

Redx Pharma

Kadmon acquisition has read across for RXC007

8 September 2021

- Sanofi is to acquire [Kadmon](#) (NASDAQ: [KDMN](#)) in an all-cash deal worth \$1.9bn. The price is \$9.50 per share, a 79% premium over the closing price of September 7 and a 113% premium over the previous 60-day average. Both managements have endorsed the deal, which is expected to complete Q421.
- The deal centres on Rezurock (belumosudil), a selective ROCK2 inhibitor that is a first-in-class treatment for chronic graft-versus-host disease ([cGVHD](#)). In July 2021 the FDA approved Rezurock for use in adult and paediatric patients 12 years and older who have failed at least two prior lines of systemic therapy. Rezurock is a small molecule inhibitor of the Rho-associated coiled-coil kinase 2 ([ROCK2](#)).
- ROCK2 is a biologically validated target that has been shown to sit at a nodal point in a cell signalling pathway, where it modulates inflammatory response and fibrotic processes. Redx Pharma is a recognised expert in ROCK pathways, with its RXC007 novel small molecule being the only other ROCK2 inhibitor in clinical development. The first Phase I study, to establish the safety profile, [started](#) in June 2021 with results expected in H122.
- RXC007 is a particularly promising programme that has shown encouraging activity in preclinical models of inflammatory and fibrotic diseases such as idiopathic pulmonary fibrosis ([IPF](#)), a progressive lung condition with a notably poor prognosis, and liver fibrotic indications such as Non-Alcoholic Steatohepatitis ([NASH](#)).

Trinity Delta view: The importance of the ROCK pathways has been known for some time, but the chemistry is complex and historically identifying safe and effective selective inhibitors has proved challenging. Redx Pharma has a proven medicinal chemistry expertise and has generated what, in our view, is a possible “best-in-class” small molecule. RXC007 is one of two in-house assets (the other is RXC004, a porcupine inhibitor in Phase II trials) and two partnered programmes (with AstraZeneca and Jazz Pharmaceuticals). Recent news flow has highlighted the continuing progress seen across both Redx Pharma’s and its partnered programmes. A Virtual R&D Day on October 11 should provide additional insights on the status and promise of these assets. Our rNPV model, using conservative assumptions, generates a £350.7m valuation, equivalent to 128p/share (86p fully diluted).

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| Price | 81.9p |
| Market Cap | £225.1m |
| Primary exchange | AIM |
| Sector | Healthcare |
| Company Codes | 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 potential value creation.

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