

## Redx Pharma

### Recommended all share combination with Jounce

1 March 2023

- On 23 February 2023, the boards of Redx Pharma and Jounce Therapeutics announced a recommended all share business combination of the two companies. Under the terms of the transaction, this will result in NASDAQ listed Jounce owning the entire issued and to be issued ordinary share capital of Redx. The acquisition is being implemented by means of a scheme of arrangement under Part 26 of the Companies Act 2006 (the 'Scheme'). The business combination is expected to complete during Q2 2023.
- Under the terms of the business combination, Redx shareholders will be entitled to receive 0.2105 Jounce shares (the 'Exchange Ratio') for each Redx share. Redx currently has 334.9m shares in issue, and a further 152.9m shares to be issued, which relate to options and to the convertible loan note with RM3 (Redmile). The RM3 convertible loan note equates to 110.3m shares, which will fully convert into Redx shares as part of the transaction. Hence on a fully diluted basis there are 487.8m Redx shares.
- Based on an Exchange Ratio of 0.2105, the 487.8m Redx shares (fully diluted) will become 102.7m new Jounce shares that Redx shareholders will be entitled to receive. There are currently 60.4m issued and to be issued Jounce shares (prior to the proposed reverse stock split), comprising 52.1m shares in issue and 8.3m relating to options/awards. If the Jounce reverse stock split is approved, whereby one new share will be issued for every five outstanding Jounce shares, the Exchange Ratio will be adjusted to 0.0421 ie the 487.8m Redx shares will become 20.5m new Jounce shares and there will be 12.1m issued and to be issued Jounce shares. Based on the share capital of the combined group, Redx shareholders are expected to own 63%, with Jounce shareholders owning 37%. The combined group will be called Redx Inc and will be solely listed on NASDAQ under the ticker REDX.
- Based on the Redx closing share price of 50p on 22 February, prior to the deal announcement, Redx had a market capitalisation of £244m (\$294m) on a fully diluted basis. The implied market value of the combined group is \$425m, comprising the Redx fully diluted market capitalisation of \$294m prior to the deal announcement, and at least \$130m of expected cash and cash equivalents from Jounce at deal close. Cash resources of the combined group are expected to provide a runway into H2 2025. Redx last reported cash and equivalents at end September 2022 of £53.9m (c.\$65m).

Price	42.5p
Market Cap	£142.3m
Primary exchange	AIM
Sector	Healthcare
Company Codes	REDX

Corporate client	Yes
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#### Company description:

Redx Pharma specialises in the discovery and development of small molecule therapeutics, with an emphasis on oncology and fibrotic diseases. It aims to initially progress them through proof-of-concept studies, before evaluating options for further development and value creation.

#### Analysts

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**Trinity Delta view:** Following the recommended all share business combination with Jounce, in line with our usual practice, we suspend our Redx Pharma forecasts and valuation.

Redx Pharma is a research client of Trinity Delta Research Limited and for the purposes of the Takeover Code, Trinity Delta is deemed to be connected with Redx Pharma.

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