

Stock Data

Share Price: 11.50p
Market Cap: £11.42m*
Shares in issue: 99.27m*
52-week high/low: 35.33p/9.50p
**Post-Placing numbers*

Company Profile

Sector: Health Care
Ticker: VAL
Exchange: AIM

Activities

ValiRx plc ('ValiRx', 'VAL' or 'the Group') accelerates the development of treatments in cancer and women's health to improve patient lives. It provides the scientific, financial and commercial framework to enable the rapid translation of innovative science into clinical development.

www.valirx.com/

5-year share price performance



Source: [LSE](https://www.lse.com)

Past performance is not an indication of future performance.

Turner Pope contact details

Tel: 0203 657 0050
Email: info@turnerpope.com
Web: www.turnerpope.com

Andrew Thacker
Corporate Broking & Sales

Barry Gibb
Research Analyst

TPI acts as joint broker to ValiRx plc

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ValiRx plc

ValiRx has announced an equity placing ('the Placing') to raise c.£1 million (gross), through the allotment of new ordinary shares at an issue price of 11p each. In addition, to provide shareholders and other investors who did not initially have the opportunity to participate in the Placing to do so, the Group has granted an option (the 'Broker Offer') to allow further subscriptions of up to £0.5 million at the same price with priority to be given to existing shareholders. The result of the Broker Offer is expected to be announced on or around 17 January 2023. Utilising its existing share allotment authorities, ValiRx will issue the new ordinary shares in two tranches, with the Placing shares subject to a First Admission on 19 January 2023 and, conditional on the passing of the Fundraising Resolutions at a General Meeting to be convened on 2 February 2023, Broker Offer shares will be subject to a Second Admission on or around 6 February 2023. In connection with the Placing and the Broker Offer, the Company is further offering all subscribers warrants to subscribe for 1 new Ordinary Share for every 4 purchased (the 'Fundraise Warrants'). The Fundraise Warrants will be exercisable at a price of 14p per share, a premium of 27.3% to the issue price and will be exercisable at any time until the third anniversary of Second Admission. The net proceeds of the Placing will be used to establish a new internal research facility with a view to accelerating the Group's longer term buy-and-build strategy.

Shareholders and investors wishing to participate in the Broker Offer should communicate with TPI by clicking on [ValiRx Broker Offer](#)

Use of Proceeds

ValiRx has taken a strategic decision to transform its business model from that of an elementary virtual biotech, in favour of establishing an internal research facility to cornerstone its acquisitive Translational Contract Research Organisation ('tCRO') initiative. This is designed to accelerate its longer term buy-and-build strategy, while generating greater operational efficiencies while affording heightened credibility with potential targets. ValiRx's Board sees immediate opportunity to create a revenue generating tCRO capable of sustaining an operating margin up to 20% in the medium term.

ValiRx - Use of Proceeds	
Investment in new laboratory and equipment for in-house use and to launch acquisitive tCRO service initiative;	£0.5m
Growth and acquisition capital to support the Group's buy-and-build strategy plus its in-house collaborative R&D pipeline, including Cytolytix.	Up to £1.0m

Source: ValiRx, [RNS of 13 January 2023](#)

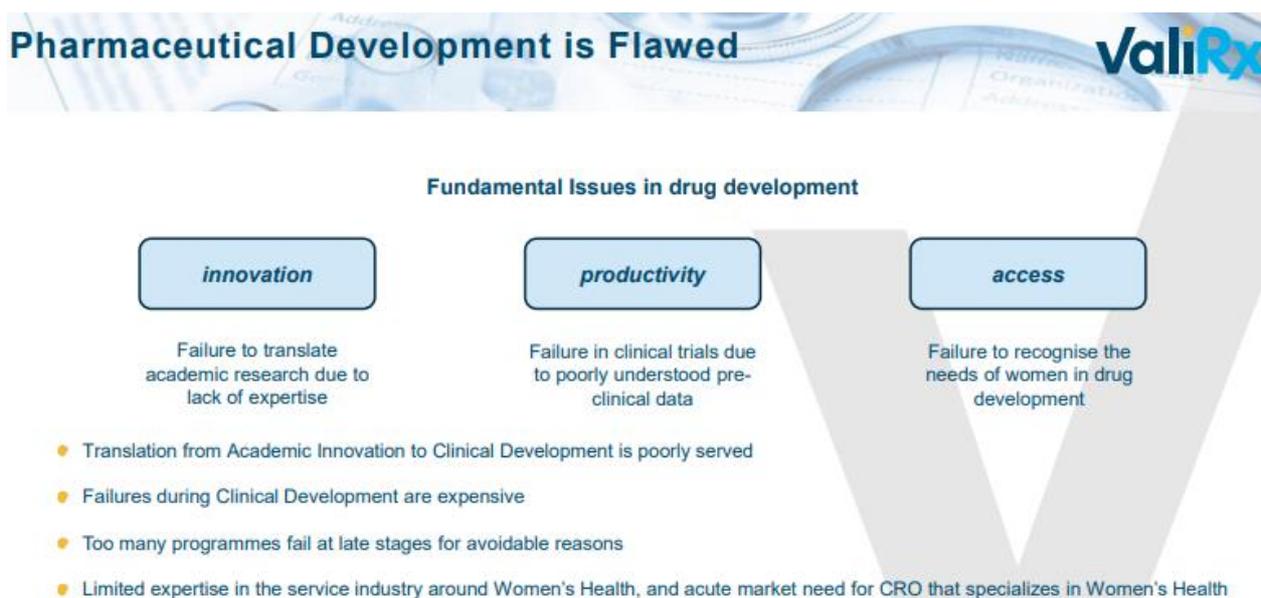
Developing a Translational Contract Research Organisation

