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Tranzyme Closes \$32M In Oversubscribed Series B Round

By Lisa Lacy
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Tranzyme Pharma, a drug discovery and development company focused on the diseases of the gastrointestinal tract, said it closed \$32 million in an oversubscribed Series B round.

The financing was co-led by new investors H.I.G. Ventures, Thomas, McNerney & Partners and Quaker BioVentures.

Existing shareholders Business Development Bank of Canada (BDC Venture Capital), Desjardins Venture Capital, Pacific Rim Ventures and The Solidarity Fund also participated in the round.

According to President and Chief Executive Vipin Garg, about 85% of the company is now held by outside investors.

In a December interview, Garg told VentureWire the company had begun raising the round in July, seeking between \$15 million and \$20 million to continue development of its lead GI compounds. The company closed the investment with the current amount on May 12.

As part of the B round, \$6 million in previously issued notes have been converted into equity shares. Tranzyme took on the debt in December 2003 when it merged with Neokimia, a Montreal-based drug discovery company.

"That merger was critical to the way we are today," Garg said. "It brought together two platform technologies and now we are at a point where we are six to eight months from an IND ... and we were able to leapfrog to a product company."

Tranzyme had previously raised about \$15 million in equity from a syndicate of investors that also includes Redmont Venture Partners, Emerging Technology Partners, Paradigm Ventures, Greer Capital, Research Triangle Ventures, Quark Biotech, BioCapital, Innovatech sud du Quebec and Placements Biochem Pharma.

Series B proceeds will be used to accelerate clinical development as well as for additional development efforts to expand Tranzyme's pipeline. The company is developing therapeutic candidates for diseases of the GI tract such as post-operative ileus, or POI, gastroparesis, irritable bowel syndrome and functional dyspepsia.

POI is a post-surgical condition in which Garg previously said, "essentially people aren't able to eat." And in gastroparesis, patients "eat food, but it doesn't go anywhere ... some have to be hospitalized to literally pump out the digestive tract."

Garg expect to file an investigational new drug application, or IND, for lead product

TZP-101 by the end of the year with Phase I trials early next year in POI followed by diabetic gastroparesis shortly thereafter.

The company also has novel small molecule compounds in its preclinical pipeline for irritable bowel syndrome and functional dyspepsia.

Tranzyme's small molecules target two G protein-coupled receptors found within the GI tract - ghrelin and motilin. By targeting these two receptors, Tranzyme believes it has identified mechanism-based agents that act directly at the site of pathophysiological disturbance.

Proceeds are expected to fuel operations until late 2007 or early 2008 at which point Tranzyme will have Phase II data and will consider partnerships or a mezzanine round.

"We raised enough money to get to the end of Phase II," Garg said. Tranzyme would like to "at least have Phase II data in hand before seeking partners for these indications."

Founded in late 2000, the Research Triangle Park, N.C.-based company has 35 employees and may add up to five in clinical development.

Upon the close of the financing, Aaron Davidson, managing director of H.I.G. Ventures; Alex Zisson, venture partner at Thomas McNerney & Partners; and Brenda Gavin, managing partner of Quaker BioVentures, join the Tranzyme board.

Directors also include David Drutz, general partner at Pacific Rim; Jean-Paul Castaigne, chief operating officer of Conjuchem, Inc.; Donald Corcoran, president and chief executive of MethylGene, Inc.; Garg; Jean-Francois Pariseau, director of life sciences VC at Business Development Bank of Canada; and Daniel Veber, medicinal chemistry advisor to Tranzyme.