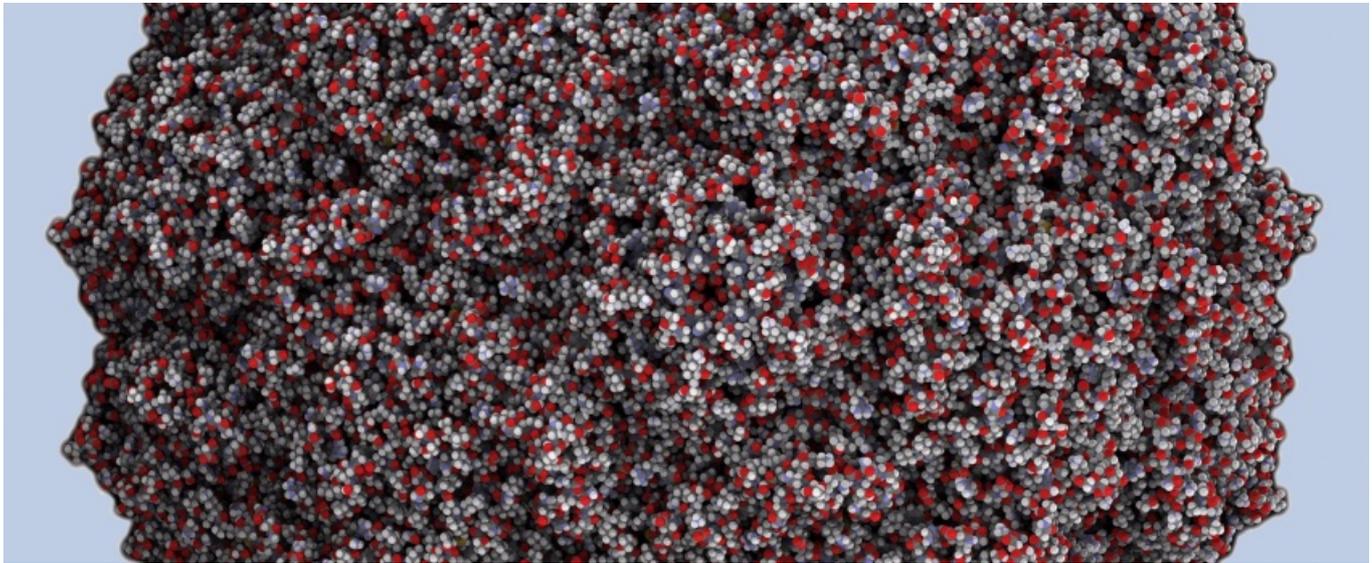


## Oncolytics prepares to tap US investors



[Jacob Plieth](#)



### **The tiny biotech has wasted no time in jumping on the oncolytic virus deal-making bandwagon, but dilution is nevertheless still likely.**

In 2013 the sellside reckoned that Oncolytics Biotech's lead asset, the oncolytic virus Reolysin, would be selling over \$1bn in 2018. But after a pivotal trial failure the asset is no nearer the market, any notion of it achieving blockbuster sales seems farfetched, and even the name Reolysin has been consigned to the scrapheap.

Still, it cannot be denied that interest in oncolytic virus approaches has grown, as evidenced by a recent flurry of acquisitions. Yesterday's business update from Oncolytics was short on detail, but the company unashamedly cited "increased partnering and acquisition activity", and touted the prospect of non-dilutive financing.

The vehicle that will give it the necessary exposure, Oncolytics believes, is the Nasdaq listing it secured in June, having previously only been traded in Toronto. With the attraction of US investor cash being thrown at biotech it is hard not to conclude that, for all the talk of non-dilutive financing - licensing or a trade sale - the reality of another equity raise is inescapable.

And what better to create a favourable environment for dilution than a Nasdaq-listed stock that is climbing on the back of M&A talk? Yesterday Oncolytics' chief executive, Matt Coffey, played up "strong interest from big pharma, [which is] beginning to realise that oncolytic viruses have blockbuster potential".

