EDISON

Sareum Holdings

Trading update

Fund raising to cushion pipeline risk

Healthcare

Sareum released a trading update on 19 August ahead of its full-year results (financial year end 30 June 2021) expected in October 2021. Final pre-clinical studies on the lead asset, TYK2/JAK1 inhibitor SDC-1801, are now expected to commence in Q421 (previously Q321) due to COVID-19 induced supply disruptions. The timeline for the clinical trial application (CTA) and Phase I clinical trials, however, remains unchanged (end Q421 and early 2022 respectively). Short-term liquidity issues have been alleviated following two subscriptions to high net-worth individuals raising £2.37m in June and a further c £2.18m in July and August 2021. Although increased R&D expenses widened the FY21 net loss to £1.6m (versus £0.96m in FY20), the cash balance has improved (£2.7m at the end of June 2021 versus £1.3m at the end of December 2020).

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
06/17	0.0	0.4*	0.02	0.0	0.0	N/A
06/18	0.0	(1.5)	(0.06)	0.0	0.0	N/A
06/19	0.0	(1.5)	(0.05)	0.0	0.0	N/A
06/20	0.04	(1.0)	(0.03)	0.0	0.0	N/A

Note: *PBT includes £1.8m from share of profit of associates.

Given that the CTA filing for the flagship programme SDC-1801 has been in the works for a while (previously mid-2021, now expected in Q421), another delay in completion of the final pre-clinical study may concern the market, though supply constraints due to the pandemic remain a genuine issue. Importantly, the recent rounds of capital raising (c £4.5m raised over four rounds since June 2021) mean that the company has sufficient cash to act as a buffer in case of any further delays in progressing the developmental pipeline (the company has maintained its early 2022 target for the Phase I clinical trial).

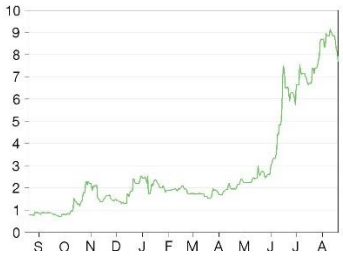
In terms of the remaining pipeline, Sareum is continuing to work on the study design to identify an optimal cancer indication and patient population for SDC-1802 before undertaking further toxicology studies. The toxicology studies were planned for late 2021 but are now likely to get pushed out to early 2022, in our opinion. On the positive side, the UK Research and Innovation funded COVID-19 research project for SDC-1801 was completed in July 2021, with the company reporting a profile superior to dexamethasone and similar to baricitinib, a JAK1/JAK2 inhibitor, in terms of cytokine activity related to acute respiratory distress syndrome.

With regard to its out-licensed asset, the CHK1 inhibitor SRA737 (targeting solid cancers), while Sierra continues to assess options for the drug (in-house development versus sub-licensing), no update has been forthcoming in terms of timelines. However, the recent in-licensing by Sierra of BET inhibitor AZD5153 from AstraZeneca and its potential combinations with SRA737 can be taken as an early indication of Sierra's revived interest in SRA737, which would be a positive for Sareum.

20 August 2021

Price	**7.65p**
Market cap	**£258m**
Net cash (£m) at 30 June 2021	2.7
Shares in issue	3.37bn
Free float	96.7%
Code	SAR
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Sareum is a UK-based drug development company, specialising in small molecule kinase inhibitors. Its flagship programmes are its pre-clinical TYK2/JAK1 inhibitors, SDC-1801 for autoimmune diseases and SDC-1802 for cancer. SDC-1801 is undergoing advanced dose finding and toxicology studies with a target to file a CTA in end-2021. Other programmes include the CHK1 inhibitor SRA737, out licensed to Sierra Oncology (Sareum holds a 27.5% stake of the economics of the licence agreement) and the deprioritised FLT3+Aurora kinase.

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