

Lilly hopes to bloom through Nektar attraction



[Jacob Plieth](#)

Nektar Therapeutics has worked hard to build a pipeline and distance itself from its past as an inhaled insulin developer, and today it got a major endorsement from Lilly in the form of a \$150m signing fee for NKTR-358, an asset barely into phase I.

The fee makes it into biotech's 20 most lucrative up-front payments for deals struck at phase I and earlier, *EvaluatePharma* data show (see table below). For Lilly to have handed over such a generous amount for an asset that has yet to show any clinical activity shows remarkable faith, which is presumably founded on NKTR-358's mechanism of action.

NKTR-358's potential lies in autoimmune diseases such as lupus, but unlike many other many other treatments it does not damp down immune response simply by inhibiting cytokines. Rather, Nektar's aim is to stimulate regulatory T cells, or Tregs, whose function is to inhibit effector T cell activity.

Nektar had made much of this, [at this month's World Congress on Inflammation speculating](#) that NKTR-358 could become the first therapeutic whose action could result in direct manipulation of Tregs.

Precedents

Nevertheless, there are precedents: in January Celgene paid \$300m, with up to \$475m in future contingent payments, to [acquire Delinia](#), a private company also focusing on treating inflammation and autoimmune diseases.

Delinia was also targeting Treg upregulation, and its lead asset, DEL106, was a fusion protein incorporating an IL-2 mutein. Amgen is known also to have worked on IL-2 muteins, [patent data reveal](#), and has an IL-2 mutein fusion protein, AMG 592, in phase I.

NKTR-358's precise mode of action has not been disclosed, but Nektar suggests that it works in a similar way, targeting the IL-2 receptor complex in a way that stimulates proliferation and growth of Tregs. Expansion of Tregs, along with suppression of antigen-driven inflammation, has been shown preclinically, and clearly this was enough for Lilly to sign on the dotted line.

In addition to the \$150m handed across by the big pharma group \$250m is due in undisclosed development and regulatory milestones. Nektar will continue to fund a phase I dose-finding trial that started in March, and is on the hook for a quarter of phase II costs.

Deals done at phase I or earlier, ranked by up-front fee					
Rank	Company	Project	Deal source	Status on deal date	Up-front fee (\$m)
1	Sanofi	SAR439684 (REGN2810)	Regeneron Pharmaceuticals	Phase I	650
2	AbbVie	BI 655064	Boehringer Ingelheim	Phase I	595
3	Celgene	Durvalumab	Astrazeneca	Research project	450
4	Abbott Laboratories	RTA 404	Reata Pharmaceuticals	Preclinical	400
5	Johnson & Johnson	JNJ-64041809	Aduro Biotech	Preclinical	365
6	Astellas Pharma	ASP0892	Immunomic Therapeutics	Research project	300
7	Merck & Co	MK-8719	Alectos Therapeutics	Research project	289
8	Celgene	AG-120	Agios Pharmaceuticals	Research project	260
9	Celgene	JTX-2011	Jounce Therapeutics	Preclinical	225
10	Celgene	Celgene/Forma Research Program2	Forma Therapeutics	Research project	225
11=	Celgene	Immuno-oncology Research Project 1	Agios Pharmaceuticals	Research project	200
11=	Novartis	ADU-S100	Aduro Biotech	Preclinical	200
11=	Merck & Co	mRNA Cancer Vaccine	Moderna Therapeutics	Research project	200
11=	Celgene	FT-1101	Forma Therapeutics	Research project	200
15	Baxalta	Baxalta-Symphogen Research Program	Symphogen	Research project	175
16=	Celgene	CD19 CAR-T programme	Juno Therapeutics	Phase I	150
16=	Roche	RG6078	Newlink Genetics	Phase I	150
16=	Lilly	NKTR-358	Nektar	Phase I	150
16=	Novartis	XmAb14045	Xencor	Preclinical	150
16=	Celgene	Celgene-Nurix Immuno-oncology Program	Nurix	Research project	150

Source: EvaluatePharma.

By signing fee alone – the most important initial measure of the size of a biotech licensing deal – the Lilly/Nektar tie-up ranks as joint 16th among disclosed licensing deals done at phase I or earlier.

Of course, many of these will not be directly comparable, given that some, like the Celgene/Juno tie-up, additionally involved a large equity element, and the future payments will differ based on the terms of each deal and the milestones involved.

However, it is undeniable that Lilly has given Nektar a major endorsement, sending the latter's stock up 5% in

early trade today. Nektar shares are up over 80% since the start of the year, largely as a result of data with its abuse-proof painkiller NKTR-181, but also on data with a pipeline asset, the CD122 agonist NKTR-214, being presented at Asco.

NKTR-214 is in trials combined with Bristol-Myers Squibb's Opdivo, and Roche's Tecentriq, but as an asset it remains unpartnered. Clearly investors will be hoping for more licensing deals from Nektar.

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