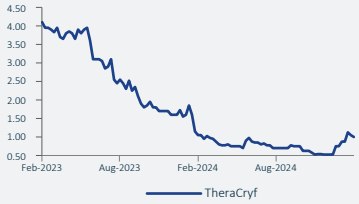
19 February 2025

Corp

Ticker	TCF:AIM
Pharmaceuticals & Biotechnology	
Shares in issue (m)	429.6
Next results	FY May
Price	**1.0p**
Target price	11.0p
Upside	1,000%
Enterprise value	**£3.1m**
Net cash/(debt)	£1.2m
Other EV adjustments	£0.0m
Market cap	**£4.3m**

What's changed?	From	To
Adjusted EPS	-0.48	n/c
Target price	11.0	n/c

Share price performance



%	1M	3M	12M
Actual	29.0	90.5	5.3

Company description

Clinical stage drug development company focussed on development of sulforaphane-based compounds.

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TheraCryf*

£4.25m equity raise to fund neuropsychiatry pipeline

Theracryf (TCF) has conditionally raised £4.25m in gross proceeds through a placing and subscription to support pre-clinical development of the company's Orexin-1 (OX1) receptor antagonist small molecule to clinical trial readiness. OX1 has been recognised as a potential drug target for a range of neuropsychiatric disorders, including substance use disorder (addiction), a market which is expected to reach $67.6bn by 2034. In our view, the generation of positive preclinical datasets for the OX1 antagonist will serve as a key value inflection point that will help to enhance the asset's value in the eyes of potential strategic developmental partners. Following completion, management expects the new financing to provide TCF with a cash runway through the end of calendar year 2026, past multiple potential value inflection points.

- **OX1 asset:** TCF's OX1 asset was brought in-house following the acquisition of Chronos Therapeutics (for further details see our March 2024 report). Studies have shown that OX1 plays an important role across a range of neuropsychiatric conditions such as anxiety; impulse and substance use disorders, significant markets which remain underserved by existing treatment options. Additionally, there is a renewed positive market sentiment in neuroscience drug development, evidenced by a number of notable M&A transactions over the past 12-18 months, including most recently J&J's (January 2025) $14.6bn acquisition of CNS specialist, Intra-Cellular Therapies.
- **Transaction:** TCF has announced the conditional raise of £4.25m (gross) via an equity placing. The proceeds of the fundraise will primarily be used to advance the pre-clinical development of TCFs OX1 blocker to clinical trial readiness which the board believe will serve as a key infection point.
- **Chairman appointment:** Alongside the fundraise TCF has announced that Dr Alastair Smith has been appointed as Non-Executive Chairman. Alastair is an experienced life sciences executive, with over 20 years' experience in public company growth and strategy, having founded and led Avacta Group as CEO until last year. Alastair also serves as a Non-Executive Director of N4 Pharma plc and Non-Executive Chairman of SPARTA Biodiscovery Ltd.
- **Forecasts:** We will update our forecasts following the formal completion of the fundraise, which is subject to shareholder approval. The company has stated that the new financing will extend its cash runway until the end of calendar year 2026.
- **Investment thesis:** Theracryf is delivering compelling data across multiple indications for its lead clinical asset, SFX-01, while the acquired neuropsychiatry small molecules have expanded TCF's pipeline. We believe this diversification helps to de-risk the investment thesis by shifting the company away from the perception of being a single-asset biotech. We consider TCF's equity thesis to be further supported by its established clinical investigator collaborations, which will continue to progress SFX-01, and the renewed industry interest in neuroscience drug discovery.

