

Mereo BioPharma

Setrusumab set to advance

11 November 2019

- The Phase II ASTEROID trial with setrusumab in osteogenesis imperfecta (OI) disappointingly missed the primary endpoint of an improvement in trabecular volumetric bone mineral density (Tr vBMD) of the radius (wrist) measured by HR-pQCT, but did hit various secondary endpoints.
- There was unexpected heterogeneity in patient's trabecular bone baseline values in their wrists (high and low), which contributed to the primary endpoint being missed.
- There were, however, significant increases in total vBMD (measured using HR-pQCT) of the radius in both the medium and high dose arms; mean increase in vBMD were 4.11% ($p=0.004$) with high dose, 4.5% ($p=0.028$) with medium dose, and 0.58% ($p=0.97$) with low dose.
- There were also significant increases in the areal BMD at the lumbar spine measured using DXA in a dose dependent manner. The mean increases were 8.8% ($p<0.001$) with high dose, 6.8% ($p<0.001$) with medium dose and 2.6% ($p=0.057$) with low dose. The improvements in areal BMD were consistent across all OI subtypes (I, III, IV), and compares favourable to that observed with bisphosphonates and teriparatide.
- There was a trend of a reduction in fractures, though the trial was not powered-statistically to show a difference. The number of fractures per subject year were 0.16 with the high dose, 0.49 with the medium dose and 0.39 with the high dose.
- The treatment was well tolerated, and importantly there were no cardiac-related safety concerns.
- Mereo is now advancing with its plans for the European Phase III study in children with OI.

Price (UK share)	51.5p
(US ADS)	\$2.90
Market Cap	£50.4m
	\$56.8m
Exchanges	AIM London
	NASDAQ
Sector	Healthcare
Company Code	MPH.L
	MREO
Corporate client	Yes

Company description:

Mereo BioPharma develops and commercialises innovative therapeutics addressing rare and specialty diseases. These are acquired or licensed in at clinical stages from large pharmaceutical companies. The portfolio consists of four compounds that are progressing through late clinical development.

Trinity Delta view: Overall, the data from the Phase II study with setrusumab supports the continued development of the antibody in OI, even though the primary endpoint was missed. There are currently no approved medications for patients with OI, so the improvements seen in overall vBMD and trend seen in reduction in fracture rates means that setrusumab can still become a valuable treatment in OI.

We currently value Mereo BioPharma at £541m (\$704m), equivalent to 506p/share or \$25.59/ADS (fully diluted).

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