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JP Morgan 2019 day one roundup - happy days are here again



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The takeovers of Loxo and Celgene put M&A back on the agenda, and positive clinical readouts from Sage and Axsome add to the celebratory mood.

It was as though, with one collective effort, the industry awoke from a deep sleep. The first day of the JP Morgan healthcare jamboree contrasted with a horrific fourth quarter, and almost gave biopharma investors more good news than they could handle.

This was especially surprising given that Bristol-Myers Squibb's \$74bn takeover of Celgene last week had threatened to overshadow everything else. That deal did cause M&A to be a major topic in big biopharma's sessions on Monday, but other developments prompted the Nasdaq biotech index to end the day 19% above its Christmas low.

Of the news that broke as the meeting opened the most significant was Lilly's \$8bn acquisition of Loxo ([JP Morgan 2019 - Lilly fans the M&A flames with Loxo Oncology deal, January 7, 2019](#)). This floated the boats of other biotechs with small-molecule targeting agents, including Clovis, Blueprint, Deciphera, Array and Epizyme, which ended the day up 18%, 14%, 13%, 9% and 6% respectively.

Nevertheless, some fell back strongly after hours, perhaps reflecting fears over upcoming dilution, as executive teams seek to raise cash. It cannot be denied, however, that Loxo had a bigger impact on **Clovis**, which presents at JP Morgan on Tuesday, than the company's [own update on Rubraca sales](#), which came in ahead of consensus at \$30.3-30.8m in the fourth quarter.

Among other sales updates, **Insmed** surged 43% after saying [Arikayce sold around \\$9.2m in the fourth quarter](#), a number Stifel called "surprisingly strong", while **Adamas** was up 4% after [reporting preliminary fourth-quarter Gocovri](#) revenue of \$13.3m.

Of course, biotech is nothing without positive clinical results, and here Sage obliged, posting pivotal SAGE-217 data in postpartum depression that sent it up 43% ([JP Morgan 2019 - development shortcuts pay off for Sage, January 7, 2019](#)). In the setting of major depressive disorder **Axsome**, which is not presenting at JP Morgan, had a [mid-stage win with AXS-05](#), and ended the day up 161%.

Fireside chats

The likely loss to biotech of **Celgene** meant that this company's presentation, which traditionally kicks off JP Morgan, turned into something of a non-event, taking the form of a fireside chat including its chief executive,

Mark Alles, and the head of **Bristol-Myers Squibb**, Giovanni Caforio.

Celgene's [guidance](#) seemed to come in above consensus, but given that the company will likely not exist this time next year this was an irrelevance. Rather more amusing was both companies' insistence that the megamerger crowned a "record year"; in fact Bristol stock fell 15% during 2018, while Celgene crashed 39%.

Bristol remains hugely exposed to the possibility of Opdivo coming to naught in lung cancer and some believe that sales growth of the anti-PD-1 antibody will soon stall; this likely necessitated a defensive takeover but the issue was largely glossed over, with the companies instead stressing that the move was about science and innovation.

Within this, