

FOUNDED 1939

www.ThePinkSheetDaily.com

“The Pink Sheet”[®] DAILY

November 23, 2009

Newly-Funded Receptos Bets On The Safety Of Its Oral MS Drug

Recently formed Receptos isn't even close to first in the G-coupled protein receptor oral multiple sclerosis drug arena, but it believes it can win against early entrants because its drug has more direct targeting and superior safety.

GPCR-targeted products make up an estimated 40 percent of the drugs currently on the market, in addition to a substantial number of pipeline products. But the San Diego-based company believes its proprietary protein crystal structure of an S1P1 (sphingosine-1-phosphate receptor 1) agonist will supplant later-stage compounds to become best-in-class in MS and other autoimmune disorders.

And investors seem to agree about the potential of Receptos' technology, as four major funds staked the biotech with a two-tranche \$25 million Series A round announced Nov. 23. Backing Receptos are ARCH Venture Partners, Flagship Ventures, Lilly Ventures and Venrock. Each of those funds gets a seat on the board in exchange for its investment.

Chrysa Mineo, VP of corporate development for Receptos, would not break down the amount or timing of the tranches but did observe that a “majority of the money” is available to the firm now, with the remainder contingent on the filing an IND for the lead S1P1 candidate. That filing should occur during the fourth quarter of 2010, Mineo added.

MULTIPLE REASONS FOR PURSUING MS AS FIRST INDICATION

MS was chosen as the first indication for two reasons - the lack of an efficacious oral therapy and the fact that this class of compounds has been validated clinically in the disease, she explained.

“What we are bringing to the table that is unique is that we have a proprietary structure determined for the S1P1 receptor,” Mineo said. “To our knowledge, we're the only company that is able to examine the specific binding characteristics of that receptor and select our lead candidate based on the ideal interaction with the receptor.”

Even without having reached the clinic, Receptos believes its molecule will enjoy significant advantages over Novartis' Phase III FTY720 (fingolimod) and the Phase II ACT-128800/RG3477, being developed jointly by Roche and Actelion (*Elsevier's Strategic Transactions Database, July 2006*). For example, Receptos' compound targets only the S1P1 receptor in the family of five S1P receptors, while fingolimod affects four of the five.

Novartis already has eliminated the higher of two investigational doses for fingolimod from further development, in the hopes of avoiding safety problems, which include potential cancer risk, liver toxicity and elevated blood pressure

(*The Pink Sheet' DAILY, Sept. 30, 2009*). The pharma hopes to file the drug for regulatory approval with FDA and the European Medicines Agency before the end of the year.

The Roche/Actelion compound has advanced a Phase IIb dose-finding study, but Receptos likes its chances of eventually competing with that molecule as well.

“It doesn't have as high potency or specificity for the S1P1 receptor compared to our lead compound,” Mineo asserted. “Also that compound doesn't demonstrate central nervous system penetration. It's unknown at this point if that's a very important characteristic but one might postulate that it would be in the disease state of MS.”

TECHNOLOGY DEVELOPED AT, LICENSED FROM SCRIPPS INSTITUTE

Receptos' origins include some biotech heavy-hitters. Its science derives from work accomplished by Raymond Stevens and Hugh Rosen at the Scripps Research Institute. The two researchers are the scientific founders of the company, and bring with them two exclusive licenses for GPCR drug discovery and development from the institute.

Receptos chairman and CEO William Rastetter, founded Idec, led it through its 2003 merger with Biogen and then

served as executive chairman of Biogen-Idec. His former Biogen colleagues Marcus Boehm and Robert Peach also joined him at Receptos. Mineo said the trio "have a lot of history together and a lot of mutual respect ... and are ideally suited to join forces."

The company has other short-term goals: to develop a second candidate for an IND and begin select partnering of its proprietary drug discovery and development platform. Mineo said Receptos is in advanced conversations with several potential partners since the summer and she hopes to ink at least one deal dur-

ing 2010.

"Corporate partnering is a very important component of our strategy because there are a wealth of GCPR receptors in the universe," she said. "We can't hope as a small company ever to tap into that full potential."

Receptos plans to offer two kinds of licensing deals, either using its technology to evaluate pre-determined targets selected by partners or enabling partners to take the technology into their own R&D facilities, Mineo explained.

"We know the structural biology side, what is feasible, which receptors may be made more tractable by applying structural biology to them and where we can really assist and accelerate their drug discovery," she explained. "So we will be both collaborating on directed drug discovery with partners, and we'll enable key collaborators to bring this technology in-house and apply it within their pipelines."

Investors could not be reached for comment.

-Joseph Haas (j.haas@elsevier.com)