



# **Recursion Pharmaceuticals: *Powerful Platform and Partnerships***

*PBG Biotech Investment Research Program*

*April 2023*

*James Glazar*

# Recommendation – Buy RXRX



- I recommend **buying RXRX**
- Valuation: \$10 / share, currently trading at \$5 / share
- Catalysts: REC-3964 and REC-994 data within next 18 months.
- Risks
  - Current drugs could be shown ineffective
  - Further partnerships may not materialize
- However, I am assured by:
  - New directions in drug searching
  - Large investments from big pharma companies

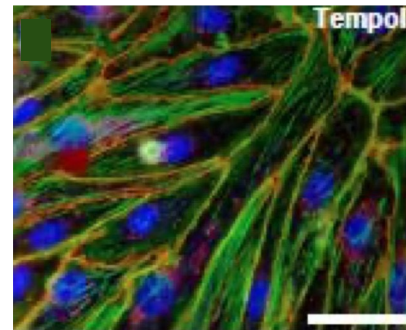
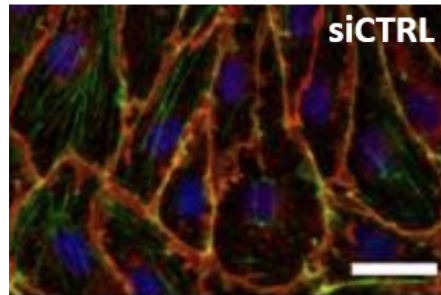
# Recursion screens drugs to accelerate development



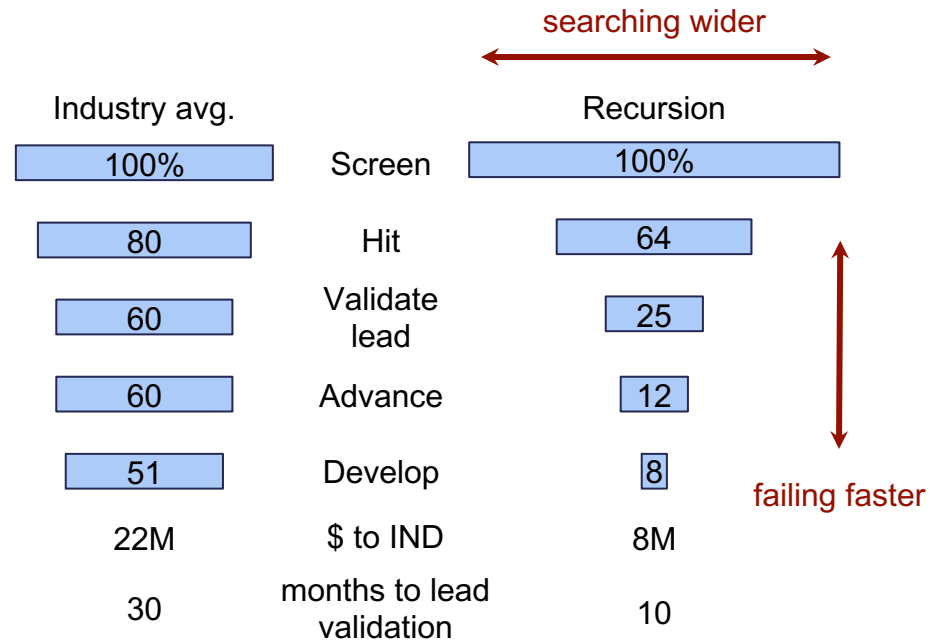
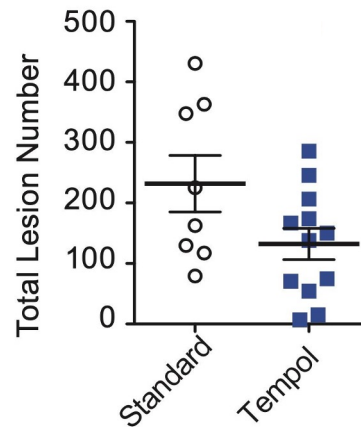
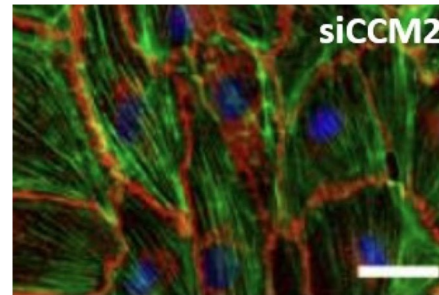
**Chris Gibson, PhD**  
Co-founder, CEO



**Dean Li, MD, PhD**  
Co-founder



subtle clues of rescue  
picked up by ML!



