Onyx comes through with Proteolix acquisition

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When Onyx Pharmaceuticals announced that it would be raising $300m back in August, it was only a matter of time before the group told the world that it had bagged itself an acquisition. Yesterday, the California-based company revealed that it would be buying privately owned Proteolix for up to $851m including milestone payments.

As predicted by EP Vantage the deal has been struck to give Onyx access to a relatively advanced candidate (Onyx signals appetite for deals, August 10, 2009). What appears to have attracted Onyx to Proteolix is the group’s phase II, second-generation proteasome inhibitor, carfilzomib, which is being developed in relapsed and refractory multiple myeloma (MM) and solid tumours.

The acquisition will importantly diversify Onyx’s pipeline, assuaging fears that the group is a one trick pony due to its dependence on kidney and liver cancer drug Nexavar. It also gives it a late stage asset with a large market opportunity. Yesterday, on a conference call Anthony Coles, Onyx chief executive, estimated that the blood cancer market could be worth up to $16bn.

Market approval

In a gratifying move for Onyx, investors who had initially back in August worried that the group might decide to conduct a value destroying acquisition voiced their approval of the deal by pushing Onyx shares up by 5% yesterday to $28.26, although they remain well below their price of $36.55 before the financing deal was announced.

What has got some investors applauding the deal is that Onyx has sensibly staggered the purchase, committing only $276m upfront, with future payments to follow, with $170m of the outstanding amount earmarked for the drug getting accelerated approval in the US.

Diversification of the pipeline is an important strategic move, because outside of Nexavar, which is forecast to generate royalties of $567m by 2014 for Onyx and sales of $1.35bn for partner Bayer, Onyx only has two phase II drugs, one phase I candidate and two pre-clinical treatments. However, the group is currently in dispute with partner Bayer of the rights to fluoro-sorafenib, a derivative of Nexavar. As such having a drug to which it has clear and sole rights will provide investors with guarantees about future development. Proteolix also brings two other drugs, an oral proteasome inhibitor and a selective inhibitor of immunoproteasome, which will also broaden the pipeline away from Nexavar.

But some credit must be given to Onyx for its efforts to wring as many possible indications out of Nexavar. Bayer and Onyx are funding an extensive discovery programme with trials ongoing in seven further cancer types, of particular interest is the recent progress in breast cancer, where data from a phase II trial in combination with paclitaxel is due in this half.

New addition to the family

Carfilzomib, however, is a sensible addition for Onyx, because so far the drug has managed to avoid the toxicity side effects that are common to proteasome inhibitors. The nature of multiple myeloma, where there are limited effective treatment options for patients, also means that if it is successful the drug could live up to the $1bn sales forecast that the Onyx management were yesterday optimistically ascribing to it.

The drug is currently being evaluated in a 250 patient phase IIb trial in relapsed and refractory multiple myeloma, with data expected in the second half of 2010; if positive this could be the basis of an NDA filing by the end of 2010. It is also due to start phase III tests in 2010 in combination with Revlimid and the anti-inflammatory steroid dexamethasone in the same indication.

The results of these critical trials will determine whether Onyx’s decision to spend all of its cash on one acquisition was the right one.