

EP Vantage Interview - Rexahn hoping for deals shower



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Rexahn Pharmaceuticals has reached a critical point in its development. The Maryland-based company has a rich pipeline of mid-stage drugs in large and lucrative indications and an oncology platform technology, but with little cash on the balance sheet and R&D costs rising it needs to start doing deals to ensure it benefits from its product portfolio.

Speaking to *EP Vantage* Rick Soni, chief business officer of Rexahn, says although the company has been in operation since 2001 until now its focus has been on discovery rather than clinical and commercial development. This is a factor that could explain that while the small group has achieved the impressive feat of having three products in phase II, it only has \$3.7m in cash. As such, partnering deals are very much the primary focus of the group.

Most of Mr Soni's effort is being spent on the group's most advanced candidate, Zoraxel, an erectile dysfunction drug that has recently completed a phase II study. Initial results are expected next week and a full read out of the data due in May. The group is not slowing up and has already planned a phase IIb study, which will commence in the second half of the year.

While this trial will go ahead regardless of whether a partner has been found, investors will be encouraged to hear that the company is already in talks with several companies. Confidential disclosure agreements are in place and Rexahn is hoping to have reached an agreement in the next six to eight months.

Limited options

This time frame plays into Mr Soni's assertion that the current cash levels are enough to last the group until the end of the year. But given the tenuous situation there is little margin for delay or error.

Last year, Rexahn unsuccessfully tried to do a fund raising through the market. While there was interest the terms were not, Mr Soni says, in the "best interests of the company". The markets have since deteriorated, alongside the group's share price, which touched \$18 in 2004 shortly after IPO, but now moves between 60 cents to 90 cents, meaning a rights issue is almost out of the question.

Rexahn is also hindered in what it can do in terms of attracting new investors because Chang Ahn, the founder and chief executive of the company, still holds a 25% stake. Investors are often reluctant to buy into stocks where there is low liquidity and therefore difficult to exit. However, if any partnerships could have some equity investment this could involve Mr Ahn reducing or diluting his stake.

Other choices

In order to give some more financial flexibility the group is also considering the sale of its pre-clinical oncology portfolio, which consists of eight products, three of which are expected to file IND applications in the next 8 to 12 months.

While such an early sale many not achieve the highest price, the group is hoping to trade off the risk of developing the drugs itself with the potential reward of a partnership deal.

"These partnership talks are at a fairly late stage we hope to have done them by June this year." Mr Soni says, adding that big pharma companies are showing interest and while it maybe heavily milestone based any deal would have a decent upfront component.

Unsurprisingly, Rexahn is also exploring partnership deals for its other late stage drugs, including Serdaxin, a treatment for major depressive disorder, which is expected to complete phase IIa trials by June. Given the scale of the trials needed partnering is the most sensible option for this product.

But as well as partnership deals, the group is also looking into the option of getting funding for the drug from the US government who could use it in the secondary indication of post traumatic stress disorder. The talks are at early stage, but could result in a payment in the first half of this year, Mr Soni says.

Jewel in the Crown

Perhaps the group's most valuable drug and one that could command the most in any future partnering discussions is Archexin, a treatment for pancreatic cancer. The drug entered phase II trials at the end of last month and to speed up development the trials are being conducted in both the US and India, where there is a higher incidence of pancreatic cancer.

The drug has orphan drug status and this large available population should reduce the duration of the trial from 3 years to just 17 months, adding to the general cost saving of conducting trials in India. Results are due by the end of next year, at which point partnering talks are expected to begin in earnest.

Rexahn's efforts to get partnering discussions should be commended and there are now plenty of funding irons in the fire but they all have to come off for the group to be commercially safe. If the financing news flow does happen as expected then there could be plenty of upside in the shares, if not Rexahn will be left with very few options.