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Deal Watch: Six Small Biopharma Mergers Reflect Recent Trend

by Joseph Haas

M&A edition: Mergers by Century/Clade, Eliem/Tenet, Kintara/TuHURA, Aditxt/Appili, Onconova/Traws and Apotex/Searchlight follow other companies joining forces in a tight cash environment.

Scrip regularly covers business development and deal making in the biopharmaceutical industry. Deal Watch is supported by deal intelligence from Biomedtracker.

In this edition of Deal Watch, we highlight an ongoing trend, in which typically smaller and cash-challenged biotechs join forces – sometimes pursuing a research and development plan consisting of a portion of each firm's pipeline, other times a reverse merger in which a privately held firm goes public by acquiring the shell of a failed publicly traded company.

The industry saw six such mergers of smaller companies in recent weeks as an environment of restricted financing availability affected many biotechs. (Also see "*Finance Watch: Stark Contrast As Big FOPOs Reach Market, Other Firms Cut Costs*" - Scrip, 7 Dec, 2023.) This edition of Deal Watch is intended as a supplement to the recent edition that captured licensing and partnership activity within the biopharmaceutical sector in recent weeks. (Also see "*Deal Watch: AbbVie Teams With MedinCell On Long-Acting Injectables*" - Scrip, 18 Apr, 2024.)

Century Builds In Autoimmune Disease With Clade Takeout

Century Therapeutics, Inc. which cut staff by 25% in a January 2023 portfolio prioritization effort, said it will enhance its opportunities in the autoimmune space through the proposed acquisition announced on 11 April of privately held *Clade Therapeutics*. (Also see "*Finance Watch: Sun Shines On Biotech Stocks As J.P. Morgan Ends*" - Scrip, 12 Jan, 2023.) Philadelphia-based Century will pay $35m up front – a mix of cash and stock, with the common shares issued at a premium. Clade shareholders also will be eligible for a clinical milestone payment of $10m.

Formed in 2019 to develop off-the-shelf, next-generation stem cell-based medicines, Clade said its platform technology “cloaks” human pluripotent stem cells and their adult derivatives enabling the development of immune-compatible cell-transplantation therapies.

Through the acquisition, Century will obtain three preclinical-stage programs from Clade’s αβ iT platform spanning across cancer and autoimmune diseases. Candidates include CLDE-308, an αβ iT cell program targeting CD19 in autoimmune disease and B-cell malignancies; CLDE-361, an αβ iT cell program targeting BCMA in myasthenia gravis; and an undisclosed iT cell-focused research program in solid tumors.

Eliem Acquires Tenet Medicines In Stock Deal

Eliem Therapeutics, Inc., which grossed $92m in an October 2021 initial public offering, agreed on 11 April to acquire privately held Tenet Medicines, founded in 2003 with a focus on therapeutics for autoimmune-driven inflammatory diseases. (Also see "*Finance Watch: Big Bucks For T-regs In Autoimmune Diseases, Inflammation*" - Scrip, 13 Aug, 2021.) The all-stock transaction is calculated to result in Eliem shareholders owning 85% of the new company, with Tenet shareholders owning the remainder. The transaction has been approved by each company’s board and is expected to close during the middle of 2024.

The combined company plans to focus on advancing Tenet's TNT119 (budoprutug), an anti-CD19 antibody, designed for a broad range of autoimmune diseases, including systemic lupus erythematosus (SLE), immune thrombocytopenia (ITP) and membranous nephropathy. TNT119 is expected to enter Phase II for SLE and ITP in the second half of 2024.

In support of the acquisition, Eliem entered into a concurrent agreement for a $120m private placement of common stock. Following the closing of both transactions, the combined company expects a cash position of approximately $210m, which Eliem said should be sufficient to fund planned operations into 2027 and to enable attainment of key clinical and development milestones for TNT119. (Also see "*Finance Watch: Ten IPOs So Far In 2024, But Returns To Date Are Subpar*" - Scrip, 15 Apr, 2024.)

