



# Biotech Daily

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*Daily news on ASX-listed biotechnology companies*

## Dr Boreham's Crucible: Clinuvel Pharmaceuticals

**By TIM BOREHAM**

**ASX code:** CUV

**Share price:** \$13.68

**Shares on issue:** 49,410,338

**Market cap:** \$675.9 million

**Chief executive officer:** Dr Philippe Wolgen

**Board:** Prof Jeffrey Rosenfeld (chair), Dr Wolgen, Brenda Shanahan, Dr Karen Agersborg, Susan Smith (former chair Willem Blijdorp resigned on February 21)

**Financials (half year to December 31 2023):** revenue \$32,257,000 (up 10%), operating profit \$14,806,000 (up 1%), net profit after tax \$10,936,000 (down 4%), dividend nil, cash balance \$174.45 million (up 11%), nil debt.

**Major holders:** BNY Mellon 7.69%, Dr Wolgen 6.3%, JP Morgan Chase 5.13%, Ender1 LLC (Sean Parker) 4.7%.

In a recent whimsical 'news communiqué' to investors, Clinuvel chief Dr Philippe Wolgen dwells on the "the scale of human suffering and senseless acts of violence being waged against civilians" in the Ukraine and Middle East conflicts.

He adds that this "prompts deeper reflection on the purpose of existence. At Clinuvel, we are conscious that we live in an asymmetrical world and [are] compassionate towards the plight of those living under conditions of war".

On a more temporal note, Dr Wolgen notes the less-than-rosy conditions in the healthcare sector, with a slew of US bankruptcy protection filings in 2023.

“Against this background, we are continuing our approach towards future growth and diversification. This will strengthen our position quelling market concerns about being able to operate independently,” he says.

Sadly, the message isn’t getting through to investors, judging from the 12 percent share sell off after last week’s half-year results.

The numbers looked okay to the naked eye, given the ongoing sales traction with the company’s flagship skin product Scenesse, to treat the rare skin intolerance disease erythropoietic protoporphyria (EPP).

But brokers complained the company missed earnings and revenue expectations.

## **About Clinuvel**

Previously known as Epitan, the company was focused on developing a safe tanning product, before dropping the body-beautiful stuff in favour of ‘serious’ medical applications.

Or has it? See below.

Scenesse evolved from laboratory work by four scientists at the University of Arizona in 1987.

In 1995, the owners applied for investigational new drug status with the US Food and Drug Administration (FDA), in view of a safe tanning product.

The agency said ‘nope’.

Epitan was incorporated in 1999 and back-door listed on the ASX in 2000, before changing its name to Clinuvel in 2006.

Spurred by Swiss studies showing an 11-fold improvement in sunlight tolerability, Clinuvel honed its commercial strategy to focus on erythropoietic protoporphyria (EPP).

The first EPP patients were treated in Italy after the government agreed to subsidize part of the cost to users. European regulators approved the drug for adult EPP use in 2014 and the company launched the drug there in 2016.

The FDA approved the drug in 2019 and it can also be sold here and in Israel. Meanwhile, the nasties at the UK National Institute of Healthcare Excellence (NICE) continue to hold out.

While Scenesse is approved for adults, the company is seeking assent to treat kids between 12 and 17 years of age.

In 2014, the company rejected a \$2.17 a share, \$95 million takeover offer from Retrophin. Sagely, the board told Retrophin to do the sun-smart thing and stick their offer where the sun don't shine.

Clinuvel is headquartered in Melbourne, but most of the action takes place across operations in the US, Europe and Singapore.

## **About Scenesse**

Scenesse is the first drug in the world for erythropoietic protoporphyria, with the mechanism of action of preventing anaphylactoid reactions and burns.

With around 5,000 to 10,000 sufferers globally, EPP is an inherited metabolic disorder caused by the buildup of protoporphyrin, which causes extreme light sensitivity and pain attacks under visible light and ultraviolet radiation.

Known as 'shadow chasers', EPP sufferers can only go outdoors at night.

A sub-cutaneous formulation of the peptide afamelanotide, Scenesse binds to the melanocortin-1 receptor on skin cells and spurs a "cascade of cellular events" to activate melanin and create a prophylactic barrier.

About the size of a rice grain, the Scenesse shots are injected subcutaneously in a 16-milligram dose and last for two months.

The drug is now widely reimbursed, including in the US where the treatment costs an average \$90,000 to \$140,000 annually, depending on the number of injections required.

## **Back to the future**

Clinuvel outlines a vision of creating a "house of melano-cortins" equating to a total addressable market of \$US44 billion.

This includes the \$US6.2 billion photo cosmetics sector. The beauty stuff?

In a 'back to the future' move, Clinuvel has turned its gaze to over-the-counter safe bronzing products, albeit mainly for vulnerable bathers most prone to skin cancer rather than Ken and Barbie beach babes.

The unguents repairing the cellular DNA skin damage caused by sunburn.

The first product, Cyacelle was pilot-launched in March last year, with a global launch expected this year pitched at "select communities and patients in need".

"As the company evolves, our lodestar remains the same," Dr Wolgen says. "We look to develop novel therapies for patients with high, unmet medical needs."

