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Clovis equity investors overlook two elephants

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Rubraca has scored in an all-comers, first-line ovarian cancer maintenance setting, but Clovis has bigger problems.

Is Clovis saved? Judging by its stock price, at times up nearly 60% yesterday on the back of a positive readout of the Rubraca label-extension study Athena, you might think that all its previous troubles and missteps were behind it.

Unfortunately – for equity investors, at least – this is wide of the mark. It cannot be denied that the Athena result is highly promising, but Clovis comes late to the game here, and faces entrenched rival drugs from Astrazeneca/Merck & Co and Glaxosmithkline; moreover, its horrific capital structure means that it is effectively beholden to its debt holders.

Clovis is still heavily net loss-generating ($265m last year), and its balance sheet features $472m of net debt. Repaying its gross debt pile of $615m would require the raising of well over $700m in equity – a figure over twice as high as the company's market cap, which stood at $287m even after yesterday's stock closed up 22%.

Rubraca sales so far have disappointed. The drug is approved for late-line ovarian cancer maintenance, but this and two other uses have made it a distant follower to Astra/Merck's Lynparza and another Parp inhibitor, Glaxo's Zejula.

Highly competitive

In isolation, though, Athena suggests Rubraca to be a highly competitive Parp inhibitor. The trial tested it against placebo in front-line ovarian cancer maintenance, and on a cross-study basis the data seem to put it at least on a par with Lynparza and Zejula, Clovis revealed yesterday.

Most importantly for the group, Rubraca in this setting has scored in all-comers, and its progression-free survival benefit appears to be stronger than Zejula in the corresponding Prima trial. Only Zejula carries an all-comers label in front-line ovarian cancer maintenance.

Lynparza, meanwhile, is approved in first-line ovarian cancer maintenance, but only in genetically defined groups: BRCA-mutant disease as monotherapy, and in HRD-positive patients in combination with Avastin. Subgroup readouts from Athena also confirmed Rubraca to be active in these groups, which clearly drive the all-comers benefit, though importantly an HRD-negative cut also appears positive.

Cross-trial comparison of median PFS in 1st-line ovarian cancer maintenance			
	All-comers	**BRCA-mutant**	**HRD-positive**
Rubraca	20.2 vs 9.2 mth	NR vs 14.7 mth	28.7 vs 11.3 mth
	HR=0.52 (p<0.0001)	HR=0.40 (p=0.0041)	HR=0.47 (p=0.0004)
Trial	Athena		
Lynparza	–	NR vs 13.8 mth	37.2 vs 17.7 mth
	–	HR=0.30 (p<0.0001)	HR=0.33
Trial	–	Solo-1	Paola-1*
Zejula	13.8 vs 8.2 mth	–	
	HR=0.62 (p<0.0001)	–	
Trial	Prima	–	
*Note: *Avastin combo; NR=not reached. Source: company info & product labels.*			

Damningly, however, in a mid-2021 note to clients Leerink analysts wrote: “Rubraca has been a distant follower ... and risks becoming increasingly clinically irrelevant. We do not view the Athena trial, even if positive, as likely to tip the scale enough for Rubraca to gain traction in the first-line setting versus Lynparza and Zejula.”

Those who believe that good data will always win out in the end will hope that Clovis might be taken over by a big pharma partner with the necessary muscle to hit Rubraca’s two entrenched rivals. However, equity holders clinging to this view overlook Clovis’s ongoing financial woes, about which *Evaluate Vantage* has been cautioning for some time.

Given Clovis's huge gearing relative to market cap, the group's value resides mostly in its debt. A smart acquirer could simply buy the company’s debt; the equity value is destined to dwindle away as debt repayment or a crippling debt-for-equity swap loom.