The strategic shift towards an acquisitive tCRO business model, which began in Q1 2022, has subsequently been refined with its concept being widely shared with institutional investors. This received positive feedback along with interest in supporting future acquisitions that fit with the Group's proposed buy-and-build strategy.

The Board had previously detailed its belief that the drug development industry's present, highly fragmented approach to early-stage research is non-optimal and, accordingly, had been assessing options to acquire capabilities to enable a more efficient and effective development process. Publication of its half year results on 31 August 2022 saw confirmation that its working strategy had progressed towards identifying a target laboratory infrastructure acquisition capable of establishing future revenue flows into the Group. At the same time, it noted that success with this strategy, in tandem with conversion of assets from its evaluation pipeline into full licencing, will require ValiRx to add additional resource and experience at all levels. To this end, Chief Scientific Officer (Dr Cathy Tralau-Stewart) and Non-Executive Director (Stella Panu), who, between them bring an invaluable skillset, including clinical expertise and corporate development to assist with the Group's next stage of growth, were appointed during 2H 2022, while the Group's executive and operational teams are expected to be strengthened further in the coming months.

Based on the concept that the current process for pharmaceutical drug development is fundamentally flawed, ValiRx's tCRO model has been designed as a service business capable of unlocking the potential of academic innovation. It is designed to employ the power of advanced data generation, bio-analytics and interpretation, while integrating the fragmented niche offerings of competitors. Choosing to focus initially on woman's health and oncology, management's intention is to generate deeper biological understanding with a view to de-risking future clinical trials, by deploying development expertise that broadens preclinical understanding of the therapeutic.

ValiRx – Addressing a Flawed Pharmaceutical Development Model



ValiRx's acquisition of its own laboratory, facilitates its first major milestone of becoming an acquisitive tCRO. From this point, the Board considers it will be able to create efficiencies and expand its capabilities, not only to advance its existing in-house project pipeline but also to enable a wider range of pre-clinical testing services to be offered to third parties. Revenue generated from providing such services should enable continued investment in advanced testing and analysis and support the progression of the Group's in-house pipeline projects. Sources of innovation include academic and research institutions and early-stage companies that would benefit from the Group's approach to 'connected innovation', science, finance and commerce.

ValiRx Lab – Strategic Rationale

ValiRx seeks to occupy a distinctive position amongst its international peer group. Suitable laboratory space has already been identified, with flexible contract terms with ability to expand into adjacent laboratories. Importantly, the Board considers the Group's tCRO operations will be capable of becoming sufficiently profitable and cash generative (with up to a 20% operating margin in medium term) to support its in-house development projects.

ValiRx's Proposed New Facility Support Early-stage Acquisitions plus Further Expansion

New Facility Highlights

- Nottingham based laboratory available for rent in MediCity incubator centre
- Facilities available from early 2023 for lab and office space
- Incubator space has flexible contracts and ability to expand into adjacent laboratories when required
- Good local biotech hub, with start-up biotechs and Contract Research Organisations
- Local science companies available for collaborations, custom and use for other services
- Conveniently located in East Midlands, with local talent available from several Universities with strong scientific research bases
- **This facility can support early stage acquisitions with further expansion opportunity**



The foundational investment for the ValiRx tCRO strategy

Source: ValiRx, Investor Presentation January 2023

Given the high suitability of the facility identified, ValiRx considers the laboratory can become operationally available during Q1 2023, while targeting its first externally contracted customer activity (including incoming revenue) during Q2 2023. A target list (including Cytolytix, for which a limited subsidiary was created in October 2022 along with an IP license being signed with Kings College London) of potential customers has already been identified.

