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Daily news on ASX-listed biotechnology companies

Merck \$502m For Viralytics' Cavatak Cancer Immunotherapy

Viralytics says that Merck Inc will acquire the company for its Cavatak oncolytic immunotherapy for \$502 million, with the deal expected to close on June 20, 2018.

Viralytics said that the US-based Merck Inc (Merck Sharp and Dohme) would offer shareholders \$1.75 a share through a scheme of arrangement.

The company said the offer was a 160 percent premium to the one-month volume weighted average price and a 184.5 percent premium to last night's close of 61.5 cents.

Viralytics chairman Paul Hopper said in an email last night that it was "truly a monumental day, not just for Viralytics shareholders, but also the Australian biotech industry where home-grown Australian technology developed by our scientific founder, Prof Darren Shafren at Newcastle University, receives both international scientific accolades, and also financial recognition in one of the biggest Australian biotech deals ever".

"It has been a long journey from the near bankrupt status of the company when I became chairman, to today's news," Mr Hopper said. "I well remember the days when our market cap was \$5 million and raising funds was well nigh impossible."

"I want to record my thanks to Viralytic's leadership team and our staff for the way they have built momentum in the company which has led to one of the most prestigious pharmaceutical companies globally, to see the merit and promise in our Cavatak technology," Mr Hopper said.

"I want to pay tribute to Darren Shafren for his unswerving belief in his technology - in the early days treating cancer with a virus was seen as on the fringe - he never gave up," Mr Hopper said.

“[Dr] Malcolm McColl, our chief executive officer, has done an outstanding job in his stewardship of the company and built an impressive team around him,” Mr Hopper said.

“He is highly regarded by international life science funds as evidenced by the blue-chip share register he has built over the past years,” Mr Hopper said.

“We would not be where we are today without both of them,” Mr Hopper said.

“Cavatak is in safe hands with Merck and we will follow its development with great interest for the incredible promise it holds for cancer patients,” Mr Hopper said.

“It is one of the highlights of my business career to have chaired Viralytics,” Mr Hopper said.

In a media release to the ASX, Viralytics said that Cavatak was based on its formulation of the oncolytic virus Coxsackievirus type A21 that had been shown to preferentially infect and kill cancer cells (BD: Feb 10, 2017).

The company said Cavatak was being evaluated in multiple phase I and phase II trials, both as an intra-tumoral and intravenous agent, including in combination with Merck’s Keytruda, or pembrolizumab, an anti-programmed cell death protein 1 (PD-1) therapy.

Viralytics said the November 2015 agreement with a Merck Sharp and Dohme subsidiary was investigating the use of the Cavatak and Keytruda combination in melanoma, prostate, lung and bladder cancers.

Merck Research Laboratories chief medical officer Dr Roy Baynes said that “Viralytics’ approach of engaging the innate immune system to target and kill cancer cells complements our immuno-oncology strategy, which is focused on the rapid advancement of innovative monotherapy approaches and synergistic combinations to help the broadest range of cancer patients”.

“This proposed acquisition culminates years of dedicated work by the Viralytics team and represents an opportunity for significant value creation for our shareholders,” Dr McColl said.

Viralytics said the deal was subject to shareholder and regulatory approvals.

Viralytics closed up \$1.065 or 170.4 percent to \$1.69 with 7.45 million shares traded.