

Snippet roundup: Enteromedics Reshapes itself and Endocyte hits the heights



[Elizabeth Cairns](#)

Welcome to your weekly roundup of EP Vantage’s snippets – short takes on smaller news items.

This week, October 2 to 6, 2017, we had thoughts on the following: Enteromedics buys a deflated balloon company; Endocyte bets PSMA is the way forward; Seres still seeking microbiome answers; Abbott closes the slowest megamerger ever.

These snippets were previously published daily [via twitter](#).

Enteromedics buys a deflated balloon company

October 4

In snapping up Reshape Medical for just \$38m, adding the latter’s gastric balloon to its obesity device portfolio, it would appear that Enteromedics has bagged a bargain. But there is a reason Reshape was going for a song: it emerged two months ago that two patients who had received Reshape’s balloon, designed to occupy space in the patient’s stomach to limit the amount they eat, had died. While the FDA stated that there was no definite causative link between the devices and the deaths the reports do seem to have done some reputational damage. Reshape is private but the other company named by the FDA, Apollo Endosurgery, lost a quarter of its valuation. Enteromedics, whose own obesity therapy is a neuromodulator, Maestro, paid \$5m cash plus 2.4 million shares and nearly 188,000 series C convertible shares. The stock shares are worth about \$4.2m and the convertible shares \$33.6m after conversion. Enteromedics’ stock rose 12% yesterday to close at \$2.01 but has lost 7% of that value in the pre-market. Enteromedics’ owners may be greeting the news with equanimity but Reshape’s are unlikely to be so placid – the sale price is just half the amount they have invested over the last decade.

ReShape's VC funding

Financing Date	Financing Round	Investment (\$m)	Investor Name
August 26, 2015	Series D	38.0	HealthCor Partners
			Endeavour Vision
			New Leaf Venture Partners
			SV Life Sciences
			US Venture Partners
			Venture Investors
October 19, 2012	Series C	15.0	New Leaf Venture Partners
			SV Life Sciences
			US Venture Partners
October 27, 2008	Series B	20.0	New Leaf Venture Partners
			SV Life Sciences
			US Venture Partners
August 22, 2007	Series A	3.0	New Leaf Venture Partners
			SV Life Sciences
-	Undisclosed	-	Venture Investors
	Total	76.0	

Source: EvaluateMedTech.

Endocyte bets PSMA is the way forward

October 3

Is the radioligand drug 177Lu-PSMA-617 a \$94m product? That is the calculation made yesterday by Endocyte investors, who pushed shares in the woe-beset company up 157% yesterday on news that the group had in-licensed the asset for prostate cancer from private German company ABX for \$12m up front and up to \$160m in potential milestones. Last seen crashing to earth with vintafolide’s failure three years ago at Esmo, Endocyte has been in early stage development of the small molecule-drug conjugate EC1169 and a CAR-T therapy but

was trading at cash levels before yesterday's deal was announced. The deal with ABX gives it an asset it describes as phase III ready, which could make it the only late-stage project targeting prostate specific membrane antigen in the pipeline. It is not the only project using targeted delivery of short-range beta-emitting radioactive isotope lutetium (177Lu), as ATL101 uses the same strategy with a monoclonal antibody as opposed to a ligand. Endocyte, which also has a separate PSMA inhibitor in EC1169, is going up largely against its peers in the PSMA targeting space, although Amgen/Bayer and AstraZeneca have phase I assets.

