Evaluate Vantage

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Argenx keeps delivering

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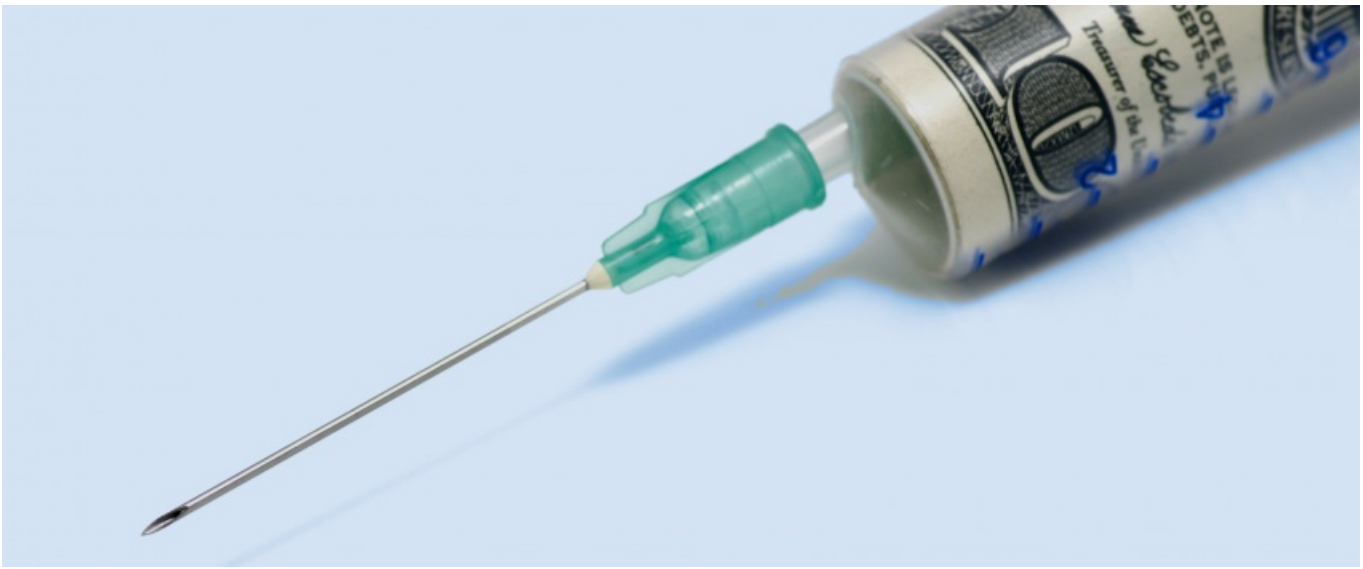

A partnering deal with J&J worth $300m in upfront cash, over a largely ignored second pipeline candidate, should put the Belgian biotech firmly on the map.

A deal emerged today alongside the flood of data from the ongoing Ash conference: for $300m upfront and a $200m equity injection, Johnson & Johnson's Cilag division bought rights to Argenx's acute myeloid leukemia candidate, cusatuzumab.

The asset, a CD70-targeting antibody, is not strictly featuring at the haematology conference but the transaction was accompanied by a new cut of data. Very impressive response rates in newly diagnosed patients help explain the interest in cusatuzumab which, given the generous terms for a phase I/II project, presumably extended beyond J&J.

At an event held alongside Ash, Argenx said the complete remission rate in the phase I portion of an ongoing phase I/II study had improved to 83% (10/12), from 75% at a data cut in November. The study is being conducted in newly diagnosed AML patients unfit for intensive chemotherapy, with cusatuzumab being dosed in combination with Vidaza.

Five patients (42%) have achieved minimal residual disease (MRD) negativity; this important endpoint signals that leukemic stem cells, which are implicated in AML relapse, have been eradicated.

Wider potential

Cusatuzumab, also known as ARGX-110, has been designed to work by targeting the ligand CD70 and its receptor CD27, which are believed to be expressed only on leukaemic stem cells. This means that the antibody should have broad utility across the AML space; this is important because while the disease area is becoming much more crowded, most new agents are targeted to specific driving mutations (*Ash 2018 – Targeted AML trial expands its Beat, December 2, 2018*).

An exception here is Abbvie and Roche's Venclexta, a BCL-2 inhibitor which has also shown efficacy across mutation types. Currently the drug is only approved in CLL and SLL but strong early data means off-label use is already happening, analysts at Stifel noted recently.

At Ash, the Venclexta partners presented new phase I data in front-line patients ineligible for chemotherapy: complete remissions were seen in 70-74% of patients, while MRD negativity was achieved in 39-47% of patients.

Arguably the cusatuzumab data look stronger, though the early stage of research and the usual caveats of

cross-trial comparison apply. A key advantage could yet be safety – Venclexta is associated with high rates of bone marrow suppression, while the Argenx asset has so far proven far less toxic.

Either way, the healthy terms that Argenx managed to extract surely speak to the potential here. As well as the upfront fee and equity injection, $1.3bn in milestone payments are available, plus double-digit royalties; the Belgian company has retained the option to co-promote in the US.

And all this for what is effectively Argenx's back-up pipeline compound. Its lead asset, the anti-FcRn compound efgartigimod, is also very highly valued, though remains wholly owned by the company.

The deal helped Argenx shares climb 12% today, marking a new high for the company's market cap – €3.5bn. After the takeout of cross-town rival Ablynx earlier this year, Belgian's biotech scene is proving to be hot stuff.