Key estimates		2021A	2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar	Mar
Revenue	£m	0.2	0.0	0.4	0.4	0.0
Adj EBITDA	£m	-3.1	-3.0	-4.9	-3.4	-2.2
Adj EBIT	£m	-3.1	-3.0	-4.9	-3.4	-2.3
Adj PBT	£m	-3.1	-3.0	-4.8	-3.4	-2.3
Adj EPS	p	-1.6	-0.91	-1.3	-1.1	-0.48
DPS	p	0.00	0.00	0.00	0.00	0.00
Key valuation metrics						
EV/sales	x	16.0	n/m	7.0	7.8	n/m
EV/EBIT (adj)	x	-1.0	-1.0	-0.6	-0.9	-1.3
P/E (adj)	x	-0.6	-1.1	-0.8	-0.9	-2.1
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-68.2%	-59.7%	-96.1%	-69.7%	-44.0%

Income statement		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Sales	£m	0.0	0.4	0.4	0.0
Gross profit	£m	0.0	0.4	0.4	0.0
EBITDA (adjusted)	£m	-3.0	-4.9	-3.4	-2.2
EBIT (adjusted)	**£m**	**-3.0**	**-4.9**	**-3.4**	**-2.3**
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	0.0	0.1	0.0	0.0
PBT (adjusted)	**£m**	**-3.0**	**-4.8**	**-3.4**	**-2.3**
Total adjustments	£m	-0.1	-0.2	-0.1	-0.2
PBT (reported)	£m	-3.2	-5.0	-3.6	-2.4
Tax charge	£m	0.4	1.0	0.4	0.2
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Earnings (reported)	£m	-2.7	-4.0	-3.1	-2.3
Earnings (adjusted)	**£m**	**-2.6**	**-3.9**	**-3.0**	**-2.1**
EPS (basic)	p	-0.99	-1.5	-1.1	-0.54
EPS (adjusted, fully diluted)	**p**	**-0.91**	**-1.3**	**-1.1**	**-0.48**
DPS	**p**	**0.00**	**0.00**	**0.00**	**0.00**

Growth analysis		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Sales growth	%	n/m	n/m	-10.4%	n/m
EBITDA growth	%	1.7%	-62.8%	30.7%	36.0%
EBIT growth	%	1.7%	-62.4%	30.7%	32.6%
PBT growth	%	2.5%	-60.4%	29.3%	32.9%
EPS growth	%	44.7%	-46.0%	17.4%	55.9%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Gross margin	%	n/m	100.0%	100.0%	n/m
EBITDA margin	%	n/m	n/m	-862.9%	n/m
EBIT margin	%	n/m	n/m	-865.9%	n/m
PBT margin	%	n/m	n/m	-865.9%	n/m
Net margin	%	n/m	-879.2%	-757.6%	n/m

Valuation analysis		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
EV/EBITDA (adjusted)	x	-1.0	-0.6	-0.9	-1.4
EV/EBIT (adjusted)	x	-1.0	-0.6	-0.9	-1.3
P/E (adjusted)	x	-1.1	-0.8	-0.9	-2.1

Cash flow		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
EBITDA (adjusted)	£m	-3.0	-4.9	-3.4	-2.2
Net change in working capital	£m	-0.1	0.3	-0.5	0.0
Other operating items	£m	0.2	0.2	0.1	0.2
Cash flow from op. activities	**£m**	**-3.1**	**-4.6**	**-3.9**	**-2.2**
Cash interest	£m	0.0	0.0	0.0	0.0
Cash tax	£m	0.5	0.5	0.9	0.4
Capex	£m	-0.0	-0.0	0.0	-0.1
Other items	£m	0.0	0.0	0.0	0.0
Free cash flow	**£m**	**-2.6**	**-4.1**	**-3.0**	**-1.9**
Acquisitions / disposals	£m	0.0	0.0	0.0	0.0
Dividends	£m	0.0	0.0	0.0	0.0
Shares issued	£m	0.0	0.0	0.0	0.8
Other	£m	0.0	0.1	0.0	0.0
Net change in cash flow	**£m**	**-2.6**	**-4.0**	**-3.0**	**-1.1**
Opening net cash (debt)	£m	11.6	9.0	5.0	2.0
Closing net cash (debt)	**£m**	**9.0**	**5.0**	**2.0**	**0.9**

