Biotech Daily

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Daily news on ASX-listed biotechnology companies

*** ASX FLAT, BIOTECH DOWN: ACTINOGEN UP 6%; GENETIC SIGS DOWN 8%**

*** DR BOREHAM'S CRUCIBLE: PHARMAXIS**

*** WEHI, J&J COLLABORATE ON NEW MALARIA DRUGS**

*** ANALYTICA PLACEMENT FOR $3.8m**

*** PROTEOMICS WINS ISO 13485 QUALITY CERTIFICATION**

*** PRESCIENT: 'NO PTX-200 DOSE-LIMITING TOXICITIES'**

*** DIMERIX: REMAP-CAP RECRUITS 1st DMX-200 COVID-19 PATIENTS**

*** ANTISENSE: FDA MEETING 'CONSTRUCTIVE' FOR ALT1102 FOR DMD**

*** AUSCANN RECEIVES $1.6m FEDERAL R&D TAX INCENTIVE**

*** SOMNOMED 2.2m DIRECTOR OPTIONS, 100% POOL HIKE EGM**

*** REGAL REDUCES TO 6% OF GENETIC SIGNATURES**

*** SOMNOMED CEO NEIL VERDAL-AUSTIN 5-YEAR EXTENSION ON $530k**

*** AUSCANN CEO LAYTON MILLS STARTS ON $275k**

*** ANTEOTECH LOSES DIRECTOR MATT SANDERSON**

MARKET REPORT

The Australian stock market edged up 0.08 percent on Friday April 23, 2021, with the ASX200 up 5.3 points to 7,060.7 points. Seven of the Biotech Daily Top 40 stocks were up, 20 fell and 13 traded unchanged. All three Big Caps were up.

Actinogen was the best, up 0.3 cents or 5.8 percent to 5.5 cents, with 12.7 million shares traded. Antisense climbed five percent; Kazia and Pharmaxis improved more than three percent; Avita, Optiscan and Polynovo were up one percent or more; with Cochlear, CSL and Resmed up by less than one percent.

Genetic Signatures led the falls, down 12 cents or 7.8 percent to $1.42, with 27,512 shares traded. Impedimed and Mesoblast fell four percent or more; Neuren, Paradigm, Patrys and Prescient were down more than three percent; Clinuvel, LBT, Next Science, Starpharma and Telix shed two percent or more; Cyclopharm, Immutep, Medical Developments, Oncosil, Opthea and Universal Biosensors were down more than one percent; with Nanosonics and Pro Medicus down by less than one percent.

DR BOREHAM'S CRUCIBLE: PHARMAXIS

By TIM BOREHAM

ASX code: PXS

Share price: 8.7 cents; **Shares on issue:** 452,249,264; **Market cap:** $39.3 million

Chief executive officer: Gary Phillips

Board: Malcolm McComas (chairman), Gary Phillips, William Delaat, Dr Kathleen Metters, Neil Graham

Financials (December half 2020): revenue from sale of goods $3.086m (down 5%), total revenue $13.69m (up 240%), net profit $46,000 (previous $10.32m loss), cash of $18.24m (up 23%)

Major shareholders: BVF Partners (Biotech Value Fund) 19%, Karst Peak Capital 8.9%, D & A Income 7%

The inflammatory diseases company this month welcomed a familiar biotech name to the register: Karst Peak Capital.

The Hong Kong and Sydney based 'contrarian' fund manager is also a major holder in Neuren and Cyclopharm, and earlier made a motzah out of Avita Medical and Viralytics.

After approaching Pharmaxis, Karst Peak committed $3.3 million to the $4.4 million placement at eight cents a share, a slight premium on the prevailing price.

Pharmaxis chief Gary Phillips says the fund took its due diligence seriously, having spoken to six of the world's top 10 experts in myelofibrosis, one of the company's key targets (see below). In casting such a strong vote of faith in Pharmaxis, Karst Peak is cognizant of what Mr Phillips dubs the "pitiful" valuation of the company.

In a separate deal, Pharmaxis pockets $2 million upfront in a Russian distributor deal with a Turkish party we will know only as GEN (only because we don't have Turkish characters on our keyboard).

