

## Almirall spots an opportunity



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### **The Spanish group shows again that there is a future in dermatology, but its Allergan deal really depends on the fate of one asset.**

Judging by Almirall's breathless announcement on the one hand and Allergan analysts' tepid reaction on the other, dermatology is too insignificant a segment for big players, but in the right hands it can still present a speciality group with a compelling opportunity.

The companies struck an acne-focused deal on Friday that Almirall expects to transform its offering in this area, building its US presence and making dermatology a franchise that accounts for 45% of its total sales. *EvaluatePharma* data suggest that the move hinges on one key asset – undoubtedly something not lost on the former Allergan execs who had already found a home at the Spanish group.

Key among these will have been Bhushan Hardas, Almirall's chief scientific officer. Until March 2017 Mr Hardas had served as chief medical officer of Allergan's dermatology and medical aesthetic segment, and will have had exhaustive knowledge of the portfolio Almirall has now acquired for \$550m.

Of course, the Spanish group already has a dermatology focus, marketing the psoriasis drug Verum, holding ex-US rights to the anti-IL-23 MAb Ilumya and [collaborating with Athenex](#) on development of the novel actinic keratosis project KX2-391.

It is the expected US launch of KX2-391 that Almirall gave as a key reason for Friday's acquisition of five Allergan assets, which it says will enable it to expand its US sales presence so KX2-391 can hit the ground running once launched.

That said, it is hard not to see the deal as a relatively low-risk bet on just one asset – Allergan's Seysara, an oral narrow-spectrum tetracycline antibiotic for acne. Seysara is the only one of the quintet still to have patent protection, and is due a US FDA decision on approval in October.

The rest of the Allergan portfolio has an NPV of around \$450m, based on *EvaluatePharma's* consensus of sellside forecasts. This is just \$100m short of what Almirall is handing across, making the deal look attractive for the Spanish group given that Allergan had effectively given up promoting these drugs.

The real upside, however, will come if Seysara secures approval, since this asset's NPV stands at \$228m.

## Allergan dermatology drugs bought by Almirall for \$550m

Product	Sales (\$m)		Status	Mechanism	Formulation, indication	NPV (\$m)
	2017	2024e				
Aczone (dapsones)	174	19	Came off patent Sep 2016	Cox inhibitor	Topical, acne	82
Tazorac (tazarotene)	66	23	Came off patent Jun 2011	Retinoid	Topical, acne & plaque psoriasis	130
Azelex (azelaic acid)	60	60	Came off patent Sep 2000	Alpha 5 reductase inhibitor	Topical, acne	191
Cordran (fludroxycortide)	26	20	Off patent	Corticosteroid	Tape, dermatoses relief	50
Seysara (sarecycline)	0	70	US filing accepted Dec 2017	Tetracycline	Oral, acne	228
<b>Total</b>	<b>326</b>	<b>192</b>				<b>681</b>

Source: EvaluatePharma.

The facts as they stand suggest that Seysara is approvable. Two virtually identical double-blind pivotal trials met their 12-week co-primary endpoints, improving absolute inflammatory facial lesion counts and investigator-assessed success measures according to a five-point scale versus placebo.

Still, forecasts have been scaled back noticeably. In 2015 Allergan was touting the drug as a \$250-500m seller at peak, and last year Leerink still saw \$250-300m; on Friday Almirall said it expected peak Seysara sales of just \$150-200m.

Perhaps this reflects the difficulty antibiotics have faced in the market. Allergan's Seysara partner, Paratek, separately owns a structurally similarly broad-spectrum antibiotic, omadacycline, which has had a long development history and faces a US adcom this week for treating community-acquired bacterial pneumonia and acute bacterial skin and skin structure infections.

However tough the reimbursement and other aspects of this market might be, dermatology continues to attract interest from mid-sized players; last week [Leo Pharma paid an undisclosed amount for Bayer's prescription dermatology portfolio](#), which includes drugs for treating acne, fungal skin infections and rosacea.

On Friday Almirall called the Allergan move "transformational", while Stifel analysts, covering Allergan, said it was an "on the edge" divestment without meaningful strategic value. They could both be right.