

## Redx Pharma

Update

### All that Jazz: \$3m milestone boosts cash and confidence

7 September 2021

The initiation of IND-enabling studies for Jazz Pharmaceutical's pan-RAF inhibitor JZP815 has triggered a \$3m milestone payment to Redx Pharma. This milestone provides external confirmation that this novel programme - one of Redx's three partnership deals - continues to advance towards the clinic with the potential of earning future milestones, further solidifying Redx's financial resources and supporting increased R&D investment in key assets through to end-2022. This cash runway covers several important value inflection points, including Phase II data for RXC004 its lead in-house oncology programme, and the start of Phase II trials for RXC007 in fibrosis. Ahead of further clinical updates, our rNPV-based valuation is £350.7m, equivalent to 128p/share (86p fully diluted).

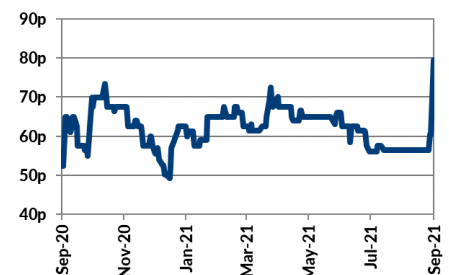
Year-end: September 30	2019	2020	2021E	2022E
Revenues (£m)	3.1	5.7	10.4	10.7
Adj. PBT (£m)	(7.5)	(9.5)	(19.9)	(26.2)
Net Income (£m)	(4.3)	(9.2)	(20.5)	(26.8)
Adj. EPS (p)	(4.0)	(5.6)	(7.7)	(9.4)
Cash (£m)	(3.7)	27.5	31.8	9.9
EBITDA (£m)	(6.2)	(7.5)	(20.5)	(26.7)

Source: Trinity Delta Note: Adjusted numbers exclude share-based payments and exceptionals.

- Start of IND-enabling studies triggers first milestone** JZP815 is a preclinical Pan-RAF inhibitor sold to Jazz Pharmaceuticals in [July 2019](#), in a deal that could see Redx receive up to \$203m in development, regulatory, and commercial milestones, plus royalties on net sales. FDA acceptance of the IND (investigational new drug) application will trigger the next milestone. Under a separate collaboration contract, Jazz has funded research and preclinical work carried out by Redx to advance JZP815 to this stage, and this will continue to completion of IND-enabling studies.
- JZP815 is a potential treatment for RAF-driven tumours** JZP815 is a novel chemical entity that has been designed using Redx's acknowledged medicinal chemistry expertise to overcome resistance mechanisms associated with use of approved B-RAF selective drugs. These include treatment-emergent resistance (eg with Zelboraf use in melanoma) and tumours insensitive to B-RAF selective drugs due to mutations in other RAF-family kinases. Around one-third of cancers involve mutations that result in uncontrolled signalling in the RAS-RAF-MAPK pathway.
- Looking through the keyhole** Recent milestones from Jazz and AstraZeneca ([June 2021 Lighthouse](#)) confirm progress under the respective preclinical out-licencing deals. However, it is the continued progress of the innovative clinical stage in-house programmes, RXC004 (porcupine inhibitor for genetically selected solid tumours) and RXC007 (ROCK2 inhibitor for fibrosis), that should, if successful, transform the business over the medium term. Presentation of RXC004 Phase I monotherapy data at ESMO (17-21 September), and the Virtual R&D Day on 11 October, should provide additional insights on the status and promise of these assets.
- rNPV valuation of £350.7m (128p/share)** We maintain our rNPV-based SOTP valuation of £350.7m, or 128p/share (86p fully diluted), based on conservative assumptions, ahead of a number of upcoming pipeline catalysts.

Price	79.5p
Market Cap	£218.5m
Enterprise Value	£186.7m
Shares in issue	274.8m
12 month range	46.98-93.70p
Free float	11.0%
Primary exchange	AIM London
Other exchanges	N/A
Sector	Healthcare
Company Code	REDX

Corporate client Yes



### Company description

Redx Pharma specialises in the discovery and early clinical development of small molecule therapeutics, with an emphasis on oncology and fibrotic disease. Typically, these are progressed through proof-of-concept studies and then partnered for further development. The strategy has been validated by several collaborations.

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**Exhibit 1: Summary of financials**

