Evaluate Vantage

September 30, 2014

J&J hangs in hep C game with $1.8bn Alios takeout

Amy Brown

Johnson & Johnson's announcement of the $1.8bn buyout of privately-held Alios Biopharma played up the group's mid-stage antiviral projects in respiratory syncytial virus (RSV) but was surprisingly quiet on what could be a more significant asset – a phase I-ready hepatitis C nucleotide analogue.

With its second-generation hep C protease inhibitor Olysio forecast to fizzle almost as spectacularly as the first-generation Incivek and Victrelis, J&J is in need of new candidates to justify its investment in the space. So while the promise of Alios's RSV candidate can partly explain this move, its much earlier stage hep C pipeline surely played a big role.

Big bucks, early stage

The most-advanced project that the $1.8bn all-cash offer brings to J&J is the RSV antiviral, a not-insignificant space in which the biggest-selling treatment, Synagis, is of limited effectiveness (see table). A fair amount of research is underway in the field and Alios' ALS-8176 represents one of the most advanced in phase II; it recently reported encouraging data from a small trial and data from a larger, 169 patient study is due late 2015.

More intriguing is Alios' presence in hep C, however. The California-based group recently outlined preclinical data on its wholly owned nucleotide AL-335 at a special AASLD/EASL meeting in New York. This was the first big public reveal of this project, so could well have served as a pivot point for partnership and M&A talks; Alios has announced plans to advance it into phase I in the fourth quarter.

A look into Alios's pipeline

	Product	Pharma Class/Indication	Trial ID
Phase II	VX-135 (Vertex WW rights)	Anti-HCV nucleotide analogue	NCT01590407; NCT02094365
	ALS-8176	Anti-RSV nucleoside analogue	NCT02094365
Pre-clinical	HCV Backup Program (Vertex option)	Hepatitis C polymerase inhibitor	
	AL-8112	Anti-RSV nuc, parenteral	
	ALS-8176	Earlier work in hMPV and PIV	
	AL-335	Anti-HCV uridine-based nucleotide analogue	
	AL-516	Anti-HCV guanosine-based nucleotide analogue	
	Rhinovirus	Anti-rhinovirus nuc	
	RSV	Non-nuc inhibitor	
	Influenza	Anti-influenza non-nuc inhibitor	

Source: EvaluatePharma and company website

While this represents an incredibly early stage project to justify a billion-dollar transaction, the hep C field has

been a driver of the biotech bubble. J&J may very well have missed on out several opportunities to lock up new agents, like Idenix and Pharmasset, which went to Merck & Co and Gilead Sciences respectively.

In the red-hot hep C race, J&J stands out as a company that has managed to successfully launch a product. Yet Olysio is currently forecast to peak in sales this year at $2.3bn and shrink to $83m in 2020.

With so much M&A in the hep C space, high-quality complimentary agents are hard to find, and Alios's talents in nucleotide-based antivirals made it a good target – it has a second pre-clinical hep C asset in AL-516. These agents could give J&J a fighting chance at being the pharma company that comes up with the hep C holy grail, an all-oral regimen that can rid most patients of the virus in less than 30 days.

The deal also made for a good payday for the venture capital backers of Alios, who had invested just $73m since 2009 – those backers just happen to be the corporate funds of Novartis, Roche, GlaxoSmithKline and Novo A/S.

Accelerated development

The last couple of years of hep C drug development have shown that a promising new agent with no safety worries can be brought to market very quickly. So if AL-335 passes through phase I testing looking clean on safety, it would not be surprising to see it in pivotal trials in 2016.

Talking of safety, there is also the matter of Alios' existing clinical-stage hep C drug, the Vertex Pharmaceuticals-partnered VX-135, which has run into liver safety issues. In 2011 Vertex paid $60m upfront for worldwide rights to ALS-2200 – now VX-135 – and a second nucleotide analogue, ALS-2158, which was abandoned the following year.

Both had yet to enter the clinic and the now fading hep-C player agreed to pay all development costs as well as provide research funding to Alios, in return for an option over additional compounds emerging from the programme.

As part of its reinvention as a cystic fibrosis company, Vertex recently announced plans to outlicense VX-135; it is not clear whether its deal gives it right of first refusal to AL-335 or AL-516, but if so assumedly it is also not interested in these assets.

Not coincidentally, J&J and Vertex have already tested VX-135 and Olysio in a non-exclusive arrangement. So if this is indeed a hep C play, a likely next step is a renegotiation with Vertex. J&J may need to disencumber itself of this partnership before the Alios deal can provide Olysio with a nucleotide counterpart.

To contact the writers of this story email Jonathan Gardner or Amy Brown in London at news@epvantage.com or follow @JonEPVantage or @AmyEPVantage on Twitter