After a long internal battle Immunomedics has got out of a deal with Seattle Genetics.

Termination of the $250m licensing deal between Seattle Genetics and Immunomedics over sacituzumab govitcan spells victory for the activist investor Venbio, and lumbers the junior party with the cost of developing the asset.

No sooner had the transaction’s scrapping – by “mutual agreement” – hit the wires than Immunomedics revealed how it was going to find the money to do this, as well as announcing a C-suite shake-up that cements Venbio’s control over the company. Minority Immunomedics shareholders now have to watch out as the deal threatens to put more of the company in the hands of a select group of investors.

The key aspect of today’s move is the placement of convertible preferred stock with certain institutional investors. This is to raise a much-needed $125m for Immunomedics – the group had ended December with $47m in cash and $98m in convertible debt, and its battle against Seattle will have seen the cash whittled away further.

The new preferred stock is convertible into over 23 million new common shares on approval of an amendment to Immunomedics’ charter. With current shares outstanding numbering some 106 million, the effect of the financing is to dilute Immunomedics investors not participating in the placement by 18%.

Of course, Immunomedics investors are entitled to refuse the charter amendment, but at this point they have little choice: with the scrapping of the Seattle deal the $250m up-front fee also vanishes, putting Immunomedics in financial difficulties without the fresh cash injection.

Venbio’s plan

At least it has now become clear what plan Venbio had had up its sleeve. The activists were trying to force Immunomedics to back out of a deal that on the face of it looked generous, and it was clear that they must have had some other arrangement lined up (Activist investor puts Immunomedics phase III in play, March 10, 2017).

Seattle, meanwhile, is free to spend its money elsewhere – either on licensing in a different antibody-drug conjugate to expand its pipeline, or, as it officially states, to develop Adcetris, vadastuximab talirine and enfortumab vedotin internally.

Actual terms of the termination have not been disclosed, though it has been revealed that Seattle will continue
to hold three million Immunomedics shares, plus warrants to buy a further 8.7 million. Seattle said scrapping the deal made sense because of the ongoing litigation, which had become an expensive distraction and delayed sacituzumab.

Indeed, Immunomedics today said sacituzumab would not be filed in the US until the fourth quarter of 2017 or the first quarter of 2018, even though it said that the FDA had agreed that phase II data could provide the basis for accelerated approval. A confirmatory phase III study, already pushed back from late 2016, has now been delayed to the third quarter of 2017.

Immunomedics’ new plan will also see sacituzumab developed beyond triple-negative breast cancer, and apparently regional partnering will be investigated. As for management changes, Immunomedics’ chief executive Cynthia Sullivan is leaving, to be replaced on an interim basis by the chief financial officer, Michael Garone.

A key player in this drama, Immunomedics’ founder and chief scientific officer David Goldenberg, is taking a back seat as a director. This seems to confirm the view among some investors that the spat over the deal was really a battle for control of sacituzumab between Mr Goldenberg and Venbio.

Remaining Immunomedics investors will now be in no doubt that a major change in the balance of power over their company just took place.