Twenty months after raising £50m ($81m) to fund a pipeline-building buying spree, Kenneth Mulvany, chief executive of Proximagen, has not spent very much money. Of course in this age of austerity this is no bad thing and does not reflect a lack of progress: the company’s early-stage, CNS-focused pipeline has tripled in size since the financing with £48m still left in the bank.

Mr Mulvany admits it has been much more challenging than he expected to find decent assets, but also points out that spending on R&D has been much lower than anticipated, thanks to a couple of deals structured so partners pay the bills. What he would like to do next is move the company “closer to patients”, which would entail getting involved in later-stage programmes. Plans are afoot, he tells EP Vantage, although he wants to do something “much cleverer than paying out a lump of cash”.

Clever approach

A cleverer approach to early stage development has allowed Mr Mulvany to conserve Proximagen’s cash pile. For example US rights to epilepsy drug tonabersat were sold to Upsher-Smith Laboratories, with the requirement that Upsher conduct research to allow a European filing to take place as well. Proximagen has retained European rights to the phase I compound, which came with last year’s acquisition of Minster Pharmaceuticals.

“The upfront from Upsher Smith covered the acquisition cost for the asset and now they are developing the asset to a standard that we can use to support a filing. For Proximagen shareholders it’s a zero-risk proposition,” Mr Mulvany says.

Meanwhile phase II trials of a second epilepsy candidate, naluzotan, are being funded by the National Institute of Health. Mr Mulvany is particularly excited about this compound’s unique mechanism of action, and may consider taking it to market in certain territories.

“If not, then we’ll license out, but we will be able to license as a much more advanced programme,” he says.

“It hasn’t been a high degree of risk for Proximagen to advance these programmes. In this early stage of the company’s development we have to be a bit cleverer.”

Becoming harder

The company has revealed fifteen compounds it is working on in its chosen fields, addressing epilepsy, cognition, Parkinson’s disease and inflammation. Because demand on cash for R&D has been lower than expected, other programmes can be brought forward for out-licensing further down the line; rheumatoid arthritis candidates are being considered.

Further in-licensing deals are also on the cards, but Mr Mulvaney is in no hurry, saying interesting opportunities are becoming harder to find.

“We’ve looked at a lot of them already, and they are becoming harder to unearth. We’ve seen a lot of what is out there. As of last year we had looked at 160 different assets and opportunities and had executed on three.” A success rate that in an ideal world would have been higher, he says.

“We are still looking for acquisitions but we don’t feel driven because the pipeline is strong.”

Having a healthy cash pile is also useful when it comes to negotiations, he says. For example the deal struck with GlaxoSmithKline late last year over two CNS projects would not have been possible if Proximagen had not had been able to demonstrate it had the funds to take the projects forward.

“We would not even have got a seat at the table,” he says.

Later stage
Ultimately, Mr Mulvaney wants Proximagen to have products on the market, and that will entail taking on later-stage candidates.

“We want to be a company that’s marketing drugs, not a company that just flips drugs and becomes a feeder for big pharma,” he says. “But it becomes more challenging and more expensive to develop later-stage assets so we have to be clever about how we do it.”

This could involve swapping rights to an earlier-stage programme for a later-stage asset being developed by someone else. Proximagen could then build experience in sales and marketing in a smaller indication while its more novel agents, like tonabersat and naluzotan, advance through the clinic.

This would feasibly involve a bigger and more transformational deal than Proximagen has struck before.

“We are working on something that will be interesting if we can pull it off. There’s no need to do something but there is an opportunity,” he says. “We’ll have to do something cleverer than paying out a lump of cash; I don’t think that would be the right message to send out.”

**Rare beast**

Proximagen raised its £50m in the middle of 2009, selling shares at 140p to investors including Invesco, Landsdown Partners and Blackrock. Around 85% of the company’s stock remains in the hands of these long-term investors who are currently sitting on a small profit – Proximagen shares closed at 151p yesterday, valuing the firm at £87m.

In the last few weeks the company has become a rarer beast in its field – a UK-listed drug developer that is being assigned a greater value than its bank balance. This year alone has seen potentially fatal clinical calamities befall Antisoma and Renovo, the failure of promising late-stage candidates decimating the companies’ futures ([Renovo could be fatally wounded by trial failure, February 11, 2011](#)).

These companies had, essentially, all their eggs in one basket, something that Mr Mulvaney is clearly trying to avoid. But sooner or later more cash will have to be spent and greater risks shouldered to reap bigger rewards. In the meantime, however, while Proximagen’s fellow countrymen fall, investors will be appreciating Mr Mulvaney’s financial prudence.

“Our pipeline has tripled, we’ve partnered out three late-stage programmes and they are being funded by someone else, signed a deal with Glaxo, we feel like we’re executing on the plan, so I’m happy with where we are going,” he says.