Cash flow analysis		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Cash conv'n (op cash / adj EBITDA)	%	n/m	n/m	n/m	n/m
Cash conv'n (FCF / adj EBITDA)	%	80.7%	81.1%	84.3%	80.9%
U/lying FCF	£m	-2.6	-4.1	-3.0	-1.9
Cash quality (u/l FCF / adj earn)	%	99.7%	106.5%	100.3%	89.1%
Investment rate (capex / depn)	x	1.0	0.3	0.0	n/m
Interest cash cover	x	n/a	n/a	n/a	n/a
Dividend cash cover	x	n/a	n/a	n/a	n/a

Working capital analysis		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Net working capital / sales	%	n/m	-139.6%	-32.1%	n/m
Net working capital / sales	days	n/m	-510	-117	n/m
Inventory (days)	days	n/m	0	0	n/m
Receivables (days)	days	n/m	178	548	n/m
Payables (days)	days	n/m	688	665	n/m

Balance sheet		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Tangible fixed assets	£m	0.0	0.0	0.0	0.0
Goodwill & other intangibles	£m	0.1	0.0	0.0	0.9
Other non current assets	£m	0.0	0.0	0.0	0.0
Net working capital	£m	-0.3	-0.6	-0.1	-0.1
Other assets	£m	0.4	0.9	0.4	0.2
Other liabilities	£m	0.0	0.0	0.0	0.0
Gross cash & cash equivs	£m	9.0	5.0	2.0	0.9
Capital employed	**£m**	**9.2**	**5.3**	**2.3**	**1.9**
Gross debt	£m	0.0	0.0	0.0	0.0
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	9.2	5.3	2.3	1.9
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	**£m**	**9.2**	**5.3**	**2.3**	**1.9**

Leverage analysis		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Net debt / equity	%	no debt	no debt	no debt	no debt
Net debt / EBITDA	x	n/a	n/a	n/a	n/a
Liabilities / capital employed	%	0.0%	0.0%	0.0%	0.0%

Capital efficiency & intrinsic value		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Adjusted return on equity	%	-28.0%	-72.8%	-128.2%	-113.7%
RoCE (EBIT basis, pre-tax)	%	-33.0%	-92.6%	-146.5%	-122.2%
RoCE (u/lying FCF basis)	%	-27.9%	-77.5%	-128.5%	-101.3%
NAV per share	p	3.4	1.9	0.9	0.4
NTA per share	p	3.3	1.9	0.8	0.2

Transaction

TCF has announced the conditional raise of £4.25m (gross) via an equity placing. The proceeds of the fundraise will be used to advance the pre-clinical development of TCFs OX1 blocker to clinical trial readiness which the board believe will be a key infection point.

Following shareholder approval, the proceeds are expected to extend TCF's cash runway to the end of calendar year 2026.

Raise

The company has placed 1.7 billion new ordinary shares at the nominal value issue price of 0.25p per share to new and existing institutional investors to raise gross proceeds of £4.25m.

The nominal issue price of 0.25p represents a discount of c75% to the closing middle market price of c1p per ordinary shares on 18 February 2025, being the last business day prior to the announcement of the fundraising.

The Fundraising will be undertaken in two tranches in order to utilise the Company's existing authorities to allot and issue shares on a non-pre-emptive basis. The Company has conditionally raised (before expenses):

— Approximately £199,211 by way of a firm placing.

— Approximately £3,022,789 by way of a conditional placing.

— A further £28,000 by way of a direct subscription by the company directors including Dr Alastair Smith (Chair), Dr Huw Jones (CEO) and Toni Hänninen (CFO).

— A direct subscription of £1,000,000 by Tracarta Limited.

The Conditional Placing and the Subscription is conditional, *inter alia*, upon the Fundraising Resolutions being passed by Shareholders at the General Meeting to be held on 7 March 2025.

Use of funds

The proceeds of the fundraise will primarily be used to advance the pre-clinical development of TCFs OX1 blocker to clinical trial readiness which the board believe will be a key infection point.

