



Opko Spots Another Overlooked Opportunity In MabVax Therapeutics

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Summary

- Opko Health has a strong track record of identifying undervalued companies in which to invest.
- Opko most recently announced a strategic investment in MabVax Therapeutics which appears to present another such investment opportunity.
- MabVax has a pipeline consisting of two Phase II cancer vaccines, a novel antibody discovery platform, an existing relationship with Juno Therapeutics, and an enticing value proposition.

Opko Health (NASDAQ:[OPK](#)) has a history of discerning overlooked assets in which to make strategic investments prior to value creation. Opko shareholders, in turn, get exposure to not only Opko's core assets, but also to a bevy of smaller, high growth healthcare and biotech assets. Opko has proven quite adept at then being able to monetize these investments later in their growth cycle, translating to meaningful value creation for Opko shareholders. Its path from \$2 per share when it first went public to its current \$14.30 share price is filled with examples of such investments. In this article, I shall take a look at Opko's most recent strategic investment in MabVax Therapeutics (MBVX), a cancer immunotherapy company. MabVax presents a compelling investment opportunity at its current market cap relative to its pipeline.

Exhibit

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G. HANSON



Opko's Strategic Investment in MabVax adds a Technology Pipeline to its Portfolio

Opko announced on Monday it was leading an investment in MabVax Therapeutics, which raised a total of \$11.6 million and counted Dr. Phillip Frost, Opko's CEO and Chairman, among investors in the round. MabVax fits the Opko mold for a strategic investment as a small market cap company advancing towards commercialization in a hot subsector within biotech, cancer immunotherapy. As a demonstration of the increased interest in this particular field, a [new stock index debuted](#) just yesterday to track the performance strictly of companies developing cancer immunotherapies. MabVax would seemingly make a good addition to this index at some point.

Dr. Phillip Frost, CEO and Chairman of Opko, made the following comment regarding MabVax,

The target for MabVax's first novel human antibody addresses important medical problems in need of better therapeutic solutions. The early data for its HuMab 5B1 antibody are encouraging and MabVax has a pipeline of dozens of novel antibody leads on its discovery platform from which it may select promising candidates to develop through clinical trials.

[MabVax's lead antibody program](#), HuMab 5B1, targets metastatic pancreatic and colon cancers with anticipated early Phase I data coming out by the end of 2015, for both therapeutic and diagnostic indications. This is a billion dollar annual market opportunity with a critical unmet medical need, as there are very poor 5-year survival rates for metastatic pancreatic and colon cancer.

In addition to its novel antibody leads and discovery platform, MabVax has two cancer vaccines in late Phase II clinical trials backed with funding by the National Institute of Health (NIH). MabVax expects results from these two Phase II clinical trials in the first half of 2016. These two cancer vaccine programs are for sarcoma and ovarian cancer which have a \$150-300 million annual market opportunity. These vaccines were both licensed from Memorial Sloan Kettering Cancer Center (MSKCC), where MSKCC completed the phase I trials and MabVax is conducting the phase II trials with NIH funding. All patients in the Phase II clinical programs have been enrolled and vaccinated and there are minimal expenses incurred to monitor survival follow up.

MabVax also has a Neuroblastoma vaccine, which had positive phase I data at Memorial Sloan Kettering Cancer Center leading to its Orphan Drug designation. The neuroblastoma vaccine will enter Phase II trials by the end of 2015.

MabVax's Relationship with Juno Therapeutics

Also intriguing thing is that MabVax already has a [relationship with Juno Therapeutics](#) (NASDAQ:[JUNO](#)). In September, MabVax announced it had entered into agreements with Memorial Sloan Kettering Cancer Center and Juno Therapeutics. The agreement entailed the development of novel therapeutic products using antibody targeting sequences derived from the fully human antibodies discovered with MabVax's internally developed antibody discovery platform.

Under the agreements, MabVax supplies unique targeting sequences from the fully human antibodies to MSKCC. Researchers at MSKCC are conducting the early stage research and development of Chimeric Antigen Receptor (CAR) T-cell therapeutics using the MabVax antibody sequences, and Juno has the right to negotiate a license for any Car T-cell therapeutic products using the antibody sequences provided to MSKCC.

Juno is up 140% from its IPO price in December and currently has over a \$5 billion market cap. MabVax's [market cap](#) currently stands at ~\$140 million at its current share price of \$3.12. For a company at this current market cap with the following:

1. Two phase II cancer vaccine clinical programs for sarcoma and ovarian cancer;

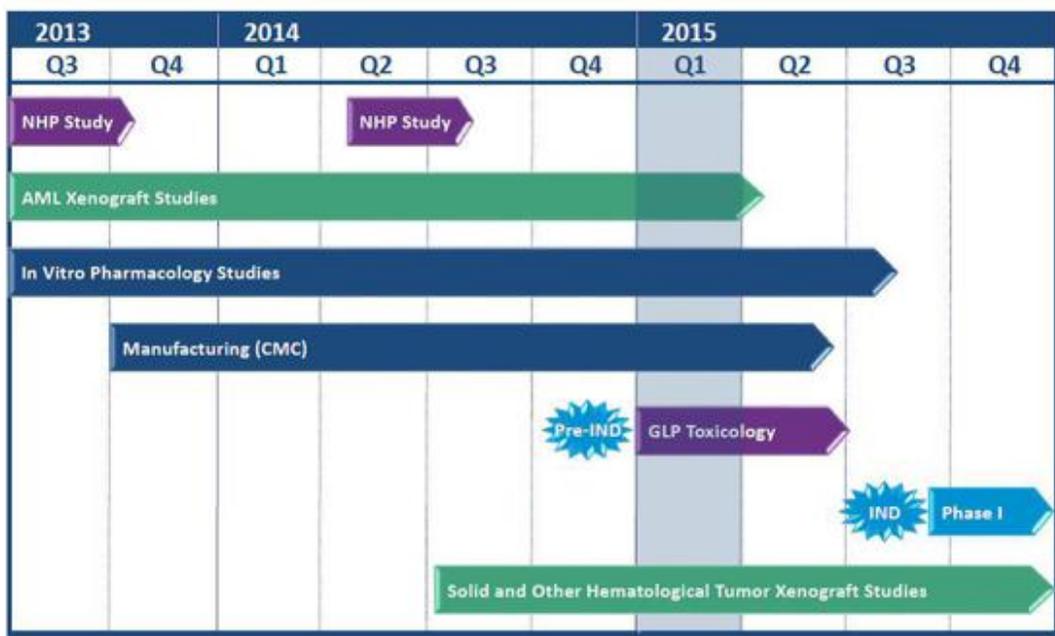
2. An orphan drug designation entering phase II in late 2015 for a Neuroblastoma vaccine;
3. Phase I data expected out later this year for two antibody programs addressing critical unmet medical needs in the billion dollar markets of metastatic pancreatic and colon cancer; and
4. Potential near-term catalysts with a possible uplisting and licensing deal with Juno.

It seems MabVax presents another strong case study of Opko and Dr. Frost identifying an overlooked investment opportunity.

Market Cap Comparison

In comparison to Mabvax, Trillium Therapeutics (NASDAQ:TRIL) is another publicly listed cancer immunotherapy company that just [raised \\$55 million](#). This brings [Trillium's market cap](#) to over \$300 million. Trillium's lead immunotherapy program, SIRPαFc, is still Pre-IND:

SIRPαFc Pre-Clinical Development Plan



Trillium does not discuss any other programs it may be developing in its [investor presentation](#). While its lead therapy program differs from what Mabvax is developing, Trillium's valuation is one example of the appetite in the cancer immunotherapy space. This is an attractive valuation comparison when stacked up against MabVax's portfolio of later stage programs with half of the current market cap. I believe an uplisting, which Mabvax quotes as a near-term goal, will significantly increase investor interest in the company, particularly among institutions.



Antibody Program

Program	Indication	Partner	Pre-IND	Phase 1	Phase 2	Notes
HuMab 5B1-Therapeutic	Metastatic Pancreatic & Colon	NIH, MSKCC, Patheon	→			Early data end of year
HuMab 5B1-PET imaging	Metastatic Pancreatic & Colon	NIH, MSKCC, Patheon	→			Early data end of year
HuMab-ADC	Metastatic Pancreatic	Heidelberg Pharma	→			
1B7/31F9	Saroma & Neuroblastoma	MSCC	→			

Vaccine Program

Trivalent vaccine	Sarcoma	MSKCC, NCI	→			OS data 1H16
Pentavalent Vaccine	Ovarian Cancer	MSKCC, NCI, GOG	→			OS data 1H16
Bivalent Vaccine	Neuroblastoma	MSKCC, NANT, NCI	→			Enters Phase 2 in 2H15
Multiple	Melanoma, breast, SCLC,		→			On hold pending

Ticker Symbol: MBVX on OTCQB

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Opko's Ability to Identify Investment Opportunities

To give one example of Opko's ability to identify other public companies for investment opportunities, Opko invested in Neovasc (NASDAQ:[NVCN](#)) in August 2011 at \$1 per share. Neovasc is a specialty medical device company that develops, manufactures, and markets products for the cardiovascular marketplace. Neovasc is now near all-time highs at \$9 per share. Neovasc has [progressed](#) from a pre-clinical development company when Opko first invested to one

On the verge of tapping into the dramatically large and potentially high growth transcatheter mitral valve replacement (TMVR) market with its Tiara technology. Neovasc's Tiara is currently at the forefront of this still nascent and developing market, having already successfully completed 5 first-in-human implants and 1 feasibility patient.

This is according to Leerink Partners analyst Danielle Antalffy, who has a \$15 price target on Neovasc.



I believe there has historically been some confusion in how to properly value Opko due to its business model as a healthcare holding company of sorts. The [short %](#) of Opko's float still sits at ~20% as of March 13, 2015. It is more common for biotech companies to develop one lead program through clinical trials, reaching milestones and catalysts on which the market can focus (as in the Trillium example).

Opko's most recent addition to its investment portfolio, MabVax Therapeutics, presents a strong risk/reward value proposition. MabVax's current \$140 million valuation appears small relative to the market potential for its progressing pipeline of technologies and relative to other comps in the market. Current risks of such an investment include potential lack of liquidity and heightened volatility in stock price as a result, along with a likely need to raise additional capital at some point to continue financing the development of its pipeline.

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