## **Beyond EPP**

Clinuvel is working on the pigmentation disorder vitiligo, which affects about 45 million people (Michael Jackson was a celebrity sufferer).

Vitiligo causes the skin to go pale, generally in blotches.

In October last year the company started recruiting a 200-patient phase III combination trial. The subjects are darker-skinned patients on whom the disease can have the greatest impact. A further combination study should start this year.

Clinuvel is also eyeing xeroderma pigmentosum, or XP, a hereditary condition leading to a very high risk of skin cancer and other medical problems. Two phase II studies are ongoing.

Clinuvel is also working on a fast-acting afamelanotide variant called Prenumbra, for strokes and vascular disorders.

The company undertook a six-patient, proof-of-concept program for arterial ischaemic strokes and a phase I study is ongoing.

Afamelanotide is known to have a potent anti-oxidative effect, improving blood flow and increasing the delivery of oxygen and nutrients to deprived brain cells.

Finally, Clinuvel is testing the natural hormone neuracthel (ACTH) as a skin re-pigmentation treatment.

Neuracthel would be the company's first branded generic product

Proof of concept studies show ACTH can re-pigment skin in vitiligo patients in combination with ultraviolet B phototherapy.

A read-out on a phase II monotherapy study is expected this year.

## **Finances and performance**

Clinuvel posted a net profit for the December first half of \$10.9 million, four percent lower than previously because of a higher tax bill but the 15th consecutive half-yearly surplus.

Revenue from Scenesse sales was 10 percent higher at \$35.7 million and the company also pocketed \$3.36 million of interest on its cash, which stood at \$174 million at the end of December.

Costs increased 28 percent to \$20.9 million because of expanded corporate activity, with a 10 percent rise in the headcount.

Broker Morgans dubs the results as "less than compelling" with disappointing Scenesse revenue growth and a big rise in costs.

Chief finance officer Darren Keamy says the company has been selling Scenesse to an 'orphan' market for more than eight years, so it can't be expected to maintain its initial growth rate of 20 to 30 percent.

"Nevertheless, we are still achieving growth [but] expect a maturation in the growth rates over time and that is what we are seeing now."

Management describes European demand as "consistently strong" with US sales underpinned by the expansion of treatment centres to 70 sites.

In March last year, Clinuvel said it would stop issuing quarterly reports. The company could have done so in 2018, owing to its profitability, but continued to issue them voluntarily to inform investors.

Over the last 12 months Clinuvel shares have traded between \$21.26 (late August 2023) and \$14.12 (early October 2023). The stock peaked at \$43 in September 2021.

## **Competition looms**

Does Clinuvel face EPP competition?

Mitsubishi Tanabe is carrying out a phase III extension trial of MT-7117, which is not a motorway but a small molecule that activates the melanocortin-1 receptor (MC1R), a protein involved in skin pigmentation and sunlight protection.

Completed in 2019, a phase II study showed "increased duration symptom-free sunlight exposure" in patients with EPP, as well as the related X-linked protoporphyria. A phase III trial was completed in 2020, but the results are yet to be disclosed.

Morgans says the drug candidate - which has FDA fast-track status - has a fair chance of success.

"However, we see Scenesse remaining a cash cow beyond 2030, with a strong and growing specialist network and a monopoly in an underpenetrated market."

## **Succession – but no Shivs**

Succession planning is top of mind at Clinuvel, because Dr Wolgen's contract expires in June 2025 while Mr Keamy hangs up his abacus in June this year.

But the company is quick to quell any notion of a Game of Thrones or Roy family-like power struggle.

"We have clear profiles and processes in place to lead the company," Dr Wolgen says. "The new leadership team will be inducted into Clinuvel over a transition period, during which incumbents will be gradually phased out."

In view of this, Dr Wolgen was absent from the post-results investor hook up, with Mr Keamy, global operations head Lachlan Hay and investor relations head Malcolm Bull conducting the dog-and-pony show.

### **Dr Boreham's diagnosis:**

Clinuvel might be in a funk share-price wise, but its multiple clinical programs would seem to have a decent chance of success.

The body-beautiful stuff - if we can call it that - also addresses a huge market but there's a lot to play out before the company becomes a household name.

Along the way, Clinuvel can't be accused of burning investors with constant dilutive capital raisings: the company has the same number of shares on issue - just under 50 million - as when we last covered the stock in November 2022.

My Hay says the debt-free company is in a much better position than expected at the onset of the pandemic, when it was thought an equity raising would be needed.

"I'm pretty content today," he purred.

Investors are not so sanguine: at last year's AGM, the company suffered a first 'strike', with 39 percent of voting investors rejecting the remuneration report. A 'strike' is incurred with a no vote of 25 percent or more.

Dr Wolgen says it is "futile" to dwell on the lack of correlation between share price and performance, given other companies similarly are affected "to the dismay of all shareholders."

A vital part of Clinuvel's success, Dr Wolgen draws inspiration from Dave Wottle, the golf-cap wearing US runner who came from being last at 500 metres to win the 800-metre event at the 1972 Munich Olympics.

"This team has defied all odds before and will do it again," he says of Clinuvel's management.

***Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He has been last at the mid-point of many a race but sadly he has remained there at the finishing line.***