Given Pharmaxis now has more than $20 million in the bank, the market, in effect, values the company's approved drug Bronchitol and its two key clinical programs at a mere $18 million. "We have had our challenges, but that's what makes us an opportunity for investors," Mr Phillips says.

Unsung hero of drug development

Pharmaxis has always stressed the company's multi-pronged approach to drug development, on the grounds that one failed program won't torpedo the company.

In hindsight, that strategy was wise, as shown by the decision of German drug giant Boehringer Ingelheim to walk away from its liver disease and diabetic retinopathy partnerships with Pharmaxis.

Mr Phillips says Pharmaxis has been “remarkably successful” in taking no fewer than five drugs from invention to at least phase I trials.

“We have done that because we are global leaders in amine oxidase chemistry which is the backbone of several enzymes involved in inflammation and fibrosis,” he says.

Mr Phillips has more than 30 years’ experience in big pharma, including two senior roles at Novartis.

The Bronchitol story

Pharmaxis is one of a handful of Australian biotechs to win US Food and Drug Administration (FDA) approval for Bronchitol, its home-grown therapy for cystic fibrosis.

But it was not an easy journey, with the agency in 2013 ordering the company to do a third phase III study. At that stage, management sagely concluded that someone else should bear the costs and the risks, striking a global distribution deal with the Italian based Chiesi.

An inhaled dry mannitol powder, Bronchitol is produced at the company’s Frenchs Forest facility in northern Sydney. Pharmaxis also sells the mannitol-based Aridol, an asthma diagnosis tool that is relatively small beer to Bronchitol.

Bronchitol has been approved by authorities in Europe, Australia, Brazil, South Korea and Russia as a treatment for cystic fibrosis.

The most common inherited disease, cystic fibrosis results in the build-up of dry mucus in the lungs, which inhibits breathing and causes infection. While life expectancy is improving, sufferers can only expect to live to their forties.

It’s not as if there aren’t other treatments, which range from low tech (physio), saline solutions (inhaled via nebulizer) and pulmozone (a drug that breaks up the protein strains in the mucus and makes it less viscous). But one advantage of Bronchitol is that it is portable and does not require a nebulizer.

Company ‘lox’ in myelofibrosis as a key target

On the drug discovery side Pharmaxis is targeting myelofibrosis, a rare bone cancer suffered by one in 500,000 citizens.

Myelofibrosis is a scarring of the bone marrow that interrupts the normal production of white and red blood cells and platelets, leading to fatigue, reduced immunity, clotting and bruising and bleeding.

Myelofibrosis sufferers typically are aged 50 to 80 years and can expect to live an average of only five years. About 10 percent will go on to develop leukaemia.

“Myelofibrosis is a very attractive area with very high valuations,” Mr Philips says.

Currently, myelofibrosis is treated by a class of drugs called JAK (Janus kinase) inhibitors that provide symptomatic relief but do not ameliorate the disease. They also cause unpleasant side effects.

Pharmaxis’s proposed therapy is a compound calls PXS-5505, which aims to inhibit pan-lysyl oxidase (LOX), an enzyme closely implicated in inflammation and fibrosis.

Last year, PXS-5505 was granted ‘orphan drug’; designation by the US Food and Drug Administration.

“The mode of action in our drug is different to anything on the market or in the clinic,” Mr Phillips says. “It targets the matrix [inflammation] formation in the bone marrow and has disease modifying potential.”

In February, Pharmaxis recruited the first patient for its next stage of clinical development, a phase Ic/IIa trial looking at both the safety and efficacy of the molecule. The trial is being carried out at sites in Australia and South Korea - two countries relatively unscathed by Covid-19.

The dose escalation trial aims to recruit up to 18 patients in its initial stage. A further dose expansion stage will enrol up to 24 patients.

Work to date consists of a six-month safety study on healthy volunteers, as well as preclinical animal modelling that showed increased blood production and reduced spleen size. (When the bone marrow is damaged, the spleen tries to take over production and is enlarged, causing fevers and bone pain).

First results are expected in the second half of 2021, with full results due a year later.

Success will be measured by reduction in bone marrow fibrosis as measured by a biopsy, reduced anaemia and lessened spleen size.

