

Roche hopes to lay a Foundation for growth



[Elizabeth Cairns](#)



Cracking the cancer code.

Why would Roche spend \$2.4bn buying the rest of Foundation Medicine, a company it already controls? With the immuno-oncology space growing ever more complicated, even the world's biggest cancer company needs to maintain an edge.

The two groups have together developed a blood test to determine a patient's tumour mutational burden, and while this is an interesting avenue of research the Swiss pharma giant is doubtless looking beyond it. By owning Foundation outright Roche will get to keep promising earlier-stage work to itself.

Cryptography

Understanding tumour biology has never been more important, particularly when it comes to pushing forward in immuno-oncology. Roche no doubt appreciates how Foundation's diagnostic abilities can help it here, particularly as the Swiss firm is lagging behind the likes of Merck & Co and Bristol-Myers Squibb in this space.

As well as processing tumour samples, Foundation has established that it can determine a patient's tumour mutational burden profile from blood. At this year's Asco the partners presented data from the [B-First trial](#), a prospective study of first-line Tecentriq in patients with non-small cell lung cancer, finding a strong correlation between TMB score and progression-free survival.

However, Roche is unlikely to be buying out Foundation for this assay alone. At this year's Asco Dan Chen, head of cancer immunotherapy development for Roche, described TMB status as an important piece of information, but said he did not expect it to drive all immunotherapy use.

"I don't think it's a great test for figuring out which immunotherapy to get - it points to immune potential. So if your immune potential is high, you know that you're likely to benefit from some immunotherapy," he said.

A similar conclusion was reached by oncologists at this year's AACR, when Foundation's TMB test was used in Bristol Myers Squibb's Checkmate-227 trial of Opdivo ([AACR - Keytruda cements its lead, April 16, 2018](#)).

The hunt for novel and more useful tumour biomarkers is therefore hugely important. Roche has used the analogy of a "[cryptex](#)" when it comes to cancer - there are many pieces of information needed to understand a patient's cancer and their likelihood of mounting an immune response. In owning 100% of Foundation Roche perhaps hopes to be able to understand tumour biology better than the competition.

Prove the value

It is this hope that has led it to pay a 29% premium to Foundation's closing price yesterday, even though Foundation is not forecast to turn a profit until 2022, according to *EvaluateMedTech's* consensus data. After all, Roche does not need Foundation itself to make money as long as the group's technology speeds development of Roche's own development efforts.

Theoretically Roche could give itself a further competitive edge by canning Foundation's immuno-oncology development agreements with other groups - it is involved with Merck as well as Bristol. But this seems unlikely, Roche having stated that Foundation would operate as a separate autonomous entity after the takeover. On the other hand, Merck and Bristol might themselves want to pull away.

One way or another a lot is riding on Roche's cancer development. Sales of Rituxan, Herceptin and Avastin will fall dramatically as biosimilars appear over the next couple of years and the Foundation acquisition, like that of Flatiron back in February, aims to stem the bleeding ([Roche spends \\$2bn for faster oncology work](#), February 16, 2018).

Roche is betting that a strong position in cancer diagnostics will help it catch up in the immunotherapy space. But it will take time for the acquired technology to prove itself.

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