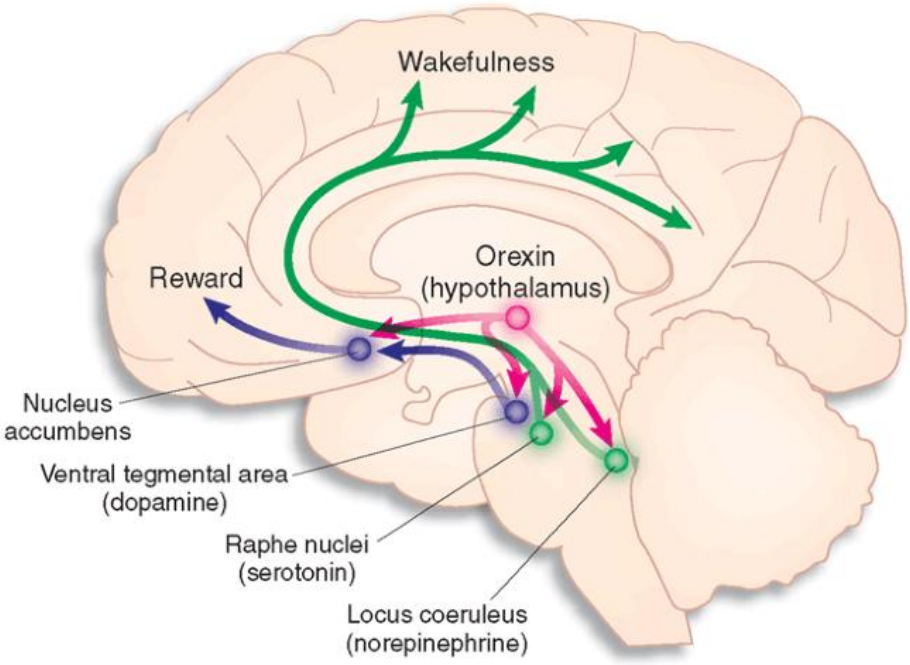
The orexin programme targets addictive disorders and anxiety. The lead pre-clinical candidate in the programme is an orexin 1 receptor antagonist which is initially targeted at the treatment of Binge Eating Disorder, a condition more common than anorexia and bulimia combined. Prior to its acquisition, Chronos had demonstrated positive pre-clinical proof of concept for the compound via an *in-vivo* model which has a potential annual market value in excess of US$1bn pa.

The lead clinical candidate in the portfolio acquired from Chronos is an orexin 1 receptor antagonist whose target is addictive disorders. Prior research by Chronos indicates a potential annual market value in excess of US$1bn pa.

There are two types of orexin receptors, Ox-1 and Ox-2, found in the central nervous system which play a key regulatory role in many physiological processes, particularly relating to reward and sleep/wakefulness. The action of the orexin system is strongly associated with addictive behaviour. While the action of the receptors is overlapping, the Ox-1 receptor is especially associated with reward, feeding behaviour, and anxiety while the Ox-2 receptor is associated with sleep/wakefulness.

The receptors are triggered by Orexin-A and Orexin-B which are neuropeptides produced by neurons in the hypothalamus (Figure 5). The Ox-1 receptor binds differentially to Orexin-A.

Figure 5: Orexin pathways



Source: Nature Medicine, CAG Research.

Orexin antagonists block the action of the orexin receptors in binding to the Orexin-A and Orexin-B signals generated from the hypothalamus and are a fairly recent development in drug therapy. To date, the principal target condition has been insomnia with Suvorexant, approved for use in the US in 2014, proving successful as it has favourable tolerability and fewer side-effects than the pre-existing standard of care treatments which had different targets.

However, the principal medical need targeted by TheraCryf's orexin programme is addictive disorder.

Suvorexant acts to block both orexin receptors and so is known as a dual orexin receptor antagonist. The primary target of TheraCryf's orexin programme is the Ox-1 receptor as the clinical need it is addressing is addictive disorder.

For the compound to be successful it needs to produce a sustained reduction in addictive desire while also avoiding any disproportionate impact on sleep/wakefulness. To do this it needs to be highly selective for the Ox-1 receptor over the Ox-2 receptor. The initial target condition is Binge Eating Disorder (BED) which is a recognised psychiatric condition. Chronos demonstrated positive pre-clinical proof of concepts for the compound in an *in vivo* rodent model of binge.

