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Zacks Small-Cap Research (NOTE)

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Adaptimmune Therapeutics plc (ADAP-NASDAQ)

ADAP: 4Q24 Business Update – Tecelra Launch Progressing + Incremental Cost Savings; Banker-Led Process to Explore Strategic Options to Maximize Shareholder Value

Research Note

Favorable business update: Pre-market open on 3/20/25, Adaptimmune provided a business update for 4Q24 (in lieu of financial results for the quarter/full year to be released in conjunction with the company's 10-K filing on 3/24/25). From our perspective, key takeaways from ADAP's 4Q24 business update and management's quarterly conference call included:

1. **Tecelra launch ahead of expectations:** Following the commencement of commercialization efforts for Tecelra last year, sales momentum continues to build. Indeed, the number of patients apheresed ramped up from three in 2024 to 10 thus far in 2025, with another three likely in March. From a top line perspective, ADAP generated $1.2 million of sales in 4Q24 from two patients, with an incremental six to eight patients likely to be invoiced in 1Q25 driving $3.6 million to $4.8 million of related revenue for the quarter, we believe. Looking ahead, management expressed confidence in generating at least $25 million of Tecelra sales in 2025 reflecting a building pipeline of patients testing double positive for biomarker checks (20) that are likely to be apheresed/treated in 2Q25 and 3Q25, as well as in various stages of testing (30).

   From a distribution standpoint, 20 Authorized Treatment Centers (ATCs) are currently up and running and accepting referrals, with senior executives reiterating expectations to complete the rollout of the full network of 30 ATCs by end of 2025 (around nine months ahead of schedule based on the expected timeline at the time of launch). Moreover, manufacturing turnaround times have remained quicker than expected thus far, with ample supply likely reinforcing building capacity to meet accelerating demand.

2. **Lete-cel on track for a quicker commercialization timeline:** Lete-cel is a TCR T-cell therapy targeting the NY-ESO cancer biomarker for treatment of synovial sarcoma, as well as myxoid/round cell liposarcoma (MRCLS). On the call, management reiterated plans to initiate a rolling BLA submission in late 2025, with FDA approval anticipated in 2026 followed by commercialization in 2027. Importantly, senior officials plan to leverage existing clinical/testing processes and infrastructure (ATC network, commercial team) resulting in a shorter commercialization timeline versus Tecelra. Stepping back, lete-cel expands the addressable patient population for ADAP's combined sarcoma franchise, thereby driving $400 million of peak-year gross sales based on management's projections.

3. **Incremental cost savings; profitability inflection point in 2027:** In conjunction with ADAP's 3Q24 earnings announcement, management outlined plans to realize approximately $300 million in aggregate cost savings starting in 2025 and continuing through 2028 reflecting headcount reductions (completed in 1Q25), a reduced footprint, and lower development and manufacturing

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costs. More specifically, we expect ~$50 million of related cost savings across R&D and G&A costs in 2025 (translating into ~25% of the 2024 run-rate) followed by $70 million to $80 million per year in 2026 and 2027.

In addition, senior executives recently further narrowed R&D and capital allocations by pausing spending on the company's PRAME and CD70 programs (following last quarter's decision to wind down clinical trials investigating uza-cel for the treatment of platinum-resistant ovarian cancer), which is anticipated to generate an incremental $75 million to $100 million of cost savings through 2028. Putting it all together, management reiterated the company's goal of reaching breakeven on a cash flow basis in 2027.

4. **Bridging the gap to profitability:** While ADAP maintained $152 million of total liquidity (cash and cash equivalents + marketable securities) as of December 31, 2024, and anticipated cost savings over the next several years reduces the need for additional financing to some degree, senior executives conceded the need for incremental capital to remain a going concern through anticipated profitability in 2027 (adding risk to the story). As such, the company recently engaged an investment bank to help identify and evaluate strategic options to maximize shareholder value. Potential options include partnerships, strategic collaborations, business combinations, financial transactions, and/or pipeline monetizations.

Valuation – Still See Plenty of Upside: We are taking down our price target from $2.25 to $1.50 based on our DCF model incorporating Tecelra economics in addition to probability-weighted cash flows for lete-cel. More specifically, we reined in our Tecelra and lete-cel sales uptakes and squeezed our margin trajectory assumptions, while incorporating a higher discount rate in light of the company's current financial condition and near-term cash flow outlook. That said, we still see material upside potential for the stock from current levels (though a meaningful upward revaluation likely necessitates clarity on ADAP's going concern prospects and strategic options).

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