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TopoTarget delivers deal and delights investors

It might not have been the name that everyone was expecting, but the effect on TopoTarget’s shares after it announced it was out-licensing its most advanced product would have been more than welcome to investors in the Danish pharmaceutical company.

News that Spectrum Pharmaceuticals could be paying up to $350m for US and Indian rights to the company’s HDAC inhibitor belinostat sent Topo’s stock up by 73% over the course of last week. The bones of the deal will see the Copenhagen-based company receive an upfront payment of $30m and double digit royalties. Topo is also keeping its hand in with the product and has agreed to be responsible for 30% of costs for any future development.

This is a sensible move because although belinostat is currently being developed as a monotherapy for peripheral T-cell lymphoma (PCTL) like the whole HDAC class the drug is applicable in a variety of haematological and solid tumours and can be used in combination with other cancer treatments, meaning there could be more upside (Therapeutic focus - HDAC inhibitors gathering evidence of broader utility, September 11, 2009). What will be of interest are the results of the drug in a phase II trial of cancer of unknown primary site (CUP) in combination with carboplatinum and paclitaxel. Spectrum also believes that the product could be complimentary to its two cancer candidates Zevalin and Fusilev.

About time

Topo had been promising a partner since it bought the full rights to the drug from partner CuraGen, which was forced to sell due to its financial situation in April 2008. The delay forced the company to raise DKr133m ($26m) in a rights issue last July, which was enough get the drug to the point it is now, but there were doubts to whether the group could take the product all the way to commercialisation on its own.

As such the deal with Spectrum can be seen as key to pushing the drug forward. Sales of Topo’s only marketed product, Totect, were just $8m in 2008, and the group has consciously either put on ice or drastically reduced spending on its other development programmes to focus on belinostat; whether this deal was struck on the most beneficial terms for Topo is debatable.

Finding a partner may also help the group keep its development timeline on track in the future. Topo had been expected to report data from its phase III Belief trial and also file an NDA for belinostat by the end of last year, these are targets that the group now expects to hit in the first half of this year.

Hope for the others

Although it may not have been struck from the best position of strength, what the deal should also do is provide further validation of HDAC technology as a way of treating cancer following Celgene’s decision to buy Gloucester Pharmaceuticals last December for $640m, ostensibly to get access to Isodax, the group’s only product and the second ever approved HDAC (Gloucester delivers early Christmas present for investors with Celgene deal, December 7, 2009).

Investors were obviously of this mindset as shares in Pharmacyclics, one of the few other companies with an unpartnered HDAC, also saw its shares rise by 20% in the two days after Topo announced its deal. This could give the likes of 4SC hope that it too might see someone come knocking on its door for liver cancer drug 4SC-201.