Calvine Partners

CALVINE

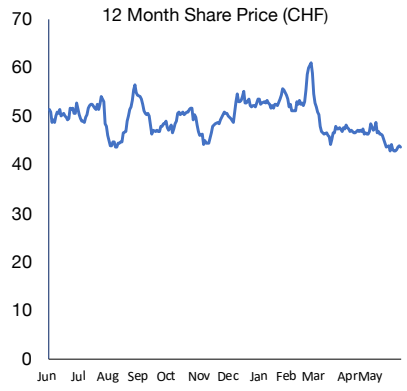
Basilea Pharmaceutica

19 May 2021

Share Price	**CHF 43.5**
CP Fair Value	**CHF 120**

Market Cap (CHFm)	563
Cash (CHFm)	207
EV (CHFm)	674

Country	Switzerland
Code	BSLN
Exchange	SIX



Source: Calvine Partners Research

Dr Brian White
Partner
bw@calvinepartners.com

Andrew Keith
Partner
ak@calvinepartners.com

Novel antibiotic development expertise apparent

The announcement this morning of an award of up to $2.7m from CARB-X for the development of a novel antibiotic targeting Gram-negative bacteria is testament to the growing anti-infectives expertise within Basilea, and the increasing unmet medical need to develop novel antibiotics against emerging resistance. While the future of Basilea is increasingly inextricably linked to its nascent oncology programmes, it currently receives a significant royalty stream from its anti-infectives franchise - principally the anti-fungal Cresemba as well as the antibiotic Zevtera (ex US). Additionally, ceftobiprole continues to progress through Phase 3 development in the US in the *Staph aureus* bacteraemia indication (TARGET), with positive results already received from the severe skin infection study (ERADICATE), largely funded by BARDA.

Resistant Gram-negative infections particularly worrying

Gram-negative infections are increasingly problematic with few treatment options available. The ESKAPE pathogen group has been highlighted as particularly at risk given their propensity to develop resistance to commonly used antibiotics. Many ESKAPE pathogens, including multi-drug resistant *Pseudomonas aeruginosa*, carbapenem-resistant Enterobacterales, and *Acinetobacter baumannii* have been highlighted as being of particular concern by august organisations including the WHO and the US Centers for Disease Control, and for which new antibiotics are urgently required.

Novel approaches required

The approach followed by Basilea involves targeting the development of DXR inhibitors - the second enzyme in the methylerythritol phosphate (MEP) pathway in bacterial isoprenoid biosynthesis. Isoprenoids are vital for cell survival and are involved in a wide variety of cellular functions in animals, plants and bacteria. In bacteria, they are involved in cell wall synthesis (peptidoglycans) as well as the functioning of the electron transport chain. In animals, isoprenoid biosynthesis proceeds exclusively via the mevalonate pathway, while the majority of bacteria use the MEP pathway. The absence of the MEP pathway in humans makes enzymes involved in this pathway attractive targets for novel antibiotic development. Although each of the seven MEP enzymes is a potential target, many have presented challenges with respect to inhibitor design. DXR appears to be a particularly promising target as the first committed step in MEP biosynthesis and given that it is encoded by a single gene product it has a lower risk of developing intrinsic resistance. These are early days, but we look forward to future developments as the programme progresses.

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