The PSMA-targeting pipeline

Product	Company	Mechanism
Phase II		
177Lu-PSMA-617	Endocyte	Anti-PSMA radioligand
ATL101	Telix Pharmaceuticals/Atlab pharma/Abzena	Anti-PSMA MAb-lutetium Lu-177 conjugate
Mipsagargin	Inspyr Therapeutics	PSMA inhibitor
PSMA Viral-Vector Vaccine	AlphaVax	PSMA vaccine
Phase I		
Pasotuzumab	Amgen/Bayer	Anti-PSMA & CD3 bispecific MAb
APVO414	Aptevo Therapeutics	Anti-PSMA & CD3 bispecific MAb
CAR-T 2	Sorrento Therapeutics/CHA Bio & Diostech	Anti-PSMA cell therapy
MEDI3726	AstraZeneca	PSMA MAb-pyrrolobenzodiazepine (PBD) conjugate
INO-5150	Inovio Pharmaceuticals	PSA and PSMA vaccine
EC1169	Endocyte	PSMA inhibitor
131I-MIP-1095	Progenics	anti-PSMA Iodine-131 conjugate

Seres still seeking microbiome answers

October 3

Seres Therapeutics and microbiome-based therapies have had another setback, but the company is pressing ahead. Seres tried to put a positive spin on phase Ib results with SER-287 in ulcerative colitis, but investors sent its stock down 23% yesterday after the study failed to show a clinical response, a secondary endpoint. Chief executive Roger Pomerantz pointed to a high placebo response on this measure, and noted a benefit on the "more objective" secondary endpoints, endoscopic improvement and remission; the latter is preferred by the FDA as the primary endpoint for registration trials. Mr Pomerantz also highlighted "whistle-clean" safety compared with approved ulcerative colitis drugs. Still, the data leave unanswered questions about the microbiome approach, which previously took a blow with the failure of a phase II trial of Seres' lead product, SER-109, in *Clostridium difficile*. The big test will come with phase III data from the Ecospor III study of SER-109, due in 2019.

Seres Therapeutics' pipeline

Project	Indication	Status	Trial	Data due
SER-109	Recurrent <i>C difficile</i>	Phase III	Ecospor III, NCT03183128	2019
SER-287	Ulcerative colitis	Phase I	NCT02618187	Reported
SER-262	Primary <i>C difficile</i>	Phase I	NCT02830542	Early 2018
SER-301	IBD	Preclinical	-	-
SER-155	Prevention of GVHD post-transplant	Preclinical	-	-

Source: Company website

Abbott closes the slowest megamerger ever

October 2

Abbott is to complete the \$5.3bn acquisition of Alere 20 months after announcing it was to buy diagnostics group. Of all the acquisitions worth more than \$1bn ever agreed, this one has taken the greatest time to close – indeed, Abbott announced and closed a deal nearly five times larger, the purchase of St. Jude Medical for \$25m, within the period spanned by the Alere deal. Abbott's bid to acquire Alere has been little short of nightmarish, with the smaller group failing to file its annual reports for both 2015 and 2016 on time, withdrawing a coagulation test that was allegedly inaccurate and being the subject of two different fraud cases, one of which – still unresolved – led to Medicare coverage of its diabetes products being revoked. Abbott managed to lay the other fraud case to rest on Friday, when the US Department of Justice closed its investigation into Alere's sales practices. The day before, Abbott said it had paid \$13m to settle with the SEC over allegations of improper revenue recognition practices at foreign subsidiaries. Abbott has divested a blood gas testing system to Siemens and its heart function testing system to Quidel in order to close the deal; investors could be forgiven for wondering if it was worth it.

The slowest-to-close billion-dollar deals ever

Acquirer	Target	Value (\$bn)	Closing date	Time taken to close (yrs)
Abbott Laboratories	Alere	5.3	October 3, 2017	1.7
Ball	Rexam	6.1	June 30, 2016	1.4
Zimmer Biomet	Biomet	14.0	June 24, 2015	1.2
Johnson & Johnson	Synthes	19.7	June 14, 2012	1.1
Steris	Synergy Health	1.9	November 2, 2015	1.1
Wright Medical Group	Tornier	3.3	October 1, 2015	0.9
Siemens	Dade Behring	7.0	November 6, 2007	0.8
Thermo Fisher Scientific	Life Technologies	13.6	February 3, 2014	0.8
Canon	Toshiba Medical Systems subsidiary of Toshiba	6.0	December 19, 2016	0.8
Sirona Dental Systems	Schick Technologies	1.9	June 20, 2006	0.7

Source: EvaluateMedTech.

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