Juno falls to Celgene

In the end, Juno Therapeutics only paid a small penalty for its setbacks and for likely ending up the third CAR-T company to reach the market. Celgene at last jumped and bought the 90% of Juno it did not already own, possibly reasoning that because of Juno’s recent progress with JCAR017 it could wait no longer to strike.

The $87 a share price is lower than the $93 Celgene paid for its 9.7% stake in 2015 at the height of the biotech bubble, suggesting that the waiting game at least afforded a slight discount from that overheated number. If CAR-T can only be commercialised by big-cap biopharma companies then Celgene was the logical destination for Juno’s pipeline.

The deal values Juno at $9.9bn, $2bn short of what Gilead Sciences paid to take out Kite Pharma, which at the time of the transaction was just two weeks away from getting the US FDA approval for Yescarta, the second CAR-T therapy to be approved in the world’s biggest drug market.

JCAR017, or lisocabtagene maraleucel, is further from the market than that, with launch reckoned for next year as data from the Transcend lymphoma trial continue to accrue (Ash 2017 – Transcend fails to prevent Juno’s second collapse, December 12, 2018). This timeframe is behind the highly optimistic 2018 forecast touted by Juno executives at the JP Morgan healthcare conference earlier this month.

Celgene is keen to focus on JCAR017 as a potential best-in-class asset, however, arguing that the lymphoma data are stronger than either Yescarta or Novartis’s first-in-class Kymriah. Executives suggested a $3bn peak sales estimate, perhaps to soften investors for the reality that this transaction would reduce 2018 earnings.

Foot in the door

The takeover might have been almost inevitable. For one, Celgene’s investors were anxious for a strategic move after disappointing revenue for Revlimid and Otezla reported in the third quarter, prompting a downgrade to 2020 guidance – and Revlimid, while heading toward peak forecasted sales of $14bn, goes off patent in 2022.

For another, Celgene’s existing presence in haematological cancer makes lymphoma CAR-T therapies a logical fit, even if JCAR017 is more complex than any other project in its portfolio. And, of course, Celgene did more than buy a stake – the partnership also gave the larger group broad opt-in rights across Juno’s pipeline. This arrangement would have certainly been an encumbrance to any other potential buyer.

With Juno now firmly in the hands of a big-cap biotech, the pickings just got slimmer for any others wanting to buy into this technology. Shares in Cellectis and Bluebird Bio were up 8% today as investors saw them as the next to fall – if $10bn is the price point Bluebird is closing in on this valuation.

However, Bluebird finds itself in a curious situation. One of the reasons cited by Celgene for buying Juno is Juno’s BCMA-targeted asset JCARH125; yet the most advanced anti-BCMA CAR is Bluebird’s own bb2121 – and that is already partnered with Celgene.

If CAR-T becomes the transformational technology its advocates believe it will be, a $10bn price tag might in retrospect seem in a bargain. But massive bets are being placed on projects that have been tested in dozens of patients, rather than hundreds or thousands, and have exceptional issues in practice. In spite of regulatory approval for Yescarta and Kymriah, the risk of commercial failure has not been eliminated.

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