Set-up and running costs of c.£0.5 million will comprise investment in a new laboratory, staff, capability and equipment for in-house use along with launching the tCRO service, including the initial runway of overheads. Altogether, this is still considered significantly less than the cost of acquiring a similar existing, albeit less bespoke, facility. Going forward, additional overheads are likely to comprise increased headcount, including scientists (which will contribute to ValiRx's central strategy as well as laboratory operations), adding a total of c.£0.30 million to the Group's total annual fixed costs. Along with the additional flexibility this will provide for ValiRx's own projects, the internalisation of research has been estimated to generate typical saving of c.£40,000 on each evaluation and c.£100,000 for each preclinical programme. Accordingly, the higher fixed costs are expected to be partially offset by c.£0.25m in annualised near-term saving associated with bringing its own projects in-house.

ValiRx is also presently in discussions with four revenue generating acquisition targets (ranging from c.£0.5m to c.£2m in projected revenues), all of which are considered to be complementary to the proposed facility (covering laboratory infrastructure, niche technologies and bioinformatics). Within this ability to participate in consolidation amongst existing sector players, the Board recognises multiple opportunities to acquire new capabilities/skills that can be built-out from its own operations. Expected to attract an expanding number of third-party customers, accelerated growth will be further supported through investment in new equipment, people and marketing.

The Balance of up to £1m from today's proposed Placing and Broker Offer will be utilised as growth and acquisition capital in support of the Group's buy-and-build strategy. Progress already recorded with the Group's acquisition strategy is detailed below, with identified targets expected to provide material future revenues to self-fund existing and pipeline therapies while also accelerating growth. Target acquisitions may be financed through a mixture of cash and shares.

ValiRx – Four Acquisition Targets Actively Engaged at Present

- Four targets actively engaged at present
- Each at different stages of negotiation
- All anticipated to be complementary to our proposed lab set-up
- Ranging from c£0.5 million to c£2 million estimated revenues; 20% estimated profit margins
- Ranging from 4 – 16 employees
- Covering laboratory infrastructure; niche technologies and bioinformatics
- Detailed conversations ongoing around acquisition potential

Source: ValiRx, Investor Presentation January 2023

By adding a range of professional services that offer expert knowledge while guiding future development decisions, which are supported through an overlay of data collation, curation and analysis to generate a deeper biological understanding, ValiRx believes its services will be capable of significantly de-risking future clinical trials.

ValiRx – Derisking Clinical Trials by Generating Deeper Biological Understanding

AI-driven virtual drug discovery
Universities
Biotech platform (in-house)
Patent filed
Mid-size Biotech/SPVs
Big Pharma/Specialty Pharma

Early Discovery	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Patent life (years)
	Preclinical			Ph 1		Ph 2		Ph 3			MAA		SALES					Stage of development			

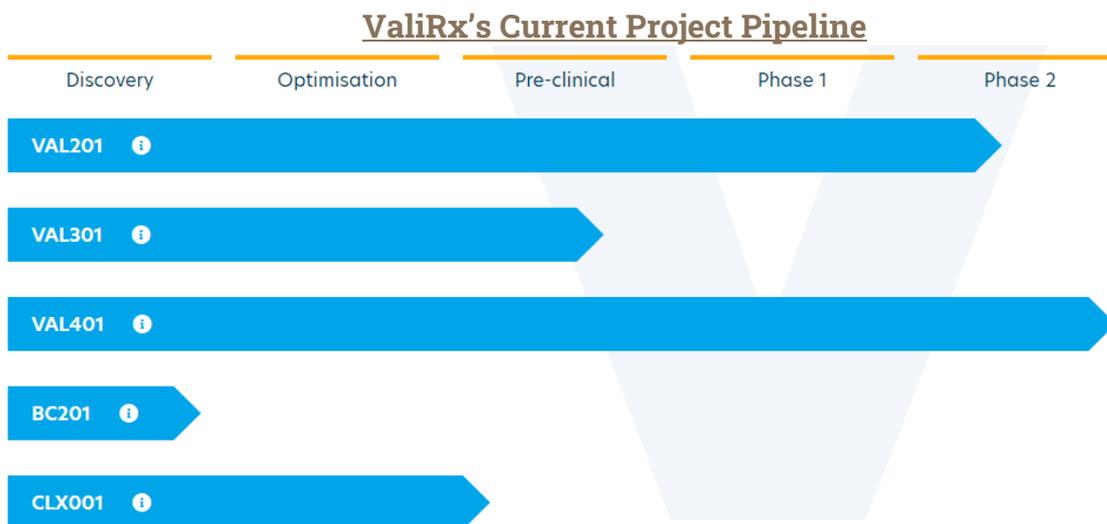
Conversations with big pharma suggest they are supportive of our strategy