“They are not soft endpoints,” Mr Phillips says. “It’s not a half-hearted study that we are looking to fudge.”

Anything else?

The company is also targeting burns-related scarring, in league with Perth burns legend Prof Fiona Wood and other esteemed researchers at the Fiona Stanley Hospital.

It’s hoped that Pharmaxis’s compound PXS-6302, which it discovered in its own labs, will suppress the enzymes responsible for such scarring. Following positive animal results, the plan is to test the topical (cream) treatment on healthy volunteers.

To date, Mr Phillips says, scarring has been measured by aesthetics more than anything.

“Scarring is subjective,” he says. “We are attempting to bring some science into this.”

In collaboration with various parties, the company is also undertaking earlier stage work on variant LOX inhibitors for other hard-to-treat cancers. These include other blood cancers, liver carcinoma, pancreatic cancer and glioblastoma (brain cancer).

Bye, bye to B.I.

In 2015, Germany-based drug giant Boehringer Ingelheim acquired the rights to the company’s so-called AOC3 inhibitor program, which was targeted for the liver disease non-alcoholic steatohepatitis (NASH) and diabetic retinopathy.

Boehringer handed back the NASH program in December 2019 and then returned the eye program in September last year.

“I can understand why Boehringer didn’t want to go ahead with our drug.” Mr Phillips says. “It worked in NASH and met primary endpoints, but there was an issue in terms of potential interaction with other drugs.”

The program potentially was worth up to $625 million to Pharmaxis. But as management likes to remind anyone who will listen, the company did pocket $83 million in milestone payments before Boehringer pulled the pin.

Finances and performance

Pharmaxis achieved a financial breakthrough in the 2019-’20 year, when the mannitol business became cash flow positive to the tune of $2.1 million having burned through $4 million the previous year.

In the December (first) half of the 2020-’21 year, the company recorded a slender $46,000 profit on Bronchitol sales of just over $3 million.

The Russian deal not only injects $2 million into the company, but removes $1 million of costs because GEN bears responsibilities including regulatory and compliance costs.

So, if you want to know about Russian progress from now on, do what (Prime Minister) Scott Morrison does and ask GEN.

Under the Chiesi compact, the Italian company bears all clinical and most regulatory costs. Pharmaxis is entitled to double digit royalties and a manufacturing margin and is pocketing a $US10 million ($A13 million) milestone triggered by FDA approval.

With Bronchitol, the US accounts for about 30,000 to 35,000 of the global market of 80,000 patients, which reflects not just the number of patients per se, but the higher reimbursement available.

Chiesi expected to post first sales in the March quarter.

“[FDA approval] more than doubles the patient opportunity and there is very attractive pricing in the US,” Mr Phillips says.

“We expect a significant price premium on the rest of the world.”

All up, Pharmaxis expects to earn 20 percent of the value of Chiesi’s sales, which equates to $US50 million over five years based on Chiesi’s forecast of peak Bronchitol sales of $US50 million annually.

Mr Phillips notes that costs at Frenchs Forest are largely fixed and the company could double or triple output with the only extra cost being consumables such as cartons and foils.

Over the last 12 months Pharmaxis shares have perambulated between seven cents (June 23, 2020) and 12 cents (August 19, 2020).

Once upon a time they were worth as much as $4.18 (November 2007).

Dr Boreham’s diagnosis:

Pharmaxis has had its fair share of woes since listing in 2006 at 50 cents a share to raise $25 million (a secondary listing on the Nasdaq was abandoned in 2009 for cost reasons).

When we last applied the metaphorical Bunsen burner to Pharmaxis in July 2019, the shares traded at 23 cents and the company was valued at $90 million.

With a current $38 million market cap, arguably the company is suffering the baffling market syndrome that values blue-sky drug developers (or resource explorers) more highly than the established stocks.

“I think the market is confused that we have this manufacturing business on the side [mannitol] that is also producing cash,” Mr Phillips says.

A drug developer producing cash? That’s indeed baffling.

Mr Phillips urges investors to hold tight for the fruits of the company’s prolonged labors: “The company is at a really interesting stage for potential investors with a lot of news flow coming.”

