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Diabetes trial results make life sweeter for CombinatoRx



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News that its phase II diabetes drug, CRX-401, managed to produce positive results in lowering blood sugar levels might be another step towards safety for the struggling biotechnology group that is currently trading below cash and facing calls from some investors to shut up shop and return its money to shareholders.

In a trial of 120 people CRX-401, a combination of bezafibrate and diflunisal, managed to reduce blood sugar levels more effectively than bezafibrate on its own. The drug has also shown to be able to do this without increasing weight gain. The positive results sent shares in CombinatoRx up by 19% in early morning trading to 82 cents.

If CRX-401 is successful, CombinatoRx is hoping to promote the drug as a treatment for newly diagnosed diabetics and those who have poor control over their disease.

Deal talks?

The group's loyal shareholders who have large stakes will welcome the news, after a string of clinical failures including the group's psoriasis drug CRX-191 and eczema drug CRX-197, as it provides evidence that combination drugs work better than the individual components on their own.

It might also be the catalyst for the group to sign a much needed partner to carry the drug forward into what will be very large and expensive phase III trials, a feat that CombinatoRx with \$39.2m in cash on its balance sheet and debts of about \$24m is certainly unable to achieve on its own.

The success of CRX-401 and the group's low looking market cap of \$28m mean that if a company is brave enough, rather than a licensing deal CombinatoRx might find itself contemplating a takeover offer. But it would have to be either a very bold suitor, considering the drug looked as if it was not going to show any statistical advantages over bezafibrate in the interim analysis of the data, or one with very deep pockets, to afford to take a roll of the dice based on CombinatoRx's low valuation.

Big Player

One big pharma company that has noticed CombinatoRx is Novartis. Earlier this month, the two groups signed a research collaboration to discover anti-cancer combination drugs. The deal involved both companies providing cancer compounds and CombinatoRx evaluating the potential success of the possible combinations using its proprietary high throughput screening platform and drug analysis software, Chalice.

As part of the deal CombinatoRx received a \$4m upfront payment, and promises from the Swiss giant to fund research for two years and pay up to \$58m in clinical regulatory and commercial milestones for every project that makes it to market.

These two pieces of good news came after the group was forced in November to cull its workforce by 65% in an effort to conserve costs. This came after a month after lead pipeline product, Snyavive, a phase II treatment for osteoarthritis of the knee, failed to show efficacy, causing the group's shares to lose over three-quarters of their value.

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