Investors should ask themselves why Oncolytics and its Reolysin asset, which has been tested in over 1,000 patients, effectively remains unpartnered, beyond three clinical trial collaborations. Meanwhile, preclinical oncolytic virus players like Viratherapeutics and Benevir have been snapped up for considerable amounts of cash.

## Selected oncolytic virus deals

Date	Source	Buyer	Deal type	Up-front (\$m)	Note
Sep 2018	Viratherapeutics	Boehringer Ingelheim	Acquisition	245	VSV-GP project, preclinical
May 2018	Benevir	Johnson & Johnson	Acquisition	140	Preclinical technology
Feb 2018	Viralytics	Merck & Co	Acquisition	394	Cavatak, phase II asset
Nov 2017	Oncolytics	Adlai Norte	Licensing	5	Far East development of Reolysin
Oct 2017	Turnstone Biologics	Abbvie	Licensing	Undisclosed	Ad-MG1-MAGEA3, phase I/II asset
Dec 2016	Ignite Immunotherapy	Pfizer	Acquisition	Undisclosed	50% stake
Dec 2016	Psioxus	Bristol-Myers Squibb	Licensing	Undisclosed	NG-348, preclinical asset
Dec 2016	Takara Bio	Otsuka	Licensing	Undisclosed	Japan rights to HF10
Nov 2016	Virttu Biologics	Sorrento	Acquisition	25 (equity)	Seprehvir, phase II asset
Jun 2016	Psioxus	Bristol-Myers Squibb	Licensing	10	Enadenotucirev, phase I collaboration
Jun 2015	Oncos	Targovax	Acquisition	Undisclosed	Structured as a 50/50 merger
Jan 2015	Omnis	Astrazeneca	Licensing	Undisclosed	VSV project, phase II
Nov 2013	Jennerex	Sillajen	Acquisition	Undisclosed	\$150m biodollar value
Jan 2011	Biovex	Amgen	Acquisition	424	Imlygic, approved for melanoma in 2015

*Source: company statements.*

On yesterday's call Oncolytics cited the potential of oncolytic viruses like Reolysin, which it now refers to by its generic name, pelareorep, saying they could inflame tumours, making them amenable to treatment with checkpoint inhibitor combinations.

Under non-exclusive alliances pelareorep is being tested with Roche's Tecentriq in various cancers, Merck & Co's Keytruda in second-line pancreatic cancer, and Bristol-Myers Squibb's Opdivo in multiple myeloma. The only trial Oncolytics is financing is an neoadjuvant breast cancer study in [collaboration with the academic research group Solti](#).

It cannot be denied that Merck's takeout of Viralytics, like Boehringer's move on Viratherapeutics, was preceded by collaborations, and Oncolytics seems to be hoping that it can replicate this trick. The goal is to "stimulate maximum partnering interest from big pharma", said Mr Coffey.

Another point in Oncolytics' favour is that pelareorep can be delivered IV, avoiding the complications of Amgen's Imlygic, which has to be injected directly into the tumour. And, as an RNA virus, pelareorep appears strongly foreign to the immune system, and so is particularly good at stimulating immune response, said Mr Coffey.

### Mixed

But clinical data have been mixed. Oncolytics for now is clinging to subgroup analyses of a small, open-label

study of pelareorep on top of paclitaxel in breast cancer. The trial's primary analysis showed a 40% reduction in risk of death favouring the active arm, but this was not statistically significant.

Earlier, of course, the failed phase III REO 018 study in head and neck cancer was subjected to an incomprehensible carve-up to tease out positive subgroups, losing pivotal status in the process. That was in 2013, and the following three years' soul-searching ended with the exit of the previous chief executive, Brad Thompson.

The company's next binary event is readout of the Solti collaboration trial, in the first half next year, and it accepts that news flow before this might be thin on the ground. Yet its current cash balance will not last beyond the end of 2019.

"Shareholders are sensitive to dilution," Mr Coffey said yesterday. Expect the stock to be punished if the deal strongly being hinted at fails to materialise.

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