ADVANCED ONCOThERAPY

Record multiples paid for proton therapy leader

AVO’s goal is to deliver an affordable and novel proton therapy (PT) system, called LIGHT, based on state-of-the-art technology developed originally at the world-renowned CERN. Over the past two years, the project has been significantly de-risked through important technical milestones. AVO is working on the verification and validation phase, prior to LIGHT being used on the first patients to support CE certification. A recent equity issue, new loan facilities and some commercial announcements earlier in 2020 highlight the increasing confidence that is building in AVO’s ability to achieve its goal to deliver LIGHT in the near future.

- **Strategy:** AVO is developing a compact and modular PT system, which is affordable for the payer, financially attractive to the operator, and generating superior patient outcomes. AVO benefits from technology know-how developed by ADAM (CERN spin-off), and relies on a world-class supplier base.

- **Facility drawdown:** As part of the new debt facilities announced in June 2020, AVO has announced that it has drawn down an initial $10m/£8m from the interest-bearing secured $30m convertible facility with Nerano Pharma for the further development of the company’s LIGHT system.

- **PT investment:** Strong demand for PT has been highlighted by a number of commissions announced recently by competitor, Mevion. Also, the attractions of investing in PT companies have been emphasised by the proposed acquisition of Varian for $16.4bn (5.0x 2019 sales, 32.2x EBITDA, 40% premium) by Siemens Healthineers to gain access to its innovative solutions in radiation oncology.

- **Risks:** The more complex technical challenges have been overcome, and progress towards assembling a fully functional accelerator is under way. The annual report highlights the upcoming challenges and how they are being mitigated, with new funding giving financial flexibility to reach the finishing line, despite COVID-19.

- **Investment summary:** Removal of a stock overhang has seen some recovery in the share price, giving AVO an EV of £1.44bn. However, this still equates only to the amount invested into LIGHT to date; which does not reflect the enormous technical challenges that have been overcome, or the market potential. Varian, the biggest 2020 M&A healthcare deal, highlights the attractions of PT investment.