TuHURA Acquires Kintara, Developing Potential Keytruda Competitor

Kintara Therapeutics and TuHURA Biosciences agreed on 3 April to an all-stock reverse merger intended to create a company that will advance a risk-diversified, late-stage oncology pipeline. TuHURA shareholders will own 97.15% of the combined company, while Kintara equity holders could see their anticipated 2.85% stake increase to a 5.45% share if a contingent value right included in the deal is realized.

Kintara had only $0.2m in cash at the end of the third quarter of 2023 and said it would evaluate strategic options to maximize shareholder value. (Also see "*Finance Watch: Though Flush With*

Cash, Theseus Seeks Alternatives, Gets Two Quick Offers" - Scrip, 27 Nov, 2023.)

TuHURA also unveiled a $31m subscribed financing in connection with the merger agreement. The combined company will focus on advancing TuHURA's personalized cancer vaccines and first-in-class bifunctional antibody-drug conjugates, two technologies that seek to overcome obstacles that limit the effectiveness of current immunotherapies in treating cancer.

TuHURA was formed in 1993 to overcome obstacles to cancer immunotherapy's ability to treat and cure cancer. Its Immune Fx (IFx) technology utilizes a proprietary plasmid DNA (pDNA) or messenger RNA (mRNA) which, when introduced into a tumor cell, results in the expression of a highly immunogenic bacterial protein (emm55) on the surface of the tumor cell, TuHURA said. The company has developed IFx-2.0 as an adjunctive therapy with *Merck & Co., Inc.*'s PD-1 inhibitor Keytruda (pembrolizumab) for treatment in patients with Merkel cell carcinoma, and is readying the candidate for Phase III trials.

Aditxt Looks To Acquire Appili Following Prior Deal For Evofem

Virginia-based *Aditxt, Inc.*, which agreed to acquire women's health-focused *Evofem Biosciences, Inc.* in a stock transaction this past December, inked an agreement on 2 April to acquire *Appili Therapeutics Inc.* Aditxt will acquire all issued and outstanding Class A common shares of Appili through a court-approved plan of arrangement under the Canada Business Corporations Act.

Appili shareholders will own approximately 19.99% of the issued and outstanding Aditxt shares under the agreement, which is subject to the approval of Appili shareholders at a special meeting expected to be held before the end of the second quarter of 2024. The transaction also is conditional upon Aditxt raising at least $20m in financing prior to closing.

Nova Scotia-based Appili was founded in 2015 to focus on infectious disease and medical countermeasures, including the US Food and Drug Administration-approved Likmez (ATI-1501) for the treatment of trichomoniasis and anaerobic bacterial infections in adults and amebiasis in adults and pediatric patients. Appili is also developing ATI-1701, a live attenuated vaccine for *francisella tularensis*, and ATI-1801, a topical formulation for cutaneous leishmaniasis in Phase III. ATI-1701 has secured $14m in non-dilutive funding from the US Department of Defense to advance development, manufacturing and regulatory activities.

Reverse Merger Creates Virology, Cancer-Focused Traws Pharma

Troubled *Onconova Therapeutics, Inc.* and privately owned Trawsfynydd Therapeutics agreed to merge on 2 April, forming Traws Pharma, a public virology and oncology company.

Onconova issued 3.66 million common shares and 10,400 newly issued Series C non-voting convertible shares. In a related $14m private investment in public entity (PIPE) financing carried out by Traws, investors OrbiMed and Torrey Pines received 496,900 common shares and 1,600

Series C preferred shares. Resulting ownership in the new company will come out to 75.7% for Trawsfynydd, 13.7% for Onconova and 10.6% for new investors with a combined equity value of $132m.