BED is more common than anorexia and bulimia combined and is not treatable with approved anti-obesity drugs. BED involves regularly eating uncontrollably and excessively over a short period of time until the sufferer is uncomfortably full but does not generally include subsequently purging the food through vomiting, which is the additional characteristic of Bulimia. Binges are sometimes planned in advance but can be spontaneous. The binging is usually done alone and is often associated with guilt or shame and anxiety.

The only approved drug for the treatment of BED is Vyvanse (Lisdexamfetamine Dimesulate) and it is only approved for use in the US. However, as Vyvanse is amphetamine based it is a class II controlled drug which carries a serious risk of addiction which is particularly pertinent given that some 25% of those suffering from BED have a history of substance abuse.

BED is estimated to affect 1.4% of the population amounting to over 13m people across the US, EU and Japan alone.

Market research by Chronos indicated a peak sales projection for its orexin 1 receptor antagonist of over US$1bn pa in the treatment of BED but it is also anticipated to have potential wider applicability in the treatment of addictive disorders, anxiety, impulse control disorders and post-traumatic stress disorder (PTSD).

Summary financial statements

March year end, £k	FY23A	FY24A	FY25E	FY26E	FY27E
Profit & loss					
Revenue	442	396	0	0	0
Operating expenses	(5,389)	(3,825)	(1,976)	(3,876)	(3,126)
Share based compensation	(157)	(137)	(150)	(150)	(150)
Total operating expenses	**(5,546)**	**(3,962)**	**(2,126)**	**(4,026)**	**(3,276)**
Operating loss	**(5,104)**	**(3,566)**	**(2,126)**	**(4,026)**	**(3,276)**
Finance income	98	0	0	0	0
Pre-tax loss	**(5,006)**	**(3,566)**	**(2,126)**	**(4,026)**	**(3,276)**
Taxation	963	429	361	684	557
Attributable loss	**(4,043)**	**(3,137)**	**(1,765)**	**(3,342)**	**(2,719)**
Basic loss per share	(1.47p)	(1.14p)	(0.31p)	(0.16p)	(0.13p)
Diluted loss per share	(1.47p)	(1.14p)	(0.31p)	(0.16p)	(0.13p)
Cash flow					
Pre-tax loss	(5,006)	(3,566)	(2,126)	(4,026)	(3,276)
Interest (income)/expense	(98)	0	0	0	0
Depreciation & amortisation	13	12	11	11	11
Share based compensation	157	137	150	150	150
Operating cash flow before working capital	**(4,934)**	**(3,417)**	**(1,965)**	**(3,865)**	**(3,115)**
Delta working capital	**332**	**(492)**	**0**	**0**	**0**
Cash used in operations	**(4,602)**	**(3,909)**	**(1,965)**	**(3,865)**	**(3,115)**
Taxation received	475	913	390	300	700
Net cash used in operations	**(4,127)**	**(2,996)**	**(1,575)**	**(3,565)**	**(2,415)**
Monies (to)/from short term investments	4,520	0	0	0	0
Interest income	98	0	0	0	0
Acquisition of tangible assets	(1)	0	(2)	(2)	(2)
Net cash (used in)/generated from investing	**4,617**	**0**	**(2)**	**(2)**	**(2)**
Net equity issuance	0	0	4,511	0	0
Net cash generated from financing	**0**	**0**	**4,511**	**0**	**0**
Implied delta net debt*	**4,030**	**2,996**	**(2,934)**	**3,567**	**2,417**
Summary balance sheet					
Total non-current assets	46	34	625	616	607
Net assets	5,341	2,341	6,637	3,446	877
Total equity	5,341	2,341	6,637	3,446	877
Net debt/(cash) (IAS 17)*	**(5,000)**	**(2,004)**	**(4,938)**	**(1,371)**	**1,046**
Net debt/(cash) (IFRS 16)*	**(5,000)**	**(2,004)**	**(4,938)**	**(1,371)**	**1,046**

*Source: TheraCryf, CAG Research. *Fixed term deposits and short-term investments treated as cash.*

Capital Access Group
32 Cornhill
London
EC3V 3SG
www.capitalaccessgroup.co.uk