Getting the preclinical stage right can add billions to the value of drugs

Source: ValiRx, Investor Presentation January 2023

Project Pipeline focussed on cancer and women's health

ValiRx's therapeutic focus will initially be on cancer and women's health. The Group selects only the most promising pre-clinical projects for progression through the drug development process, in anticipation of commencing clinical trials. Process for each molecule is then specifically structured to minimise risk and maximise the chances of successful development and approval for clinical use.



Source: ValiRx

With the necessary scientific and commercial preparation, projects are launched as a ValiRx Special Purpose Vehicle ('SPV'), presenting opportunity for external funding and investment from partners to progress into clinic. When the SPV is fledged and gained independent financing, the Group will continue to provide all support necessary to maximise its opportunity for success. Income received is re-invested into the next generation of preclinical projects. SPVs are considered valuable commercial entities, each being positioned to strategically exit from ValiRx when the time is right, recognising that only through collaboration with external industry and financing partners can such ambitions be achieved.

Management works with a range of external partners to ensure the right expertise is incorporated into the design and studies delivered in a timely fashion, thereby minimising risk and optimising outcomes. In-licensing interests span from lead optimisation to early clinical development.

Evaluation Pipeline – First successful completion

Prior to in-licensing projects, ValiRx conducts a rigorous scientific and commercial evaluation of the project. This 6–12-month period provides the Group with the right to assess whether the project is a good fit for its pipeline. The scientific assessment typically consists of a range of cell-based assays to understand and demonstrate the mechanism of action of the lead drug candidate, while assessing the disease area of highest potential. If the Evaluation is positive, a negotiation period is entered before a full license is executed. The project is then transferred to a dedicated subsidiary and promoted to ValiRx's in-house pipeline.

The projects currently under evaluation are detailed overleaf:

ValiRx – IP License Agreements and Evaluation Projects

Project	Originator	Disease	Molecule	Started Date	IP Licensing Agreement/ Evaluation Project Status
2021.1	King's College London (UK)	Triple Negative Breast and Ovarian Cancers	Peptide	16 September 2021	Following successfully progressing through the Evaluation Stage and completing a formal IP in-licensing agreement, this project has now been incorporated into a partially-owned subsidiary company, Cytolytix. This ValiRx subsidiary company will now oversee progress through preclinical development.
2021.2	Hokkaido University (Japan)	Endometrial, Pancreatic, Bile duct Cancers	Peptide	16 December 2021	This peptide-based programme targets a novel mechanism of action, binding a target that is identified as being over-expressed in endometrial, pancreatic and bile duct cancers. A programme of work is underway to ensure that the peptide can be synthesised to industry standards using industry standard techniques; formulated to access the protein target; that the biological activity is as expected, with sufficient anti-cancer activity within the safe dosing limits; and whether the range of cancer (or other disease) types can be expanded.
2022.1	University of Barcelona (Spain)	Uterine and Pancreatic Cancers	Peptidomimetic KRAS binder	10 February 2022	This peptidomimetic drug candidate targets a novel binding pocket of KRAS, a protein that is well recognised to be important in cancer cell processes. A programme of work is underway to confirm the lead optimisation data and mechanism of action through a series of in silico and in vitro techniques; to synthesise and standardise the drug candidate molecule; to confirm the anti-cancer activity and safety profile; and to assess whether there is scope to expand the range of diseases to be targeted for treatment by the candidate.

Source: ValiRx, [RNS of 31 August 2022](#), [RNS of 24 October 2022](#), TPI

Potential 2023 News Flow

Based on the forward planning and expectations outlined in this report, ValiRx sees potential for 2023 new flow as follows:

ValiRx – Potential 2023 News Flow

• Signing 2-4 more evaluations

• Decision point on 2 current evaluations

• Cytolytix progress updates

• Expect at least one acquisition in H1

• Lab set up finalised in Q1

• First lab external customer in H1

Source: ValiRx, Investor Presentation January 2023

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