

Rexahn down on depression news



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When Rexahn Pharmaceuticals announced last week that it would be updating the stock market on April 13, judging from the doubling of the shares in the company by the appointed date what many were expecting was a triumvirate of positive phase II data for the group's anti-depressant drug Serdaxin and news of a licensing deal for both this and Rexahn's phase II pancreatic cancer product, Archexin.

Instead investors were served with the less palatable news that the Serdaxin trial had in fact failed to reach overall clinical significance and there was no signed deal on the table for any of the Rexahn's three phase II products. While the group had not promised anything when it revealed it would be making an announcement on the 13th, and the stock price rise was largely on market speculation, investors obviously felt aggrieved. As such the 48% fall in the stock on the day was understandable.

Future trials

There was, however, a very small crumb of hope in the news, with some efficacy being shown in the 5mg dose of Serdaxin in patients with the most severe form of major depressive disorder. This hope and a clarification of the results issued by the company yesterday could be behind the recent rally in the shares that saw them climb by 10% in early trading today.

In the press release that it promised, Rexahn vowed to continue with phase IIb trials of Serdaxin, now in the lower 5mg dose and due to start in the second half of this year, with about 400 patients. But while the group's tenacity is laudable, there appears to be little or no money available to see through this promise.

Lack of funds

At present Rexahn has \$4m on its balance sheet and last year burnt through \$5.1m in cash. More worryingly in its recent 10K filing the group estimated that it would need approximately \$6.5m in cash this year, \$2.5m for clinical development and a further \$4m for general corporate expenses. As such the group is going to need either a deal on one of its products, a fundraising very swiftly or face a major scaling back of the business.

Given the battering the share price took yesterday, and what must now be shareholder disenchantment if not outright anger at the turn of events, it is unlikely that the group will be tempted to issue more shares to raise the money that it needs to fund not only trials of Serdaxin, but also Archexin and erectile dysfunction drug Zoraxel.

But if the management team do have the brass necks to even contemplate such a strategy, it should be noted that the shares are now just above the \$1.76 level they were before the group tantilised the market on April 7 with the news of the press release and company strategy update.

Licensing hopes?

Alternatively, the management team's confidence in being able to start these trials with so little money in the bank could be based on their belief that a licensing deal is almost on the table. But given yesterday's data for Serdaxin, it is doubtful that this drug will be the one bringing in the cash and instead Archexin might be the product in the spotlight.

However, in terms of licensing deals Rexahn appears to be long on promises and short on delivery. In an interview with *EP Vantage* in April 2009 the group said that it was expecting to complete a deal for erectile dysfunction drug Zoraxel by the end of last year ([EP Vantage Interview - Rexahn hoping for deals shower](#), April 8, 2009). To date the only deal it has been able to strike was a licensing agreement for pre-clinical cancer drug RX-3117, which was given to Teva Pharmaceutical Industries in September in return for 3.1m of Rexahn shares and \$3.5m.

So if Rexahn's form continues on the licensing front, it is hard to see where the company will go from here, unless it chooses the path of either abandoning the development of some of its products or significantly scaling back.