Newsflow

With the extended cash runway, TCF has almost tripled the number of potential newsflow and catalytic share-price events that may materialise over the next 6-24 months including.

Figure 1: TCF expected newsflow

Date	Event
1Q25	- Neuropsychiatry programme restarts - Ox-1 manufacturing optimisation commences - New board appointment/s
2Q25	- Further SFX-01 in vivo data from Erasmus GBM collaboration expected - 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 GBM clinical trial preparations commence
1H26	- SFX-01 1st GBM patients dosed in Ph0 study - Ox-1 enabling studies, for first in man clinical trials, complete - Ox-1 regulatory submission (IND/CTA) outcome of regulatory interactions (MHRA/FDA etc)
2H26	- SFX-01 GBM clinical data flow - Ox- 1 MHRA/FDA approval for Phase 1 study

Source: Cavendish

TCF: Developing new approaches in neuropsychiatry

Orexin 1

Orexins are neuropeptides (small chain amino acid chemical messengers produced by neurons in the brain) that are believed to play key roles in the pathophysiology of a myriad of behavioural conditions including depression, drug addiction, sleep, and psychiatric disorders.

Orexins work by binding to and activating either OX1Rs or orexin type 2 receptors (OX2Rs) to stimulate a neurological response and have therefore been considered as potentially suitable drug targets.

OX1Rs and OX2Rs have already been clinically validated as drug targets with the approvals of the dual OX1/2R antagonists (DORAs) emborexant (Dayvigo, Eisai), suvorexant (Merck) and daidorexant (Quviviq, Idorsia) all of which are indicated for the treatment of insomnia in adult patients.

In our view, the validation of DORAs helps to de-risk OX1R as a standalone drug target. **We also note that there are currently no approved antagonist (inhibit a biological response) therapies which selectively target OX1R.**

Addiction

Treatments

Addictive disorders are a form of neurological disorders ranging from conditions such as repetitive drug and alcohol use to compulsive behaviours such as smoking or binge eating that can lead to significant comorbidities or distress. Therapies for addictive disorders span a wide range of drug classes and treatment options often vary depending on the indication, see Figure 2.

Figure 2: Selected therapies commonly prescribed for addiction disorders

Drug Class	Examples	Use	Potential side effects	Notes on mechanism
Opioid receptor antagonists	Naltrexone (Revia)	For management of alcohol use and opioid use disorder	Agitation, Anxiety, Weight change and Dizziness	Blocking of μ-opioid receptors and inhibiting euphoric effects of alcohol or opiates
Opioid receptor agonists (stimulate biological response)	Buprenorphine (Subutex) Methadone (Dolophine)	For management of opioid use disorder	Agitation, Anxiety, Weight change, Dizziness and addiction	Partially stimulates μ -opioid receptors to relieve withdrawal symptoms
Stimulants	Lisdexamphetamine (Vyvanse/Elvance)	Binge eating disorder (BED) and prescribed for ADHD	Anxiety, sleep problems and decreased appetite	Indirect activation of Dopamine (D1) receptors and adrenoreceptor (?2)
Nicotinic receptor partial agonist	Varenicline (Chantix)	Smoking cessation	Nausea, headaches and insomnia.	Varenicline – ?4 ?2 nicotinic acetylcholine receptor agonist
Phenethylamines	Bupropion (Wellbutrin)	Smoking cessation and major depressive disorder	FDA black box warning for suicidal ideation	Unknown but expected to be Norepinephrine–dopamine reuptake inhibitor (NDRI)

Source: Cavendish

However, treatment resistance and safety concerns can often be an issue with the long-term use of certain therapies. Wellbutrin for smoking cessation carries an FDA black box warning for suicidal behaviours, and Vyvanse for binge eating disorder (BED) is a class 2 scheduled drug which, paradoxically, may lead to addiction.

