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VC Funding Still Out There?

Hydra Brings in $22M in Series D to Push First Program into Clinic

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Financial experts might be maintaining a persistently gloomy outlook for 2009, but there's no question the year has started off pretty well for privately held biotechs, at least on the venture capital front.

Hydra Biosciences Inc., for instance, reported Thursday morning that it had secured $22.2 million in a Series D round to advance its early stage pipeline of drugs targeting the transient receptor potential (TRP) ion channel. That brings the company's total venture capital raised to date to $69 million.

"We were fortunate to have a fantastic VC syndicate with a lot of deep pockets," said Russell Herndon, president and CEO of the Cambridge, Mass.-based firm.

It also helped that Hydra's technology platform, which focuses specifically on the TRP ion channel that is implicated in a number of disease areas, caught the eye of lead investor MedImmune Ventures, the VC arm of London-based AstraZeneca plc's MedImmune subsidiary.

MedImmune Ventures heard about Hydra's technology from another VC while the firm had been out raising Series C funding. "They approached us about participating," Herndon said, and that "evolved into the Series D financing."

Maggie Flanagan LeFlore, managing director of MedImmune Ventures, said Hydra's technology platform and the "expertise it has amassed in the TRP ion channel area" were particularly attractive, as were the company's lead programs targeting TRPV1 and TRPV3.

In connection with the Series D round, Karen Gotting-Smith, of AstraZeneca, will join the board as MedImmune Ventures' designee.

Hydra plans to use its Series D proceeds to advance a lead program into the clinic later this year. That program, an antagonist of a TRP ion channel, is being investigated in pain indications, such as osteoarthritis, rheumatoid arthritis, postsurgical pain and neuropathic pain.

Funds also are expected to expand development of Hydra's preclinical pipeline, with the aim of getting an additional compound clinic-ready by year-end.

Hydra's technology is built on extensive research into the well-established ion channel pathway – compounds designed to activate or block make up about 17 percent of existing drugs – with a specific focus on TRP, an ion channel discovered in humans about 11 years ago, Herndon said.

The benefit of targeting that specific channel is that TRPs have been shown to have low homology, he told *BioWorld Today*. So while other ion channel activators or antagonists share sequences with other channels and can result in off-target adverse events, TRPs "give us the opportunity to find very selective and potent" compounds.

The company opted to target pain as its initial indication "because it's a large unmet medical need," Herndon said, and Hydra's compound would be a nonopioid and noncannabinoid product, which would set it apart from the flood of other pain candidates in development.

In addition to MedImmune Ventures, the Series D round included participation from existing investors Advanced Technology Ventures, Abingworth, Polaris, BioVenture Investors, Biogen Idec Ventures and Lilly Ventures.

Not as Bad as it Seems?

A recent survey conducted by the National Venture Capital Assoc. showed that 96 percent of the venture capitalists polled predicted it will be harder for new companies to get funding for 2009, while 93 percent of the VCs believed it would be harder to sustain existing portfolio companies throughout the year.

But so far this year, roughly a dozen biotechs have pulled in more than $280 million in VC funding, including Brisbane, Calif.-based BiPar Sciences Inc. and Alameda, Calif.-based Singulex Inc., both of which reported financings at the J.P. Morgan conference in San Francisco earlier this week.

BiPar raised $20 million in a Series B round, and Singulex closed a $19 million round. (See *BioWorld Today*, Jan. 13, 2009.)

Start-up firms might have had the most luck in attracting VCs, but a few companies have succeeded in scoring much-needed later rounds of financing, most notably Palo Alto, Calif.-based Anacor Pharmaceuticals Inc., which kicked off the year with an impressive $50 million Series C round. (See *BioWorld Today*, Jan. 7, 2009.)

Whether those kinds of investments will continue throughout the year is anyone's guess, though the fact that Aisling Capital closed a $650 million life sciences venture fund earlier this month seems to be a good sign.

And LeFlore said MedImmune Ventures' philosophy for 2009 is the same as it was in 2008, when the firm made six investments, vaccines company LigoCyte Inc. and neurogenic drug firm BrainCells Inc. among them.

"We expect the same in 2009," she told *BioWorld Today*, and "we don't see any material changes in the way we've been investing based on the current environment."

Of course, as with every company doing business these days, Hydra is staying cognizant of the financial conditions. "We're paying close attention to our spending and trying to move our programs forward efficiently," Herndon said.

The latest venture round allows the company of 40 employees to keep its goals for reaching the clinic this year. Herndon declined to state how long that money would sustain operations, but added that the company is on the look-out for some additional funding, hopefully of the nondilutive type.

TRPs have generated a "high level of interest within pharma," Herndon said, "so we're actively pursuing partnerships."

Hydra scored an impressive early stage deal in 2007 when New York-based Pfizer Inc. licensed rights to a TRPV3 antagonist program – then at the lead optimization stage. The up-front payment was not disclosed, but the deal could be worth up to $195 million to Hydra upon successful product development. Pfizer also agreed to pay royalties on any sales of any product emerging from the deal. (See *BioWorld Today*, July 27, 2007.)

Hydra's platform technology includes about 20 different ion channels, and the company uses a high-throughput screening process to screen its compound library. In addition to pain, ion channels are implicated in hypertension, cardiac arrhythmias, gastrointestinal disorders and cystic fibrosis. ■