**Pipeline** – Precision oncology, rare diseases

**Partnership** – Leverage expertise to speed discovery

**Data** – License access to subsets of data

# Partnerships drive value and provide stable backbone



Fibrotic disease  
\$30M upfront + \$50M equity  
\$100M per program for up to  
12 programs  
8 total programs initiated



Neuroscience and oncology  
\$150M upfront  
\$300M per program for up to  
40 programs

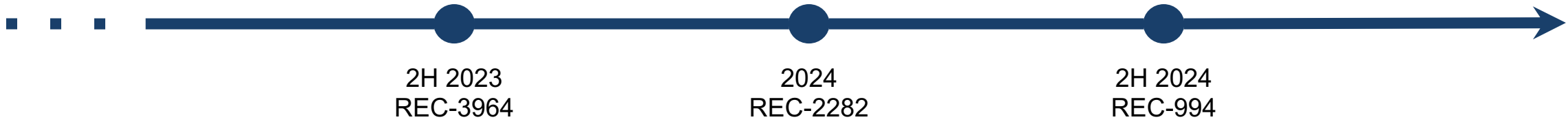
## Recursion offers:

- Wider screening net with higher hit quality
- Distinct approach compared to competitors
  - mature pipeline
  - advanced computation on-site
  - wet+dry lab integration
- Maps of relevant biological data

## Partners offer:

- Proprietary datasets
- Subject matter expertise
- Production and distribution capabilities

# Catalysts – 1 moderate, 1 big



2H 2023  
REC-3964

2024  
REC-2282

2H 2024  
REC-994

## **REC-3964** – C. difficile Colitis

### *Phase 1 results*

Common, with 750k cases / year  
120k persistent cases  
40k elderly die / year

Leads to diarrhea, then colitis and sepsis

3 competitor drugs, 2 FDA-approved

Est. peak revenue / year – **\$300M**

## **REC-994** – Cerebral Cavernous Malformation

### *Phase 2 results*

360k symptomatic patients in US+EU  
Est. 1M total patients  
20% have genetic link, which is more severe

Leads to hemorrhage, seizure, stroke

Orphan drug – surgery only for accessible lesions

Est. peak revenue / year – **\$1.5B**

# Drugs and partnerships propel revenues starting 2027



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>partners</b>	50	100	150	150	300	350	400	400	450	500	500
<b>REC-994</b>	-	-	-	-	100	300	400	500	550	500	500
<b>REC-4881</b>	-	-	-	-	100	200	300	350	350	300	300
<b>total risk-adj revenue</b>	50	50	100	100	500	850	1100	1250	1350	1300	1300
<b>costs</b>	300	350	350	400	450	485	510	525	535	530	530
<b>earnings</b>	-250	-300	-300	-300	50	365	590	725	815	770	770

→ apply 10% discount rate and 3% terminal growth rate → **\$10 / share**

Analyst	Target (\$/share)	Notes
SVB Securities	9	Dropped from \$33 after Ph2 REC-4881 delay and shelving REC-3599 for 2 years
JPMorgan	17	Predicts \$500M from REC-2282
Needham	17	Predicts high partnership revenue in mid-2030s
Berenberg	33	Predicts peak sales of \$800M for each drug

- My simple model doesn't account for:
- smaller drugs in pipeline
  - newly developed drugs
  - accelerated partnership development

# Risks – drugs failing, lack of new partnerships

1. Drugs could fail, indicating flaws in the platform

However, most drugs in pipeline were found via brute force (old method)

old search modality	→	new search modality
<b>Brute force new chemicals</b>  REC-3684 Bayer fibrosis programs		<b>Map and navigate new chemicals</b>  Genentech programs
<b>Brute force known chemicals</b>  REC-994 REC-2282		<b>Map and navigate known chemicals</b>  REC-2029

2. Current partnerships could expire with no new partnerships on the horizon

However, Bayer expanded 2 mapping programs one year after starting collaboration

Recursion has a vast data-driven platform for expedited drug screening

Current drugs include REC-994 for CCM and REC-4881 for FAP in Phase 2

Current partnerships include Bayer and Genentech – potential for future growth

I value RXRX at \$10 / share – **Buy**