Redx Pharma

Laying the foundations for further delivery in 2023

20 December 2022

- Redx reported FY22 results (12 months to 30 September 2022) which included revenues (largely non-cash recognition of milestone receipts) of £18.7m (FY21: £10.0m). R&D costs remained tightly controlled at £28.6m (FY21: £24.4m) despite significant pipeline progress, with G&A of £10.2m (FY21: £6.5m). This led to an operating loss of £16.3m (FY21: £19.7m) and a net loss of £18.0m (FY21: £21.5m).
- End-September 2022 cash was £53.9m (30 September 2021: £29.6m), which includes proceeds from the June 2022 £34.3m equity placement and a total of $24m (£18.1m) in milestones received during the period, including a $5m milestone from partner Jazz Pharmaceuticals in June. These funds, plus modest risk-adjusted milestones, should be sufficient to fund planned operations through key data points across the clinical pipeline into 2024.
- Important data readouts for lead asset RXC004 remain on track and continue to be expected during 2023. RXC004 is an innovative porcupine inhibitor for Wnt-ligand dependent cancers. Two Phase II trials are ongoing: PORCUPINE in genetically selected microsatellite stable metastatic colorectal cancer (MSS mCRC) and PORCUPINE2 in genetically selected pancreatic and unselected biliary cancer. Monotherapy data from PORCUPINE2 are expected H123 in biliary cancer and H223 in pancreatic cancer. However, the true indication of RXC004 likely efficacy will arise from combination studies with checkpoint inhibitors, with data expected H223 from PORCUPINE2 in biliary cancer (+ Keytruda) and the PORCUPINE monotherapy and combination arms (+ Opdivo) in H223. Supply of Keytruda for PORCUPINE2 has been recently secured through an agreement with MSD (Merck & Co., Inc.).
- A greater understanding on the potential for Redx's lead ROCK inhibitor, RXC007, should also be gleaned during 2023, with a Phase IIa trial in IPF (idiopathic pulmonary fibrosis), a severe lung condition, recently initiated and data expected during H223. Preclinical data suggest ROCK2 inhibitor RXC007 could potentially be disease altering, and these data should provide insights on its potential in IPF and other fibrotic lung diseases. Gastro-intestinal pan-ROCK inhibitor RXC008, potentially for fibrostenotic Crohn's disease, is expected to be granted IND/CTA clearance for progression into the clinic by end-2023 with patient enrolment starting in 2024.

Trinity Delta view: FY22 was another year of delivery, with two wholly-owned Redx assets now in Phase II trials: RXC004 in solid tumours, and RXC007 in IPF, a fibrotic lung disorder. Both are expected to yield key data during 2023, notably H223, which will provide important insights into their respective positioning and commercial potential. In addition, the discovery engine continues to generate pipeline candidates and Redx is aiming to generate three INDs by the end of 2025; this includes RXC008 which is set to enter the clinic in the near-term. Cash of £53.9m at end-September should be sufficient through key value inflection points expected in H223. Our valuation is £458m (or $596m), or 138p per share.

Price	60.0p
Market Cap	£200.9m
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 value creation.

Analysts

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