Biotech Daily

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Daily news on ASX-listed biotechnology companies

Dr Boreham's Crucible: Percheron Therapeutics

By TIM BOREHAM

ASX code: PER

Share price: 8.9 cents

Shares on issue: 1,064,044,971 post-placement

Market cap: $94.7 million

CEO: Dr James Garner

Board: Dr Charmaine Gittleson (chair), Dr Garner, Dr Gil Price

Financials (year to June 30, 2024): revenue nil, loss of $11.9 million ($11.4 million deficit previously), cash balance $11.9 million (up 8%) ahead of this week's $13 million capital raising at 8.0 cents a share – a 40.7 percent discount to the last traded price of 13.5 cents.

Identifiable major holders (pre-capital raise): Platinum Asset Management (10.6%), Mutual Investments (Mitchell Family) 3.3%, BNP Paribas (Clearstream) 2.2%, Dale Anthony Reed 1.5%, Esarad Holdings 1.36%

What's in a name? Not much, according to the now cashed-up Percheron CEO Dr James Garner.

Formerly known as Antisense Therapeutics, the rare disease specialist changed its name to Percheron in January. Percheron means 'draught horse' in French, but Dr Garner says it was merely selected as a nice-sounding moniker.

“You can call it anything you want and for three months it will sound strange, but then you will forget it was called anything else,” he says. “You could call it Potato Therapeutics and it would just be the same.”

Dr Garner says many people were still endeared to the Antisense name, given the Circadian spin-off is one of the oldest listed biotechs.

But the imperative for change came when an analyst unkindly referred to the company as “the only dinosaur not killed by the asteroid”.

He says the resonance of a name depends on “what you do and what you make of it”.

In this respect, Percheron’s charter is to emulate Neuren Pharmaceuticals in developing and commercializing a drug for a rare childhood disorder (Duchenne muscular dystrophy, or DMD).

To further this, Percheron emerged from Wednesday’s capital raising trading halt with $138 million at 8.0 cents a share (a 40.7 percent discount to the last closing price).

From the Mesozoic era to now

The only biotechnology company to be based in Melbourne’s upmarket Toorak – as far as we know - Antisense sprung from Circadian Technologies.

Having served as CEO for a record-breaking 17 years, Mark Diamond departed in May last year and was replaced by Dr James Garner.

A qualified medical doctor, Dr Garner has worked at Biogen, Takeda and Sanofi, overseeing more than thirty product approvals and more than a dozen clinical trials.

Dr Garner was then CEO of the then ASX listed (now Nasdaq listed) brain cancer drug developer Kazia Therapeutics for seven years.

Antisense licenced its key asset, ATL1102, from the Nasdaq-listed Ionis Pharmaceuticals.

Ionis was a case of a name meaning something, as it had to change its name from ISIS after Iraqi and Syrian terrorists assumed that title.

And still on names, in May this year the World Health Organisation applied an international non-proprietary name to ATL1102 – avicursen – which very deliberately does not mean anything.

Initially, Antisense focused on a treatment for multiple sclerosis (MS) but the effort foundered after Teva pulled out of an exclusive global MS deal in 2010.

A phase IIa trial showed that ATL1102 was good for cleaning up brain lesions, but the dosage was very high and toxicity problems emerged. In the meantime, more MS therapies have emerged and the sector looks congested.

The company had other irons in its fire, including long Covid research and an acromegaly program.

“We have taken the view that for a company at our stage and size, it is better to do one thing really well rather, than lots of disconnected things,” Dr Garner says.

Another strategy tweak means the company has focused on entering the US market, rather than a Europe-first approach as was the case earlier.

About DMD and ATL1102

A regressive, fatal and poorly-treated disease, Duchenne muscular dystrophy (DMD) is a genetic condition that affects about one in 10,000 males (or 300,000 in all).

The disease results from a gene mutation, which affects production of the muscle protein dystrophin, causing movement-related muscle damage leading to chronic inflammation and progressive loss of function.

ATL1102 is an antisense oligonucleotide inhibitor of the VLA-4 protein, also known as CD49d. Thus, ATL1102 “exerts an immune-modulatory effect which may be therapeutic in a range of inflammatory diseases”.

The current standard of care, cortico-steroids, have limited efficacy and significant side effects when used continuously, as required.

In the clinic

All eyes are on a current phase IIb trial, which in May completed the enrolment of 48 wheelchair-bound boys enrolled at 16 hospitals in five countries.

The trial design involves 15 boys being randomly allocated into two dosage groups, with 18 administered a saline injection placebo.

The ethics of rare disease patients missing out on a potentially life-changing treatment is blurred, but in this case no patient misses out: after six months, the placebo group is reallocated to one of the active treatment arms.

After 12 months, all patients have a four-month break from treatment.

The study’s primary endpoint is the change in upper limb function at six months, as measured by the standard performance of upper limb (PUL2.0) score.

Investors will not have to wait long for results: initial (top-line) data is due in December 2024, with final data expected to be unveiled by the end of 2025.

The company hopes the data will emulate the “very promising” results of an earlier study, at the Melbourne’s Royal Children’s Hospital’s neuro-muscular centre. That trial enrolled nine non-ambulant patients, who were treated with ATL1102 over six months.

