Biotech Daily

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Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: Adalta

By TIM BOREHAM

ASX Code: 1AD

Market cap: $27.3 million

Share price: 27 cents

Shares on issue: 101.1 million (24.1 million in escrow)

Chief executive officer: Samantha Cobb

Board: Dr Paul MacLeman (chairman), Samantha Cobb, Dr Robert Peach, Dr John Chiplin, Libby McCall and Dr James Williams (Yuuwa reps)

Financials (March quarter): nil revenue, cash used $1.3 million ($2.45 million year to date), cash on hand $7.45 million, expected current quarter outflows $3.18 million

Major shareholders: Yuuwa Capital 53%, Platinum Asset Management 7.9%, Citycastle (Leon Serry) 5.2%, La Trobe University 3%, Robin Beaumont 1.87%.

Dr Crucible's maiden (and most likely only) award for PR Services to Piscatorial Predators of the High Seas goes to Adalta, an early-stage play focused on fibrotic conditions which are present in up to half of all human ailments.

That's because Adalta initially derived its crucial proteins, called i-bodies, from sharks (presumably deceased). So rather than being maligned for consuming hapless swimmers, sharks can be credited for advancing treatments for a range of human conditions.

Sadly though, we don't see Steven Spielberg clamouring for the film rights to Jaws: Vital Source Of Proteins That Mimic The Shape and Stability of a Crucial Antigen Binding Domain.

The Melbourne-based Adalta's focus is on lead candidate AD-114 to tackle idiopathic pulmonary fibrosis, a difficult to treat lung disease.

While fibre is desirous in the content of wheat germ or Sultana Bran, fibrosis certainly is not. In essence, it's a scarring of tissues that can cause complete failure of vital organs.

Other targets are the eye disease wet aged-related macular degeneration (wet AMD), non-alcoholic steatohepatitis (NASH, or fatty liver disease), liver cirrhosis, the skin disorder scleroderma and cardiac fibrosis.

Adalta listed in August last year, raising $10 million at 25 cents apiece.

Other drugs 'don't work'

According to Adalta chief executive officer Sam Cobb, the current treatments - Boehringer Ingelheim's nintedanib and Roche's pirfenidone - have limited efficacy.

While these drugs represent a $US800-900 million a year global market, only 90 percent of patients respond.

"The side effects are so great that 70 percent of people will pull out and not use them," Ms Cobb says.

To date, Adalta's work has been confined to in-vitro (test tube) and in-vivo (mice) studies.

These efforts to date have detected both anti fibrotic and anti-inflammatory activities in the lung - enough for the US Food and Drug Administration to grant an orphan drug indication.

The molecule has also proved effective against NASH and wet AMD in mice.

For the scientifically minded, Adalta's I-bodies are derived from the I-set family of molecules which is one of four groups - the intermediate group - of immunoglobulin or immunoglobulin-like domains and are about one-tenth the size of normal human antibodies.

Adalta describes them as "long loops that can bind to a diverse range of therapeutically relevant targets including those that are difficult for current antibody therapies".

Idiopathic pulmonary fibrosis (IPF) afflicts 300,000 folk globally - a relatively small number - and half will die within two to three years.

The key benefits of orphan drug status are enhanced research and development credit, assistance with clinical trials, waived fees on an eventual new drug application (normally $US2 million) and seven-year marketing exclusivity.

The drug program was spun out of work at La Trobe Uni and the Commonwealth Scientific and Industrial Research Organisation, with $11m invested over the nine years preceding the initial public offer.

Big deals abound

Should investors get excited about such an early stage play?

“Yes” says Ms Cobb (although we guess she was never going to say “no”).

One reason is that there have been a number of big-ticket deals in the sector.

“Fibrosis is a hot topic with a lot of deals happening,” she says.

In September last year, Roche bought Adheron Therapeutics (another early stage IPF play) for $US105 million up-front plus $US475 million in milestones.

A month earlier, Promedior was acquired by BMS for $US150 million up-front and $US1.25 billion of potential milestones.

While the IPF market is small, the market for NASH alone is expected to be worth $1.6 billion by 2020. The wet AMD market is currently valued at $US8 billion, yet 30 percent of patients don’t respond and half of them go blind within three years, anyway.

What’s next?

The company says it is fully funded for phase I development and next year hopes to secure a partnership “based on other benchmark deals”.

Kerching!

In the meantime it’s a case of the boring but important stuff such as toxicity studies and presenting and strengthening data (in the case of wet AMD, the National Health and Medical Research Council is chipping in).

“We have met all of our milestones,” Ms Cobb says of progress to date.

Although, in October last year, the US Food and Drug Administration unexpectedly requested further information for the orphan drug application for AD-114 for idiopathic pulmonary fibrosis – effectively another mouse trial – but the designation was approved on-target in January this year.

Dr Boreham's diagnosis:

Since listing, the shares have traded between 16.5 and 31 cents.

Adalta is unusually well-backed for an early-stage developer, with the Perth-based biotech specialist Yuuwa Capital holding just over half the stock. Platinum Asset Management doesn't just go along for a speculative ride, while Circadian Technologies founder Mr Serry has official status as biotech doyen.

Board member Dr Chiplin was head of Arana Therapeutics, sold to Cephalon (now Teva) for a heady $US200 million. He also headed Domantis, which was in a similar field to Adalta and was sold to Glaxosmithkline for a handy 230 million English quids.

Fellow director Dr Paul MacLeman is a biotech old hand as former chief executive officer of Genetic Technologies and current chief executive officer of generic drug house IDT Australia.

And Dr Robert Peach was founder and chief executive officer of Receptos Inc, sold to Celgene Corp for $US7.8 billion in 2015.

Given the collective scientific and commercial nous, we deem Adalta as eminently punt-worthy.

As always, though, swim between the flags.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. His only interaction with sharks is via investment bankers and a lightly battered flake accompanied by high-fibre chips.