

## Circassia emerges as one of the UK's most valuable life science companies



Amy Brown

Having completed a record-breaking £200m (\$332m) public offering and achieved a market value of £590m, the allergy drug researcher Circassia now ranks as one of the most valuable listed UK life science companies (see table).

Chief executive Steven Harris points to 16 completed clinical studies that he says have validated the company's platform technology and de-risked its strategy, and therefore help explain why the IPO was backed so enthusiastically. But with phase III data on its lead project not due until 2016, investors have quite a wait on their hands before they can judge whether this valuation is justified.

UK small-cap life science sector				
		Market cap (£m)	Fiscal 2013 revenues (£m)	Profitable in fiscal 2013?
1	BTG	2,106	234	Yes
2	Abcam	820	122	Yes
3	GW Pharmaceuticals	785	27	No
4	Synergy Health	772	361	Yes
5	Circassia	590	0	No
6	Vectura	509	30.5	No
7	Clinigen Group	438	123	Yes
8	Consort Medical	290	130	Yes
9	Advanced Medical Solutions	260	60	Yes
10	Tissue Regenix Group	185	0.05	No

Circassia's ranking in the table above is an impressive feat, considering some of its peers have long been generating sales, if not profits.

Strong equity markets - for biotech stocks and other industries - will inevitably have helped get investors on board, although Mr Harris believes the company's late stage of development was more important, prompting investors' willingness to dig deep now to take Circassia to the finish line.

"We did toy with lower sums but the feedback from the market was to raise the money you need to take the programmes through clinical development," he says.

"In the US, companies tend to raise a sum and then go back and raise some more in six or 12 months. In the UK they are not so used to you going back, and would prefer you to raise the cash and get on with it."

It is certainly true that secondary offerings - for various technical if not cultural reasons - are not as common in the UK as across the Atlantic. And the money Circassia has raised should get it pretty far. It believes it now has enough cash to get Cat-Spire, the cat allergy treatment that is its lead asset, to the market, and also to complete pivotal testing of projects for ragweed, grass and house dust mite allergies, and to develop other earlier-stage candidates to boot.

### In the pipeline

Demand from allergists partly prompted the decision to nominate Cat-Spire as the company's main focus, Mr Harris says. Unlike seasonal allergies, affected people suffer all year, and because cat allergens are found widely throughout the environment they are very hard to avoid.

A pivotal study is seeking to recruit 1,182 patients who have a moderate to severe reaction to cats, and who will receive four or eight injections of Cat-Spire, four weeks apart.

Compared with the months-long dosing schedules of currently available injected or sublingual allergy treatments, the advantages of Circassia's offering – should it prove successful – are clear ([Stallergenes and ALK-Abelló take a step closer to the US market](#), December 13, 2013).

To help gain reimbursement, the company is only pursuing moderate to severe patients with all of its projects. Currently available immunotherapies from the likes of Alk-Abello and Stallergenes are reimbursed for these patients, and Mr Harris does not see this as an issue for the future.

Previous studies have shown that its projects work better in more severe patients anyway, Mr Harris says. A 275-patient phase IIb trial of Circassia's ragweed project failed to show a statistical improvement in symptoms, but subgroup analyses revealed that more allergic patients responded much more strongly.

"We have learned many things as we've done these trials over the years, and one thing is that it's very difficult to show an effect in mild patients," Mr Harris says. "After that ragweed trial we applied what we had learned to our grass programme, and that hit all its endpoints. So we are pretty confident [about ongoing trials]."

### **Sit and wait**

Results from a 350-patient phase IIb study testing Ragweed-Spire in an environmental exposure chamber should become available in the first half of next year, and will be important to confirm that the treatment effect in moderate to severe patients can be seen in a predefined study.

But the all-important phase III data remain some way off. The planned pivotal programmes in ragweed, grass and house dust mites, which will seek to recruit thousands more patients, are not expected to start reporting until 2017 – 2019 for dust mites.

Circassia is about to embark on some very long-term projects that will test its ability to meet deadlines and budgets. The task of keeping recruitment on track alone will present a big challenge.

Still, with a little over 25% of the stock in free float, the minimum required for a full listing in London, and almost half the shares effectively controlled by Invesco, it is clear that Circassia has some well-entrenched backers. On its first day of trading today the stock saw little action; just before market close it was still at the 310p offer price.

For a public company living on such long timelines, Circassia needs the sort of investors willing to sit and wait.

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