Evaluate Vantage

October 28, 2013

Zogenix celebrates US opioid volte-face

Joanne Fagg

It is useful to be reminded that the disclaimer companies cite after US advisory panels – that the FDA is not obliged to follow such advice – is proved correct from time to time, but for the agency to go against a strongly negative vote is particularly unusual.

Yet this is precisely what has happened to Zogenix, whose extended-release hydrocodone formulation Zohydro ER on Friday got the US green light for treating pain after a stinging adcom rejection last December. FDA thinking about opioid drugs' abuse potential is clearly shifting – a fact not lost on investors in Zogenix's rival Pain Therapeutics.

While Zogenix stock leapt 36% on the decision to close at $3.04 on Friday, valuing the group at $311m, Pain was up 4%. Back in December the US adcom vote had gone 11-2 against approving Zohydro on concerns over its potential for abuse (*Event – Odds stacked against Zogenix's long-acting hydrocodone, May 30, 2013*).

Postmarketing commitment

This stance seemed at the time to be in line with the FDA's worries. But now the agency has struck out on its own, apparently convinced by Zogenix's risk-mitigation strategy and commitment to carry out postmarketing studies.

In what might be a coincidence, just a day before approving Zohydro the FDA said it would recommend reclassifying all hydrocodone/acetaminophen combinations from schedule III to the stricter schedule II. But Zohydro was always going to be a schedule II drug, and Zogenix boasts its status as the first approved extended-release hydrocodone without acetaminophen.

What this means for competitors is not clear, and the FDA's shifting stance on opioid drugs that have a high potential for abuse is confusing to say the least. In April the agency said it would not approve any generic forms of Oxycontin (oxycodone) that were not abuse-deterrent.

But shortly afterwards it surprisingly gave the go-ahead for generic versions of another widely abused opioid, Endo Health Solutions' Opana ER (oxymorphone), in forms that appeared to fall short of such a tamper-resistance requirement. The agency thus seems to view each opioid on its own merits, and Zogenix has stressed that hydrocodone is not oxycodone.

Still, Pain Therapeutics investors clearly see the FDA's stance shifting in favour of their company's oxycodone formulation Remoxy, and with Pfizer still on board as a partner their exuberance might be justified (*EP Vantage interview – Pain mulls path forward as Remoxy revived, October 25, 2013*).

Zogenix itself is working on an abuse-deterrent formulation of Zohydro with its partner Alkermes, seeking to add a tamper-resistance claim to the drug's label. The aim is to perform several clinical trials to bridge to the existing formulation, and be on the market with the new form within three years.

Cash call?

But the group's biggest worry right now is money; it finished the second quarter with just $16.1m in the bank, and although it has in place a controlled equity programme with Cantor Fitzgerald to raise up to $25m, this hardly seems like the ideal way to fund launch and further development.

Ideally Zogenix needs to sign up an experienced partner like Endo or Purdue Pharma, and says that it will make a decision on partnering or an in-house launch in "three to four weeks". Given the due diligence involved this does not seem nearly long enough to get a licensee to sign on the dotted line.

Either way launch will not take place before March 2014, and an in-house launch would require Zogenix to increase its headcount from 46 to some 160 reps. The cost of $225,000 per rep, plus that of an initial launch and risk-monitoring programme gives an idea of how much of a funding shortfall Zogenix faces.

EvaluatePharma consensus forecasts estimate Zohydro sales of $160m in 2018. Zogenix signing a quick and lucrative licensing deal represents a near-ideal scenario for the groups' investors, but they must also contend with the very realistic prospect of a dilutive equity raise.

To contact the writer of this story email Jacob Plieth in London at jacobp@epvantage.com or follow @JacobEPVantage on Twitter