Intercell's smart move for Iomai

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Intercell has finally decided to splash some of its not inconsiderable cash pile on the $189m acquisition of US-company Iomai, in an agreed deal that could make the Austrian company one of the biggest players in the travellers’ vaccine market.

The tie up will see Intercell pay for the acquisition with its shares and $119m from its cash reserves, that were sitting at an attractive $430m as of March 31. The price at $6.60 a share does not on the surface look cheap, given that before the announcement Iomai’s shares had been trading at $2.92, giving it a market capitalisation of $75m. But it appears that Intercell has netted itself a bargain according to the EvaluatePharma NPV Analyzer, which shows the company’s total value is $323m, based on consensus estimates from analysts.

Pricing aside, the group, which also reported narrowing first-quarter losses today on the strength of its vaccines programme, looked to have also landed itself a company with a very good strategic fit. Iomai’s three most advanced candidates, which include a vaccine for travellers’ diarrhoea and treatments for pandemic flu, slots perfectly into Intercell’s own development portfolio.

Good fit

Offering the travellers’ diarrhoea product with Intercell’s existing phase III Japanese encephalitis (JE) vaccine, Ixiaro, could allow that group to extend the use of the JE vaccine outside of its current focus of the US military and kick start its wider service for tourists, which the group estimates could be worth $1bn. Ixiaro is expected to receive regulatory approval by the end of this year.

But what many believe that Intercell has paid for, and judging from the final price, fought off competition for, is Iomai’s novel transcutaneous immunisation (TCI) technology. The approach uses a patch containing a powerful adjuvant that is fixed on skin over the site of an injected vaccine. The adjuvant passes across the skin and is carried to the lymph nodes, where it works to boost the patient’s immune response to the vaccine.

Vaccines themselves can also be transported directly through the skin, as in the case of Iomai’s travellers’ diarrhoea patch, which the company is hoping will tap into the estimated $750m market for the disorder.

Government interest

The TCI technology has already caught the eye of the US government, which last year awarded Iomai a $128m contract through the Department of Health and Human Services to develop it for use alongside vaccine shots for pandemic flu. In impressive phase I/II trials the patch was shown to boost the effectiveness of bird flu vaccines allowing full protection from one shot in 73% of patients.

The H5N1 vaccine is usually administered in two doses at between three and four week intervals. The ability of an adjuvant patch to cause effectiveness after one shot would in the event of a bird flu pandemic help to stretch supplies and cut down the time to complete a mass vaccination programme.

Alongside Iomai’s phase II pandemic flu TCI programme, the US group will also bring a phase II TCI treatment for the elderly, who tend to have low immune responses to traditional flu vaccines, as well as a phase I needle-free seasonal flu patch.

It is not only the US health authorities that are looking at the technology. Last month, the US Army Medical Research and Materiel Command (USAMRMC) awarded the group a grant worth almost $1m to perform preclinical work on a patch-based version of the anthrax vaccine that could be used as part of the biodefence stockpile programme.

But Gerd Zettlmeissl, Intercell chief executive, has indicated that the group will not be pursuing the programme, given the nature of government contracts that tend to change along with administrations.

Wider applications
With such an interesting technology that has wide applications, Intercell could now be well placed to increase the scope of its own partnering activities, which already include heavy hitters Novartis and Merck & Co, by offering vaccine makers a simple, non-invasive way of making their vaccines more effective.

The group’s own vaccine portfolio could be made more potent, as the use of TCI could cut the number of doses from its own JE vaccine down from two to one, potentially increasing take-up. Intercell is also keen to utilise TCI in its numerous hospital-acquired infection vaccines and its second most valuable product, a phase II hepatitis C vaccine.

Iomai’s platform technology could also tie into the group’s own vaccine boosting products, that includes the IC31 adjuvant, which got Novartis so excited that it signed a deal to use it in its own flu vaccines.

As such, it looks as if the traditionally cautious Intercell, whose shares climbed 6.5% today to a record high, has spent both well and wisely on this occasion.