

Amarin Investment Case: “a long and bumpy road”

Almost 10 years ago, we got interested in a tiny Irish company listed on Nasdaq called Amarin. At the time, the company had to reinvent itself following clinical setbacks in the years before. Basically, the company had no drugs of any value left, leaving it with cash and an experienced management team. Looking for a new drug to develop, it in-licensed the rights to a substance which it believed had potential in addressing a significant unmet medical need: lowering triglycerides in the blood. Triglycerides are a type of fat found in people’s blood. They are stored in fat cells and released by hormones to the blood stream to provide for energy between meals. Levels can become too high if one regularly eats more calories than needed. This may lead to all kind of serious conditions and - in particular – was believed to correlate to an increase in cardiovascular risks. Millions of people around the world have high or ultra-high triglycerides in their blood. The medical need therefor is very high.

The substance Amarin in-licensed was EPA, an ultra-pure form of Omega 3, or fish oil. After it had secured these rights, the company submitted a clinical development plan for the substance to the FDA. It received the go-ahead under an SPA protocol. This protocol allows for a company to agree upfront with the FDA on a number of important and stringent criteria that need to be included in a clinical trial and – assuming those criteria are met once the dataset is complete – the drug should then get approved by the FDA. This was the working hypothesis at the time.

So in June 2011, in accordance with the planning as agreed upon with the FDA, the company announced the results of one of two clinical trials that fell under the FDA SPA protocol. The results were great and in fact in line with all criteria set by the FDA. Investors were impressed and the stock reached an all-time high at USD 20 a share. At that time, we had liquidated our main position making a great return on the investment.

However, much to our and Wall Street’s surprise, a couple of months later the FDA did not agree. Effectively, they asked for *more* clinical data “*citing that they first need to see demonstration that the*

improvement in biomarkers observed in the trial, translates into fewer cardiovascular events.”. Given that this was a new request not to be expected for a trial for which an SPA had been agreed upon with the FDA, it came as a total and unwelcome surprise to investors. The company’s stock fell by 80% on the day. It meant that the company needed to finalize the REDUCE-IT trial, a very large, 8000 patient, multi center and multi year endeavor.

On September 24, 2018, so almost 5 years after the initial FDA decision to request for more data and almost 10 years after we first invested in Amarin, the company press released the results of the study it needed to complete. They were stunning. On efficacy, taken on top of Statins: “*Approximately 25% relative risk reduction, demonstrated to a high degree of statistical significance ($p < 0.001$), in the primary endpoint composite of the first occurrence of MACE, including cardiovascular death, nonfatal myocardial infarction (MI), nonfatal stroke, coronary revascularization, or unstable angina requiring hospitalization. This result was supported by robust demonstrations of efficacy across multiple secondary endpoints.”*

In other words: by adding Amarin’s product to standard treatment (Statins are being prescribed to millions of patients around the world) one *lowers* the risk of serious cardiovascular events by 25%. Also from a safety point of view there were no issues, as one would expect.

This is the first time ever that a company has been able to show this in a large multi-center and multi-year study. Truly transformational.

As a result, the stock opened +240% on the day, gaining further traction in the days thereafter. On October 4th, the stock broke the USD 20 limit, representing a +580% increase versus the closing price pre-announcement.

All the analysts covering the company came out with new and obviously higher target prices following the news. M&A speculation is pushing investors to buy into the stock.

More detailed data will be presented at the upcoming AHA Conference on November 10.