Evaluate Vantage

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Targanta takes on a challenge and vows to continue with oritavancin

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Targanta Therapeutics, which saw its marketing application for the antibiotic oritavancin resoundingly rebuffed by the FDA this week, has its work cut out.

Not only does it have to repeat a phase III trial to more firmly establish the drug's effectiveness at combating hard-to-treat MRSA infections, the regulator has asked it to monitor safety aspects that were not previously considered a concern. To top it off, funds need to be raised before the trial can start. All of which makes the slump in the Targanta's share price to $1.34 yesterday, valuing the company at close to cash, not a complete surprise.

To a certain extent the company could be forgiven for feeling pretty frustrated with the regulator right now. After agreeing the design of the two phase III trials, one of which was conducted several years ago by Eli Lilly as the previous owner of the drug, the FDA appears to have completely changed its mind. What makes that about-face even more surprising is the incredibly positive briefing documents, written by the regulator, that were released ahead of last months anti-infectives advisory committee meeting.

New concerns

The tone was overwhelmingly positive, making approval look very likely and causing the shares to touch a record high of $10 at one point. Things began to turn sour when the expert panel raised serious questions, specifically questioning whether the older trial, conducted between 1998 and 2003, was a good measure of effectiveness against the most virulent strains around today (Targanta *and Theravance face short wait for final FDA decisions, November 20, 2008*).

The FDA seems to have agreed with the panel, asking for a significant number of MRSA infections to be included in the next trial. It has also added new concerns, asking for Targanta to monitor potential long term safety issues because of the long half-life of oritavancin; a characteristic that was previously thought to be a positive for the drug as it boosted potency.

On a conference call yesterday Mark Leuchtenberger, chief executive of Targanta, admitted that the company was very surprised with the markedly different response from the FDA in its complete response letter, particularly over the safety issues, none of which had been raised in the briefing documents or in any previous meetings with the FDA.

He added that the company is determined to press on, although admitted that raising the funds will be hard. "The challenge is finding the capital in this environment, so we will be open to solutions to get this drug across the finish line," he said.

Struggle to fill ambitions

Back of the envelope calculations suggest that the company is probably going to have raise at least $50m if it continues alone. Mr Leuchtenberger said he expects the cost would be similar to a phase II trial conducted recently with oritavancin in similar setting, which worked out at around $40,000 per patient. Recent cSSSI trials conducted by Theravance for Telavancin and Johnson & Johnson for ceftobiprole enrolled around 800 patients in their various phase III trials, so a trial of the same size at that cost per patient works out at $32m.

Cash will also be required to run the company at the same time, and the trial could easily take around 18 months. Analysts expect the group to end 2008 with around $23m, equivalent to just over $1 per share, not far below the group's current stock price.

That is a pretty good sign that stock market investors are not interested in stumping up the extra cash. Mr Leuchtenberger said he would explore all options to bring the drug to market, but they appear to be limited. Unless a partner can be persuaded the drug has a future, Targanta is going to struggle to fulfil that ambition.