Indeed! Just as Karst Peak. Or GEN.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He briefly owned a keyboard with Turkish characters, having ordered an offshore-sourced Apple laptop from a well-known online electronics retailer. Buyer beware!

THE WALTER AND ELIZA HALL INSTITUTE OF MEDICAL RESEARCH

The Walter and Eliza Hall Institute says it has a collaboration with Janssen Pharmaceutica to discover drugs for malaria.

WEHI senior business development manager Dr Victoria Jameson told Biotech Daily that the collaboration, facilitated by Johnson & Johnson Innovation, built on a 2016 agreement "to identify and develop new treatments for malaria"

Dr Jameson said that the collaboration had identified and was "optimizing a number of compounds" with the assistance of the Geneva, Switzerland-based Medicines for Malaria Venture.

Dr Jameson said that the 2016 agreement provided access to the Johnson & Johnson Jump-Starter library "so that we could screen the library against Plasmodium falciparum in the high throughput laboratory in our Drug Discovery Centre".

"From this we identified compounds that have anti-malarial activity and would be novel starting points for the development of new antimalarial compounds," Dr Jameson said.

"This new agreement is a collaborative agreement in which we will work together to conduct this development through optimization of the properties of the compounds to enhance their activity and explore the key proteins involved in their inhibition of growth of the malaria parasite," Dr Jameson said.

Dr Jameson said that the next stage would include pre-clinical animal testing, leading to human clinical trials.

WEHI's malaria research program lead Prof Alan Cowman said that "the development of resistance to currently used anti-malarial drugs is one of the greatest threats to global malaria control efforts and new medicines are urgently needed".

ANALYTICA

Analytica says it has commitments to raise $3.83 million in a placement at 0.35 cents a share to sophisticated and strategic investors.

Analytica said investors would receive one attaching option for every new share exercisable at 0.5 cents each by June 18, 2023.

The company said the funds would be used to pursue opportunities for its Pericoach and Enhanced infusion system.

Analytica said 180 Markets was the lead manager and, subject to approval, would be issued 25,000,000 options exercisable at 0.5 cents each expiring on June 18, 2023.

Analytica fell 0.1 cents or 20 percent to 0.4 cents with 7.1 million shares traded.

PROTEOMICS INTERNATIONAL LABORATORIES

Proteomics says it has International Organization for Standardization (ISO) 13485 certification for the manufacturing of its Promarkerd tests.

Proteomics said the ISO certification allowed the company to establish manufacturing of its tests for diabetic kidney disease in the Northern Hemisphere.

The company said the ISO certification also applied to its pipeline of other diagnostic tests currently under development, including tests for endometriosis and asthma.

Proteomics managing director Dr Richard Lipscombe said the ISO certification was a "key milestone underpinning production and future global sales of the Promarkerd test for diabetic kidney disease".

Proteomics was unchanged at $1.18.

PRESCIENT THERAPEUTICS

Prescient says the 35mg/m2 second cohort of its phase Ib trial of PTX-200 and cytarabine for acute myeloid leukaemia showed no “dose limiting toxicities”.
Prescient said three patients were treated at 35mg/m2 achieving complete responses which allowed the study to progress to the next dose level of 45mg/m2 PTX-200.
The company said that the revised study protocol required PTX-200 to be administered on day one and cytarabine to be administered by continuous infusion from days three to seven of a 21-day cycle.
Prescient chief medical officer Dr Terrence Chew said he was pleased to “see the completion of this cohort without dose limiting toxicities, suggesting that [acute myeloid leukaemia] patients are able to better tolerate the combination of PTX-200 and cytarabine under the modified protocol”.
Prescient fell 0.3 cents or 3.1 percent to 9.4 cents with 4.4 million shares traded.