Year-end: Sept 30	£'000s	2018	2019	2020	2021E	2022E
<b>INCOME STATEMENT</b>						
<b>Revenues</b>		<b>129</b>	<b>3,131</b>	<b>5,685</b>	<b>10,361</b>	<b>10,722</b>
Cost of goods sold		0	(350)	0	0	0
<b>Gross Profit</b>		<b>129</b>	<b>2,781</b>	<b>5,685</b>	<b>10,361</b>	<b>10,722</b>
R&D expenses		(7,424)	(8,339)	(12,215)	(28,094)	(34,555)
G&A expenses		(3,182)	(1,831)	(1,988)	(1,934)	(2,259)
<b>Underlying operating profit</b>		<b>(10,477)</b>	<b>(7,389)</b>	<b>(8,518)</b>	<b>(19,667)</b>	<b>(26,092)</b>
Share-based payments		(282)	(45)	(568)	(1,780)	(1,815)
Exceptionals		(596)	948	73	0	0
Other revenue/expenses		1,186	241	812	828	845
<b>EBITDA</b>		<b>(10,005)</b>	<b>(6,154)</b>	<b>(7,536)</b>	<b>(20,534)</b>	<b>(26,744)</b>
<b>Operating Profit</b>		<b>(10,169)</b>	<b>(6,245)</b>	<b>(8,201)</b>	<b>(20,618)</b>	<b>(27,062)</b>
Financing costs/income		23	(90)	(967)	(186)	(83)
<b>Profit Before Taxes</b>		<b>(10,146)</b>	<b>(6,335)</b>	<b>(9,168)</b>	<b>(20,803)</b>	<b>(27,145)</b>
<b>Adj. PBT</b>		<b>(10,454)</b>	<b>(7,479)</b>	<b>(9,485)</b>	<b>(19,852)</b>	<b>(26,174)</b>
Current tax income		1,301	2,017	(45)	281	346
<b>Net Income</b>		<b>(8,845)</b>	<b>(4,318)</b>	<b>(9,213)</b>	<b>(20,523)</b>	<b>(26,799)</b>
<b>EPS (p)</b>		<b>(7.0)</b>	<b>(3.4)</b>	<b>(5.4)</b>	<b>(8.1)</b>	<b>(9.8)</b>
<b>Adj. EPS</b>		<b>(7.2)</b>	<b>(4.0)</b>	<b>(5.6)</b>	<b>(7.7)</b>	<b>(9.4)</b>
<b>DPS (p)</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Average no. of shares (m)		126.4	126.4	170.1	254.2	273.9
<b>BALANCE SHEET</b>						
<b>Current assets</b>		<b>9,705</b>	<b>5,807</b>	<b>29,468</b>	<b>34,020</b>	<b>12,154</b>
Cash and cash equivalents		6,471	3,704	27,513	31,784	9,854
Accounts receivable		2,023	1,232	1,923	1,923	1,923
Other current assets		1,211	871	32	313	378
<b>Non-current assets</b>		<b>614</b>	<b>551</b>	<b>4,120</b>	<b>4,341</b>	<b>3,960</b>
Property, plant & equipment		191	134	136	627	428
Intangible assets		423	417	411	409	405
Other non-current assets		0	0	3,573	3,305	3,127
<b>Current liabilities</b>		<b>(3,950)</b>	<b>(4,867)</b>	<b>(10,934)</b>	<b>(10,697)</b>	<b>(25,476)</b>
Short-term debt		0	(468)	0	0	(11,864)
Accounts payable		(3,803)	(3,445)	(3,362)	(6,742)	(7,602)
Other current liabilities		(147)	(954)	(7,572)	(3,955)	(6,010)
<b>Non-current liabilities</b>		<b>(605)</b>	<b>0</b>	<b>(19,967)</b>	<b>(14,019)</b>	<b>(1,977)</b>
Long-term debt		0	0	(16,758)	(11,864)	0
Other non-current liabilities		(605)	0	(3,209)	(2,155)	(1,977)
<b>Equity</b>		<b>5,764</b>	<b>1,491</b>	<b>2,687</b>	<b>13,645</b>	<b>(11,339)</b>
<b>CASH FLOW STATEMENTS</b>						
<b>Operating cash flow</b>		<b>(17,177)</b>	<b>(4,668)</b>	<b>395</b>	<b>(18,986)</b>	<b>(21,816)</b>
Profit before tax		(10,146)	(6,335)	(9,168)	(20,803)	(27,145)
Non-cash adjustments		656	(782)	2,123	2,049	2,215
Change in working capital		(8,391)	(265)	6,425	(269)	2,915
Interest paid		(23)	13	7	83	(83)
Taxes paid		727	2,701	1,008	(45)	281
<b>Investing cash flow</b>		<b>(109)</b>	<b>32</b>	<b>(55)</b>	<b>(573)</b>	<b>(115)</b>
CAPEX on tangible assets		(132)	(28)	(59)	(573)	(115)
Acquisitions/disposals		23	60	4	0	0
Other investing cash flows		0	0	0	0	0
<b>Financing cash flow</b>		<b>(49)</b>	<b>1,869</b>	<b>23,469</b>	<b>23,830</b>	<b>0</b>
Proceeds from equity		0	0	1,876	24,616	0
Increase in loans		0	1,000	22,563	0	0
Other financing cash flow		(49)	869	(970)	(786)	0
<b>Net increase in cash</b>		<b>(17,335)</b>	<b>(2,767)</b>	<b>23,809</b>	<b>4,271</b>	<b>(21,931)</b>
Cash at start of year		23,806	6,471	3,704	27,513	31,784
<b>Cash at end of year</b>		<b>6,471</b>	<b>3,704</b>	<b>27,513</b>	<b>31,784</b>	<b>9,854</b>
<b>Net cash at end of year</b>		<b>6,471</b>	<b>3,236</b>	<b>10,755</b>	<b>19,920</b>	<b>(2,011)</b>

Source: Company, Trinity Delta Note: Redmile/Sofinnova Convertible Loan Note has August 2023 conversion date, with a 15.5p conversion price, equating to a potential 96m of new shares.

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