In connection with the transactions, Onconova shareholders will get a non-transferrable contingent value right tied to the disposition, net sales or monetization of Onconova candidates narazaciclib and rigosertib. Rigosertib is Onconova's kinase inhibitor in development with various global partners for epidermolysis bullosa (RDEB)-associated squamous cell carcinoma and in combination with PD-1 checkpoint inhibitors in immune oncology-refractory KRAS mutated non-small cell lung cancer and malignant melanoma. (Also see "*Onconova On The Edge After Phase III Rigosertib MDS Failure*" - Scrip, 25 Aug, 2020.)

Traws Pharma's pipeline will consist of three candidates, one from Onconova and two from Trawsfynydd. Onconova brings narazaciclib, a next-generation CDK4/6 inhibitor in Phase I/II for low-grade endometriod endometrial cancer (LGEEC). From Trawsfynydd, the combined company will continue to develop viroksavir, a cap-dependent endonuclease inhibitor planned to enter Phase I for influenza later this year, and travaltrevir, a SARS-CoV-2 Mpro inhibitor in Phase I for COVID-19, with initiation of a Phase II trial anticipated during the second half of 2024.

Apotex To Acquire Searchlight Pharma

Apotex Inc. agreed to acquire *Searchlight Pharma Inc.* on 2 April in a merger of Canadian biotechs. (Also see "*Apotex Adds Branded Division With Searchlight Acquisition*" - Generics Bulletin, 3 Apr, 2024.) Founded in 2015, Searchlight is a private specialty and branded pharmaceutical company with global reach that focuses on commercialization and development of branded products for women's health, dermatology, allergy, pain management and hospital specialty markets.

Apotex said the acquisition will further accelerate its growth within the specialty branded pharmaceutical market, adding a diverse portfolio of over 60 products and a full-service branded pharmaceutical platform, as well as established business development networks in Canada and internationally. Apotex previously added to its Canadian footprint through a February transaction with *Harrow Health, Inc.* conveying exclusive rights to five branded ophthalmic products. (Also see "*Apotex Gains Canadian Rights To Five Eye Assets From Harrow*" - Generics Bulletin, 28 Feb, 2024.)

In Brief:

Merck & Co. acquired University of Buffalo startup Abceutics Inc. on 4 April for total consideration that could reach $208m including milestones, the university said. Based on research from the lab of Joseph Balthasar and incubated at the university's New York State Center of Excellence in Bioinformatics and Life Sciences, Abceutics focuses on payload-binding selectivity enhancers (PBSEs) that it says can bind and neutralize stray molecules incorporated into antibody-drug conjugate therapeutics. PBSEs would be administered in tandem with ADCs

to reduce off-target toxicity, Abceutics said.

Stay tuned for the next edition of Deal Watch. You can read more about other deals that have been covered in depth by Scrip and Generics Bulletin in recent days below:

(Also see "*Vertex's $5bn Alpine Buyout Builds Autoimmune Disease Presence*" - Scrip, 11 Apr, 2024.)	Vertex hopes for a "Humira-like" blockbuster with povetacicept, the object of the sector's biggest M&A deal so far this year.
(Also see "*Essential Emerges As A Drug Developer With Renaissance Buy*" - Scrip, 9 Apr, 2024.)	The acquisition of Renaissance and its promising Phase III-ready asset for neuroblastoma could be the first of a number of deals in the near future, Essential CEO Emma Johnson tells *Scrip*.
(Also see "*Q1 2024 Posts Big M&A Total Led By Novo Holdings' Catalent Takeout*" - Scrip, 5 Apr, 2024.)	The $16.5bn Catalent deal, intended to increase Novo Nordisk's production of semaglutide-containing products, led a $36bn-plus quarter for M&A transactions, according to Evaluate.
(Also see "*Oruka Aiming At AbbVie, UCB In Psoriatic Indications*" - Scrip, 3 Apr, 2024.)	Oruka, the third Paragon spinout, going public in a reverse-merger with ARCA, announced a concurrent $275m financing to help it develop optimized biologics as potential standards of care in psoriasis and psoriatic arthritis.