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## AEterna Zentaris Gets \$52.5M from Cetrotide Royalty Sale

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After selling a building, a marketed product and a subsidiary during the past year, AEterna Zentaris Inc. continued its asset monetization strategy by selling its Cetrotide (cetrotirelix) royalties to Cowen Healthcare Royalty Partners LP in exchange for \$52.5 million.

Quebec City-based AEterna Zentaris certainly isn't the only biotech to choose royalty monetization over equity financing in the current bear market environment. Earlier this year, LifeCycle Pharma A/S sold its Fenoglide (fenofibrate) royalties for \$105 million, while CV Therapeutics Inc. sold half of its Lexiscan (regadenoson) royalties for \$175 million. (See *BioWorld Today*, April 17, 2008, and Aug. 22, 2008.)

Todd Davis, co-founder and managing director at Cowen, told *BioWorld Today* that the royalty financing deal flow during the past year is "probably double what we've seen historically."

While he acknowledged that the current economic environment is a factor, Davis said there also is more awareness of royalty monetization as a "viable form of financing." Additionally, as the industry matures, there are more biotechs with revenue streams to sell, he added.

Royalty financing is typically less expensive than equity and more expensive – though also more flexible – than debt, Davis said. For companies hoping to be acquired, royalty deals are no more cumbersome than any other license deal and often can be bought out by the acquirer if need be, Davis said, noting that the vehicles also are used by acquirers to provide deal financing.

While royalty purchasing firms like Cowen occasionally invest in late-stage unapproved assets, most of their deals involve marketed products like AEterna Zentaris's Cetrotide, a luteinizing hormone-releasing hormone antagonist approved in more than 80 countries for in vitro fertilization.

Merck Serono SA markets Cetrotide worldwide except in Japan, where rights are held by Nippon Kayaku Co. Ltd. and Shionogi & Co. Ltd. The product generated worldwide sales of \$31.4 million in 2007. Although AEterna Zentaris receives a royalty from both of its marketing partners, only the royalties received from Merck Serono are included in the Cowen deal.

According to the deal, AEterna Zentaris may receive an additional \$2.5 million from Cowen if sales of Cetrotide reach a prespecified, undisclosed level in 2010. However, if the product gains European approval in a second indication, the biotech will owe Cowen a one-time payment somewhere between \$5 million to \$15 million.

AEterna Zentaris may have to make that payment sooner rather than later, as cetrotirelix is advancing through three Phase III trials for benign prostatic hyperplasia.

Initial data are expected in the third quarter of 2009, and AEterna Zentaris plans to file a new drug application in 2010.

AEterna Zentaris ended the second quarter with \$24.8 million in cash and short-term investments after posting a net loss of \$20.6 million for the quarter. The Cetrotide royalty sale will allow the company to end the year with about \$50 million in cash.

Juergen Engel, president and CEO of AEterna Zentaris, told *BioWorld Today* that the company has been and will continue to obtain nondilutive financing through the sale of noncore assets.

Earlier this year, the biotech sold its marketed leishmaniasis drug Impavido (miltefosine) to Paladin Labs Inc. for C\$9.125 million (US\$7.58 million) in cash and sold a building for \$7.1 million in cash. The company also sold its wholly owned subsidiary, Echelon Biosciences Inc., to Frontier Scientific Inc. for about \$3.2 million.

Engel said AEterna Zentaris has plenty of additional assets to monetize.

At the top of the list are marketing rights to cetrotirelix in BPH. The program was once partnered with Solvay Pharmaceuticals Inc. but was returned for what appeared to be strategic reasons. Engel said AEterna Zentaris is looking for a new partner but may plan to retain co-promotion rights. (See *BioWorld Today*, May 9, 2007.)

Other unpartnered assets in the pipeline include the LHRH antagonist AEZS-108, which is in Phase II trials for endometrial and ovarian cancers, and the Phase I cancer drug AEZS-112. Additionally, Engel said AEterna Zentaris recently received the rights to peptidomimetic growth hormone secretagogue AEZS-130 back from Ardana Bioscience Ltd., which declared insolvency.

AEterna Zentaris also has two clinical products that are partnered in the U.S. but available for European licensing: ozarelix and perifosine.

Ozarelix, a fourth-generation LHRH antagonist partnered with Spectrum Pharmaceuticals Inc., recently failed a Phase IIb trial in BPH, although Spectrum has said it plans to continue to develop the program. Perifosine is being studied in multiple Phase II trials by Keryx Biopharmaceuticals Inc., and AEterna Zentaris also is conducting a Phase II lung cancer trial in Europe.

AEterna Zentaris also has a number of preclinical programs, including a PI3K program that Engel said has already drawn partnering interest.

Shares of AEterna Zentaris (NASDAQ:AEZS) lost 2 cents to close at 49 cents on Wednesday. ■