

Sareum Holdings

Pipeline update

Sierra Oncology returns rights to SRA737

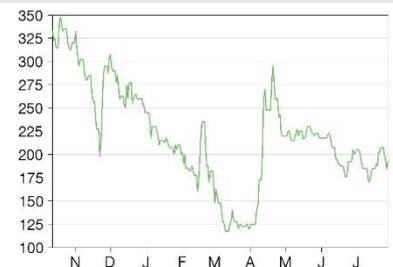
Pharma and biotech

12 October 2022

Price 197.5p
Market cap £134m

Net cash (£m) at 30 June 2022 4.3
Shares in issue 68.07m
Free float 94.9%
Code SAR
Primary exchange AIM
Secondary exchange N/A

Share price performance



Business description

Sareum Holdings is a UK-based drug development company, specialising in small molecule kinase inhibitors. Its lead programmes are its preclinical TYK2/JAK1 inhibitors, SDC-1801 for autoimmune diseases and SDC-1802 for cancer. SDC-1801 filed a CTA application in July 2022, with Phase Ia trial expected in Q4 CY22. Other programmes include the CHK1 inhibitor SRA737 and the de-prioritised FLT3+Aurora kinase. Sareum holds a 27.5% stake in any future income from SRA737.

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Sareum has announced that Sierra Oncology has decided to return the rights to the out-licensed CHK1 asset SRA737 (held in partnership with the CRT Pioneer Fund, CPF), following GlaxoSmithKline's (GSK) \$1.9bn acquisition of Sierra in July 2022. SRA737 was in-licensed by Sierra in 2016 and Sareum holds a 27.5% economic stake in the proceeds. Development work on SRA737 had been put on hold (due to funding constraints), but Sierra had recently indicated plans for renewed development as a potential combination therapy. This was before Sierra was picked up by GSK for its lead asset momelotinib (targeting myelofibrosis, a haematological cancer of the bone marrow). We see this latest development as a mild setback for Sareum given that GSK's support could have accelerated development activity on the drug, triggering a \$0.55m payment to Sareum from first patient dosing in a new clinical trial. However, it does provide Sareum and partner CPF with an opportunity to actively assess future development plans for SRA737, leveraging the positive clinical data.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/18	0.0	(1.5)	(0.06)	0.0	N/A	N/A
06/19	0.0	(1.5)	(0.05)	0.0	N/A	N/A
06/20	0.04	(1.0)	(0.03)	0.0	N/A	N/A
06/21	0.0	(1.5)	(0.05)	0.0	N/A	N/A

Source: Company data

SRA737 is a clinical-stage (Phase I/II) oral checkpoint kinase 1 (CHK1) inhibitor targeting the DNA damage response network for treatment of solid tumours. Developed in collaboration with the Institute of Cancer Research and the CPF, SRA737 was subsequently out-licensed by the CPF to Sierra Oncology in 2016 for up to \$328.5m in milestone payments (subsequently reduced to \$290m). Sareum remains a passive partner in the programme with a 27.5% stake in future out-license fees and has received a total of \$2.5m in upfront and milestone payments from Sierra for its stake in the deal. SRA737 had completed two Phase I/II trials, as monotherapy and as adjunct to low-dose gemcitabine, with encouraging headline data, before being deprioritised by Sierra. In late 2021, Sierra had indicated revived interest in developing SRA737 as a potential combination therapy (in both haematological malignancies and solid tumours) following its in-licensing of the BET inhibitor AZD5153 (now known as SRA515) from AstraZeneca (August 2021). As per our understanding, Sierra was in the process of finalising trial designs for the three possible studies assessing SRA737 as a combination treatment, before receiving the offer from GSK.

The key driver for GSK's acquisition of Sierra was its drug momelotinib for the treatment of myelofibrosis, which reported positive Phase III results in January 2022. The fate of the other two pipeline assets, including SRA737, had been uncertain, although we had held on to the possibility of GSK continuing to develop the pipeline given the parallels with GSK's oncology/haematology focus. Nevertheless, we believe that the development provides Sareum and the CPF with an opportunity to push ahead with the development plans for SRA737, leveraging the positive clinical data from the two clinical trials by Sierra.

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