

Redx Pharma

New funds provide runway through 2024 catalysts

18 October 2023

- Redx Pharma has conditionally raised c £14.1m (gross) through the issuance of 54,074,458 new shares at 26p per share to existing specialist healthcare investors. These include the largest shareholder Redmile, plus Sofinnova, Polar Capital, and Invus. The raise is subject to shareholder approval at the General Meeting on November 6, with the new shares expected to be admitted to trading on AIM on November 7.
- New funds, together with existing resources (end-March 2023 net cash of £34.6m), will provide Redx with c £28m in available cash to progress its fibrosis pipeline to key value inflection points and for general working capital purposes into Q324. Phase IIa IPF (idiopathic pulmonary fibrosis) data from lead fibrosis asset, the selective ROCK2 inhibitor zelasudil (RXC007) are of particular focus; zelasudil also has broader potential in ILDs (interstitial lung diseases), cancer-associated fibrosis, and graft vs host disease (GvHD).
- Key upcoming catalysts include: (1) topline data in H124 from the zelasudil Phase IIa IPF trial; (2) completion of additional investigative preclinical studies for zelasudil enabling a complete response in Q224 to the FDA partial clinical hold allowing for longer-term dosing (>28 day) in the US; (3) CTA submission in Q423 to enable H124 initiation of a Phase I healthy volunteer study in fibrostenotic Crohn's disease of GI-targeted ROCK inhibitor RXC008; and (4) topline Phase II PORCUPINE and PORCUPINE2 data for RXC004 in combination with checkpoint inhibitors in Wnt-ligand dependent cancers.
- Redx has prioritised the clinical development of its ROCK portfolio, while pursuing partnerships for other pipeline candidates; these include lead oncology asset, RXC004 (porcupine inhibitor), and discovery programmes, eg RXC009 (a DDR1 inhibitor targeting kidney fibrosis) and the KRAS inhibitor programme. We note that Redx currently has three ongoing partnerships with Jazz Pharmaceuticals and AstraZeneca, with near-term milestone potential of \$15m, and total potential remaining milestones of \$755m.

Price	26.0p
Market Cap	£87.1m
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.

Trinity Delta view: Continued support from blue-chip specialist investors further underscores the strength of Redx Pharma's assets and focused strategy. The new funds extend the cash runway beyond key 2024 catalysts and provide greater optionality around value creation from the highly attractive ROCK portfolio. H124 should see Phase IIa IPF data, which coupled to potential lift of the FDA partial clinical hold, could support further zelasudil development and indication expansion given the role of ROCK2 inhibition in multiple fibrosis-associated diseases. Initiation of the first RXC008 clinical trial adds further momentum to the fibrosis pipeline, while other assets, ie RXC004 and earlier-stage discovery programmes, offer interesting business development prospects. We continue to view zelasudil and RXC008 as central to the Redx investment case given their promise in the treatment of a variety of fibrotic conditions. We intend to update our current £363m rNPV-based valuation (equivalent to 109p/share) to reflect the financing as soon as practicable following admission of new shares.

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