Despite this, Vyvanse is estimated to have achieved global sales of $1.7bn in 2024 with $325m attributed to BED (EvaluatePharma). However, there remains a need to develop innovative new treatments across neurological indications, particularly those with non-narcotic mechanisms of action.

In our view, the key point for investors to note from Figure 2 is that there are currently no drugs approved for addiction with a mechanism of action that selectively targets/inhibits the orexin type 1 receptors (OX1Rs).

Competition and transactions

Whilst selective OX2R antagonists and DORAs have demonstrated efficacy in sleep disorders, there is evidence to suggest that selective orexin-1 receptor agonists may have application in the treatment of anxieties and addictions. Additionally, to our knowledge and according to clinicaltrials.gov, there is **currently only one active (NCT06384157), industry sponsored, clinical study investigating an OX1R selective antagonist for opioid use disorder.** A summary of those recently completed trials are presented in Figure 3.

We also note that OX1 assets have been at the forefront of sizable deals, even at the earlier preclinical stages of development including Indivor's exclusive global licensing agreement for C4X Discovery's OX1 antagonist programme in a deal worth up to $294m

Figure 3: OX1R Competitive landscape

Company	Stage	Status	Deal Size	Indication
Idorsia (Actelion)	Phase 2	2022 missed Phase 2a endpoint in binge eating disorder (query receptor occupancy), shelved	N/A	Binge eating disorder, anxiety
Cerevance (Takeda)	End Phase 1	Completed Ph1, planning to initiate Ph2 in Schizophrenia and BED patients, current timings not disclosed	N/A	Schizophrenia, BED
Indivor (C4X)	Phase 2	First patient dosed in Ph2 opioid use disorder trial in June 2024, trial ongoing	$294m deal 2018 incl. $10m upfront. £15.95m Aug 2023 (bought from C4X)	Opioid use disorder
AstraZeneca (Eolas)	Phase 1/2	Discontinued after dosing in opioid users taking additional medications highlighted a DDI (announced Nov 2024)	>$145m plus royalties (licensed from Eolas)	Smoking cessation, opioid use disorder
Johnson & Johnson	Phase 1/2	Unknown, not currently reported in pipeline, possibly shelved **due to somnolence observed in clinic due to inadequate selectivity for Ox-1 over Ox-2**	N/A	Panic/anxiety, depression

Source: Evgen Pharma

Overall, we see four key features that could provide TCF's OX1 antagonist with a distinct competitive advantage:

- A relatively subdued clinical pipeline with limited competition of OX1R antagonists.
- TCF's OX1 antagonist is structurally distinct from competitor molecules.
- Clinical validation of OX1R as a drug target that provides a degree of programme de-risking.
- With evidence suggesting that OX1R plays a key role in many neurological processes, there is the possibility for TCF's OX1 molecule to have a broader clinical utility across neuropsychiatric indications.

Forecasts

We will update our forecasts following shareholder approval of the transaction at the upcoming general meeting (March 2025) but note that, upon completion of the equity fundraise, **TCF's cash runway will be extended until the end of calendar year 2026.**

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Definition of research recommendations

Expected absolute returns

BUY is an expected return greater than 10%

HOLD is an expected return -10% - +10%

SELL is an expected return less than -10%

UNDER REVIEW: recommendation and/or forecasts are under review pending further clarity as to the company's financial and/or operational position

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	Corporate client no.	Corporate client %	Total no.	Total %
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Hold	0	0.0%	2	1.2%
Sell	0	0.0%	0	0.0%
Under Review	0	0.0%	0	0.0%
Corp	136	96.5%	147	87.5%

Temporary movements by stocks across the boundaries of these categories due to share price volatility will not necessarily trigger a recommendation change. All recommendations are based on 12-month time horizon unless otherwise stated.

Recommendation history

Company	Disclosures	Date	Rec	Price	Target price
TheraCryf	2,6,7,8,9,10,11	2 April 19	Corp	18.7p	44.3p

Source: Cavendish

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