The boys’ muscle function was then compared with the recorded results from 20 boys treated with cortico-steroids only, from leading DMD expert Prof Eugenio Mercuri, of Rome’s Catholic University.

In results dubbed as statistically significant, the ATL1102-treated boys performed better on the PUL 2.0 muscle-function score after 24 weeks.

The Royal Children’s Hospital patients scored a mean improvement of 0.89 when dosed with ATL1102, which doesn’t sound like much until compared with the Rome boys, who saw an average decline of 2.0.

Squeaky-clean results

On September 3, the company said a mouse autoimmune epilepsy study using ATL1102 produced “very encouraging” data, showing a “statistically significant” reduction in median seizure frequency of 66 percent, relative to a saline control.

Autoimmune epilepsy results from abnormal activity of the immune system within the brain and accounts for 5-35 percent of new epilepsy cases.

Where to from here?

Dr Garner says the company has an open mind on the next steps, which could be a larger phase III study pitched at FDA approval - although it is possible the agency would not require such a further trial.

“The current study is robust and it’s not unheard of for the FDA to approve drugs on this kind of data,” he says. “There are a lot of ways this can unfold and hopefully a lot of options open up for us along the way.”

At one stage, the company considered skipping from the earlier phase IIa study to a large phase III study, but the strategy looked a leap too far.

Dr Garner says that unlike, say, a large-scale diabetes study, a $10 million to $20 million phase III effort could extract “quality data”.

Potentially helping things along, the FDA in 2020 awarded ATL1102 ‘rare paediatric disease designation’ (RPDD) - and a valuable fast-track review voucher.

The company has ‘orphan’ drug designation from the FDA and the European Medicines Agency, with benefits including seven to 10 years of market exclusivity and the waiving of certain registration fees.

Sizin' the rivals

Yes - current DMD therapies do exist: Percheron's investor prezzo lists nine FDA-approved therapies.

"There's a family of drugs that tries to replace dystrophin, but they end up being very specific to genetic subtypes of the disease," Dr Garner says. "Typically, these therapies only apply to eight to 12 percent of patients each. They also only make a small amount of dystrophin and it's not quite as good as the real thing."

Still, these drugs sell for up to $US750,000 a year, implying an addressable market of $US4 billion per annum. Cortico-steroids are also applied to treat the inflammatory effects, which ATL1102 does as well.

"But we are not like a painkiller. From the earlier IIa [trial results] we hope and expect this drug will slow the progression of the disease."

Finances and performance

At the end of June, the company had a tad under $12 million in the bank, enough to last well into calendar 2025 and beyond the data read-out.

"After that, there's a bunch of possibilities," Dr Garner says. "But we have been very clear we won't take the drug to market itself, the best chance of maximizing success is to put it in the hands of a bigger company."

Mid-last year, the company raised $11.6 million: $8.35 million in a share placement and $3.26 million in a share purchase scheme, all at five cents apiece.

The company also has outstanding options, expiring through December to March 2025 and may come into money. "At the highest strike price, the share price would have to increase six or seven times, which sounds a lot. But in our line of work a couple of goods bits of data can make that happen."

Over the last 12 months Percheron shares have trotted between five cents (December last year) and 14 cents on October 15. They reached a 10-year peak of 30 cents in October 2021. (The company held a 10-for-one consolidation in November 2013.)

The next Neuren?

Dr Garner says it is a "double-edged sword" to be compared to ASX champion Neuren Pharmaceuticals, but it's hard to ignore the similarities.

"They have done exactly what we aspire to do," he says. "They have partnered the drug with a bigger company, it is a commercial product and Neuren is a multi-billion-dollar business."

Neuren and its development partner Acadia last year won FDA approval for Daybue, a treatment for the rare neurological disorder Rett Syndrome.

Given there are 300,000 DMD patients relative to fewer than 20,000 for Rett syndrome, DMD is 'less rare' and thus potentially an even more lucrative market than Rett.

"When I was a practicing doctor, I came across a few patients with Duchenne's; I can't say I have ever come across a patient with Rett syndrome," Dr Garner says.

A rare disease does not mean an unprofitable one: Percheron estimates the current size of the DMD treatment market at $US4 billion a year, given the "favorable pricing dynamics".

The last 47 deals involving rare disease partnerships have delivered median upfront cash of $US18 million and as high as $US900 million, with milestone payments averaging $US200 million and as much as $US1.7 billion.

Dr Boreham's diagnosis:

Percheron's more singular DMD focus poses the risk of a binary outcome: the company thrives or dies on the strength or otherwise of the program.

"We are conscious of this and have spent a lot of time discussing it as a board," Dr Garner says. "I would like to think we're less binary than we look. We are focused on DMD now but our drug does have potential uses in multiple diseases."

He adds that many biotechs that claim to have more 'shot on goal' opportunities than [Australian soccer player] Sam Kerr are "more binary than they look".

Fair enough. But we can't help thinking that from an investor perspective, sub-standard DMD results will send the company back to the dinosaur age.

While success is far from guaranteed in bio-land, with this week's $13 million raising, Percheron has the horsepower to have a decent crack at the 'next Neuren' holy grail.

Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He is still striving for his Holy Grail while improving his shot-on-goal accuracy.