DIMERIX

Dimerix says that the first 24 patients have been recruited into the DMX-200 component of the pan-European Remap-Cap, phase III, Covid-19 treatment trial.
Last year, Dimerix said DMX-200 for kidney disease would be included the protocol of the ‘randomized, embedded, multifactorial adaptive platform trial for community-acquired pneumonia’ (Remap-Cap) phase III study (BD: Jun 4, 2020).
In March, the company said that Covid-19 patients with pneumonia in the Remap-Cap study that could not swallow a capsule of DMX-200 would be able to receive a nasogastric delivery of the drug (BD: Mar 25, 2021)
Today, Dimerix said that of the 24 subjects enrolled, 22 were in the Netherlands and two were in the UK,
The company said that 5.2 million new Covid-19 cases were reported in the last seven days, the most cases reported in a week since the beginning of the pandemic.
Dimerix said that 300,000 cases were reported in one day in India alone, where DMX-200 was also being trialled for Covid-19.
The company said that the number of cases worldwide had been increasing for eight consecutive weeks, and the number of deaths has been on the rise for the past five weeks.
Dimerix said that despite the introduction of vaccines, the aim to reduce the symptoms caused by Covid-19 and improve treatments remained “crucial”.
Dimerix was unchanged at 25 cents.

ANTISENSE THERAPEUTICS

Antisense says it had a meeting with the US Food and Drug Administration to discuss development of ALT1102 for Duchenne muscular dystrophy (DMD).
Antisense said the meeting held on April 19 provided clarification for its phase IIb/III trial in the US.
Antisense chief executive officer Mark Diamond said that “based on the guidance meeting … we are reassured that the data from our phase II study is encouraging and that it is reasonable and appropriate to advance the program towards potentially pivotal clinical studies”.
Antisense was up one cent or five percent to 21 cents with 2.05 million shares traded.

AUSCANN GROUP HOLDINGS

Auscann says it has received $1,561,518 from the Australian Tax Office under the Federal Government Research and Development Tax Incentive program.

Auscann said the rebate related to research and development expenditure for the year to June 30, 2020.

Auscann was up half a cent or 3.85 percent to 13.5 cents.

SOMNOMED

Somnomed says an extraordinary general meeting will vote to increase directros' remuneration pool 100 percent and issue 2,205,000 options to directors.

Somnomed said it proposed to increase the remuneration of non-executive directors from $250,000 to $500,000 a year.

The company said it would issue 910,000 options to chief executive officer Neil Verdal-Austin vesting within five years with an issue price of 15.4 cents each, exercisable at $2.00 within six years, along with potential loans for the issue and exercise prices, with vesting conditional on a 20-day volume-weighted average price of $3.50 a share.

Somnomed said it would issue chair Guy Russo 370,000 options, and 185,000 options each to directors Hamish Corlett, Amrita Blickstead, Michael Gordon, Hilton Brett and Karen Borg, valued at 15.4 cents each and exercisable at $2.00 each within six years.

Somnomed said the meeting would vote for a new employee share option plan and non-executive share option plan.

The meeting will be held at Level 1, 111 Harrington Street Sydney, on June 3, 2021 at 9am (AEST).

Somnomed was unchanged at $2.00.

GENETIC SIGNATURES

Regal Funds Management says it has reduced its substantial holding in Genetic Signatures from 9,971,771 shares (6.98%) to 8,536,333 shares (5.97 %).

The Sydney-based Regal Funds said between October 26, 2020 and April 20, 2021 it sold shares, with the single largest sale 300,000 shares for $480,000 or $1.60 a share.

Genetic Signatures fell 12 cents or 7.8 percent to $1.42.

SOMNOMED

Somnomed says it has extended managing director Neil Verdal-Austin's employment by five years on a base salary of $530,000.

Somnomed said Mr Verdal-Austin would be entitled to a bonus of $238,500 a year and, subject to shareholder approval, would be issued 910,000 options pending hurdles and vesting conditions.

AUSCANN GROUP HOLDINGS

Auscann says its chief executive officer Layton Mills will be paid $275,000 a year, excluding superannuation (BD: Jan 17, 2021) (AVW: Jan 18, 2021).

Auscann said Mr Mills would be eligible for a short-term annual incentive of up to $25,000 and a long-term incentive of four equal tranches of 500,000 performance rights, pending share price hurdles.

ANTEOTECH

Anteotech says Matt Sanderson has resigned as a director, effective from April 22, 2021.
Anteotech said Mr Sanderson had been with the company from October 2017 and thanked him “for his contribution to [its] re-shaping”.
Anteotech was up seven cent or 20.3 percent to 41.5 cents with 16.2 million shares traded.