Redx Pharma

Up to $870m KRAS deal marks 3rd Jazz collaboration

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- Jazz Pharmaceuticals is acquiring global rights to Redx Pharma's proprietary preclinical-stage KRAS inhibitor programme, in exchange for a $10m upfront payment, potential cumulative development, regulatory, and commercial milestones of up to $870m, and tiered mid-single digit percentage royalties on future net sales. A separate collaboration agreement has been signed under which Jazz will pay Redx to carry out research and preclinical development to support IND-enabling studies. FDA IND application clearance, in around two years in our view, would trigger the first development milestone. Subsequent clinical development, regulatory, manufacturing and commercialisation activities will be Jazz's responsibility.
- KRAS (Kirsten rat sarcoma virus) is a well-validated oncology target and is one of the most frequently mutated oncogenes across many different cancer types. To date, targeting specific KRAS mutations, with the exception of G12C, has proved challenging. Developing oral molecules with optimised target coverage and therapeutic windows is a focus area given this unmet need. The Jazz/Redx KRAS programme includes both G12D selective and pan-KRAS candidate molecules.
- Blue-chip partnerships are a key aspect of Redx's strategy. Its impressive track record of deal execution has enabled the continued progress of its well-balanced pipeline of unencumbered and partnered assets, also providing non-dilutive funding to advance priority assets such as the wholly-owned ROCK portfolio. The $10m Jazz upfront augments November's c £14.1m (gross) equity raise, extending the cash runway into 2025 (from Q324 previously).
- Redx and Jazz have a longstanding collaborative relationship: prior targeted oncology deals cover JZP815, a precision pan-RAF inhibitor now in Phase I, and a MAPK pathway collaboration. Under these three deals, Redx could be eligible for remaining potential milestones of up to c $1.2bn. Separately, Redx has a fibrosis partnership with AstraZeneca.

Price	20.0p
Market Cap	£77.8m
Primary exchange	AIM
Sector	Healthcare
Company Code	REDX
Corporate client	Yes

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: The Jazz KRAS deal covers an under the radar programme only recently disclosed by Redx, further underscoring the strength of its medicinal chemistry expertise in discovering differentiated small molecules that address hard to drug targets in oncology and fibrosis. Business development activities also contribute non-dilutive funding, in this case extending the cash runway into 2025, beyond 2024 catalysts, thus allowing optionality around value creation from the highly attractive ROCK portfolio. Key H124 catalysts include: (1) zelasudil Phase IIa idiopathic pulmonary fibrosis data, and potential lift of the FDA partial clinical hold; (2) initiation of the first RXC008 Phase I fibrostenotic Crohn's disease trial; and (3) topline Phase II PORCUPINE and PORCUPINE2 data for RXC004 in combination with checkpoint inhibitors in Wnt-ligand dependent cancers. Our last published valuation was £367m/$441m, or 94p per share, which does not include this latest KRAS deal with Jazz.

Analysts

Lala Gregorek
lgregorek@trinitydelta.org
+44 (0) 20 3637 5043

Philippa Gardner
pgardner@trinitydelta.org
+44 (0) 20 3637 5042

Philippa Gardner pgardner@trinitydelta.org +44 (0) 20 3637 5042

Lala Gregorek lgregorek@trinitydelta.org +44 (0) 20 3637 5043

Franc Gregori fgregori@trinitydelta.org +44 (0) 20 3637 5041

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