Evaluate Vantage

July 02, 2014

Salix’s persistence pays off with IBS confirmation

Jonathan Gardner

The FDA might have a difficult time saying no to Salix Pharmaceuticals’ application to expand Xifaxan to irritable bowel syndrome (IBS) patients. The Target-3 trial was the product of reviews by both the agency and an advisory committee, so the fact that it succeeded augurs well for approval as a treatment for patients with the diarrhoea-predominant form of the condition (IBS-D).

The North Carolina-based group disclosed little beyond achieving the endpoint of IBS-related abdominal pain and stool consistency following repeat treatment, so of course there is potential for there to be a show-stopper in the data. However, Xifaxan's currently authorised use in hepatic encephalopathy and travellers’ diarrhoea should give investors confidence that there are no safety surprises to come.

Try and try again

Shares rose 14% yesterday to $140.02 on the announcement, and analysts began pushing price targets up above $150; no doubt an M&A thesis only becomes stronger with this news.

The confirmatory results were a long time coming – the first positive phase III data in this indication were reported in 2009. The FDA’s questions centred on repeat treatment with a 550mg dosage of the antibiotic and the effect it might have on the gut’s microflora, making patients vulnerable to other infections like *Clostridium difficile*.

Target 3 included several retreatment phases for responders, with up to four rounds of treatment to relieve symptoms – the efficacy analysis was conducted after a re-randomisation of responders into active and control arms.

Salix reported that, compared with placebo, Xifaxan 550 resulted in a statistically significant increase in the proportion of treated subjects who responded to repeat treatment as assessed by the composite primary endpoint of IBS-related abdominal pain and stool consistency during the 4-week treatment-free follow-up period.

EvaluatePharma’s consensus forecasts sales of $1.79bn in 2020, with IBS-D accounting for 16% of this total. With analysts pushing up price targets it would not be surprising to see the number change in the near future; in initiating coverage last week, analysts from Canaccord suggested that IBS-D should make Xifaxan a $2bn product.

Two types

Competition in IBS has focused on the constipation-predominant form of the disease, with Actavis’s Linzess, acquired with Forest Laboratories, and Synergy Pharmaceucticals’ plecanatide bidding to control this space.

Actavis’s acquisition also brought on board the IBS-D drug eluxadoline, which Forest had acquired with its takeout of Furiex in the midst of the Actavis transaction (*Forest bids to dominate both ends of IBS market, April 29, 2014*). That drug reported its own pivotal data in IBS-D in February, so the race could be on to dominate this market. Actavis has a significant sales force, so Salix will need to be ready to deploy its own army of representatives, recently swelled by the Santarus buy (*Salix plays the long game with $2.6bn Santarus swoop, November 8, 2013*).

Xifaxan demonstrates that sometimes it takes a while for a drug to prove itself fully. It is a lot easier to be patient, however, when one is on track to be a blockbuster regardless of the outcome of trials in new indications.

Study	Trial ID
Target-3	NCT01543178

To contact the writer of this story email Jonathan Gardner in London at jonathang@epvantage.com or follow @JonEPVantage on Twitter