Evaluate Vantage

May 21, 2019

Aegerion’s poisoned chalice gives Amryt some distraction therapy

Jacob Plieth

Three years after being merged with QLT the Aegerion business is to be sold out of bankruptcy protection.

To understand today’s sale of Novelion’s Aegerion business to Amryt Pharma you have to go back at least five years to a disastrous $325m debt raise that effectively rendered Aegerion inoperable. Thus the crux of the proposed deal is that the division first has to be put into bankruptcy protection to wipe out most of the bondholders.

Operationally the all-stock move makes sense, since Amryt already held ex-US rights to Aegerion’s Lojuxta/Juxtapid, which it will now wholly own. If nothing else this will provide a handy distraction from Amryt’s lead asset, AP101, whose pivotal trial has suffered protracted delays and looks increasingly likely to fail.

It was Juxtapid that had set Aegerion on its downward spiral; after being launched in 2013 for homozygous familial hypercholesterolaemia the drug spectacularly failed to meet consensus forecasts, partly because use of PCSK9 inhibitors eliminated the first-line setting in this rare disease.

As a measure of how low Juxtapid expectations had fallen, Amryt managed to pick up ex-US rights without even paying Aegerion an up-front fee. If the latest deal goes through Amryt will enjoy global rights, eliminating future milestones and benefiting from reset expectations of a second-line setting in patients who have failed PCSK9 therapy.

Convertible pain

Along with Juxtapid Amryt will gain rights to a second marketed drug, Myalept, for generalised lipodystrophy. It was Myalept that Aegerion had bought from Astrazeneca in 2014 to shore itself up against Juxtapid’s poor performance.

However, Myalept, which Aegerion acquired for $325m, sold just $71m last year, and worst of all the purchase price was financed with a convertible bond. This crippled Aegerion and led to its $45m all-stock merger with QLT – another distressed entity – to form Novelion (*QLT and Aegerion put each other out of their miseries, June 16, 2016*).

Today’s proposed transaction, therefore, is a long-overdue exercise in tidying up Novelion’s appalling capital structure; the company, capitalised at little over $20m, ended the first quarter with $395m in gross debt.

It is fortunate, therefore, that Novelion will apparently be able to put only the Aegerion division into bankruptcy, rather than having to seek chapter 11 protection for the whole company. The group says 67% of its convertible bondholders have agreed to extinguish most of their rights in the bankruptcy proceedings.

It is not clear how much of a legal threat the remaining 33% pose. Presumably most bondholders thought that retaining some interest, which they will under the deal, was better than walking away empty-handed, which they might have done had Novelion been forced into a disorderly winding up.

Tidying up Novelion's capital structure			
Current interest…	**Value**	**…exchanged for**	**Value**
Aegerion 2% 2019 convertible	$302.5m	5% 2025 convertible	$125m
Aegerion bridge loan	$51.7m	Secured 5yr loan with 13% coupon	$81.9m
Amryt secured debt	€20m		
Novelion intercompany loan	$36m	New Amryt equity (nominal $31m)	8.1% stake
Novelion's remaining equity interest	NA	New Amryt equity	41.4% stake
New cash from investors	$60m	New Amryt equity (@20% discount)	19.4% stake
Amryt equity holders	NA	Retained Amryt equity	31.1% stake
		AP101 contingent value right	Future $85m

On an analyst call today Amryt stressed how familiar it already was with Lojuxta/Juxtapid, saying three members of its current senior management were former Aegerion employees.

According to *EvaluatePharma* sellside consensus Lojuxta/Juxtapid, Myalept and AP101 could generate 2024 revenues of $49m, $236m and $193m respectively, and next year Amryt expects $25-40m of cost savings from the deal.

Amryt had earlier told *Vantage* that Lojuxta's ex-US market opportunity amounted to $125m. However, Myalept's key US patent expires in 2026, while that of Juxtapid goes next year, leaving Amryt reliant on dosing IP.

The group also hopes that Aegerion's US infrastructure will help it launch AP101 for the rare skin disease epidermolysis bullosa – should its pivotal trial succeed (*Amryt awaits crucial readout as it prepares rare disease push, August 14, 2018*). Readout is now expected in 2020, a delay of well over a year; one delay was due to a requirement to increase the trial's enrolment by 25%, which usually implies lack of powering and is rarely a positive sign.

To be fair, with a relatively clean slate Amryt might make a better go of Juxtapid than Aegerion did. If nothing else this prospect should be welcomed by those investors who are already convinced that AP101 is a bust.