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## QLT and Aegerion put each other out of their miseries



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It is not clear which is the bigger surprise: that QLT has agreed to take on the poisoned chalice of Aegerion, or that both companies' share prices surged when the all-stock move was announced yesterday.

True, QLT has had plenty of problems of its own, but buying Aegerion takes it out of the frying pan and into the fire. The Canadian group might have done better simply to throw in the towel and give \$100m of cash back to shareholders, but since 80% of its value has been wiped out over three years investors probably think that they have little to lose at this point.

During those three years both QLT and Aegerion – down 98% – have lurched from one disaster to another. It is hard to see how the combination into a single group, to be called Novelion, will solve either company's problems.

### Sum of its parts

Leerink analysts reckon that Novelion will be stronger than the sum of its parts, which looks like damning the company by faint praise.

The rationale is that QLT's cash balance and lead pipeline asset, Zuretinol (QLT091001) for the orphan condition inherited retinal disease, would have a bright future in a combined group that also comprises Aegerion's ailing marketed drugs Juxtapid and Myalept.

However, investors should be wary of the liabilities that QLT is taking on: \$40m needs to come out to pay a [US fine for illegal marketing of Juxtapid](#), a remarkable \$325m convertible debt, taken out to buy Myalept from AstraZeneca, remains on the books, and a separate \$25m loan with Silicon Valley Bank is in default, with renegotiation talks continuing.

Were it not for its share price collapse it might seem as though Aegerion is getting the better end of the deal. Novelion will also benefit from a reduced corporate tax rate thanks to its Canada domicile, though management stressed that this was not a key driver of the deal, and anyway profitability is not something Novelion needs to worry about just yet.

The combined group is to be run by Aegerion's recently appointed chief executive, Mary Szela, who called Novelion an "opportunity for a fresh start". Aegerion's reputation was in tatters after [revelations about its former chief exec, Marc Beer](#), and the flop of its homozygous familial hypercholesterolaemia drug Juxtapid.

Juxtapid once carried consensus 2020 sales expectations of \$907m, but these now stand at just \$172m, *EvaluatePharma's* archived forecasts indicate. And just how desperate Aegerion's finances had become is illustrated by the fact that QLT is lending it up to \$15m until the takeover closes.

## Parallel disasters

Date	QLT	Aegerion
Nov 2013		US FDA warning letter accuses CEO Marc Beer of making exaggerated claims for Juxtapid on a TV programme
Feb 2014		Juxtapid sales disappoint after first year on the market
Jun 2014	QLT to be bought by Auxilium	
Oct 2014	Auxilium deal terminated when Endo buys Auxilium	
Nov 2014		Debt-financed purchase of AstraZeneca's Myalept for \$325m
Dec 2014	CFO Sukhi Jagpal leaves	
Jun 2015	QLT agrees to buy InSite Vision	
Jul 2015		CEO Marc Beer leaves
Nov 2015	InSite deal terminated when Sun Pharma outbids QLT	Breach of covenants puts Aegerion's \$25m Silicon Valley loan in default
Dec 2015	QLT sues Valeant alleging non-payment of \$5m milestone	
Feb 2016	Pozen and Tribute merge to form Aralez, backed by \$45m QLT investment	New CEO Mary Szela cuts 25% of Aegerion's workforce
May 2016	Aralez 40% stock decline leads to QLT writeoff	Guilty plea to illegal marketing charges, Aegerion to pay DoJ \$40m
Jun 2016	QLT to buy Aegerion in \$45m all-stock deal	

If Aegerion's problems centred on Juxtapid and capital structure, QLT's had to do with repeated failed attempts to buy other businesses or get bought itself ([Salix and Auxilium reveal an anti-chain in overdrive, September 23, 2014](#)).

The collapse of Aralez equity within weeks of QLT buying a \$45m stake in this new entity, the result of [merging Pozen and Tribute Pharmaceuticals](#), just added insult to injury.

Yesterday's takeover gives Aegerion shareholders QLT stock worth around \$45m, and will also see a syndicate pump \$22m into the combined business. If one thing is for sure it is that this will not be Novelion's last equity raise.