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Promotion deal is huge boost for Exact - but Pfizer must deliver



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Pfizer is to push Exact's cancer test in a deal that could "permanently alter the trajectory of Cologuard".

Signing a three-year co-promotion deal with Pfizer for its colorectal cancer test Cologuard will net Exact Sciences an extra \$80m or so in revenue next year, the company said yesterday. Small wonder that its share price rocketed 30%.

Not all that cash will accrue to Exact, of course; above the group's preliminary forecast revenue baseline a 50-50 gross profit split with Pfizer kicks in. Even so, this is a coup for Exact, not least because when the deal expires the company will have a much wider customer base for reorders.

Under the co-pro arrangement, which will start in October and run to the end of 2021, Pfizer reps will make a minimum of 625,000 sales calls on doctors, roughly tripling the number of visits Exact's 350-strong sales force is currently able to make, according to William Blair analysts.

Leerink analysts "conservatively estimate" the number of Pfizer reps selling Cologuard to be 1,000. Speaking on a conference call yesterday, Exact management said Pfizer's staff would sell Cologuard alongside Lyrica, Eliquis and Chantix - a painkiller/anticonvulsant, anticoagulant and anti-smoking drug respectively.

This might seem like an odd mix, but Exact says "the overlapping primary care customer set is strong". The sales people will be incentivised to sell Cologuard as the second product out of the four, and with Lyrica's main patent expiring at the end of this year this could be the one that gets pushed to the back of the queue.

Great expectations

Exact does not anticipate much of a change to its 2018 forecasts, since Pfizer's sales people will require training on the best way to pitch Cologuard to doctors. But it said its revenues for next year ought to hit \$700m - [\\$78m more than its announced baseline](#) and \$72m more than the sellside's consensus, according to forecasts compiled by *EvaluateMedTech*.

Cologuard sales (\$m)								
2017	2018e	2019e	2020e	2021e	2022e	2023e	2024e	CAGR
266	431	628	882	1,141	1,399	1,658	1,916	+33%

Note: forecasts predate Pfizer deal. Source: EvaluateMedTech.

Once the deal expires Exact will pay Pfizer a royalty of less than 3% on Cologuard sales out to 2024, but that is a fleabite compared to the gain it will make from the vastly increased number of repeat customers it should be able to hook.

This wider customer base, coupled with the fact that the profit share means Pfizer is only getting paid for upside to Exact's expected performance, has understandably delighted shareholders. This in turn has taken the pressure off Exact's management. The company's shares took a 22% hit on August 1 when the group's second-quarter revenue missed consensus, but it is now back up, and close to its all-time high of \$69.96.

The only problem is that now expectations are even higher. The army of combined Pfizer and Exact sales reps will have to work flat-out if they are to meet the lofty forecasts. If they do not, Exact's stock will once again receive a pummelling.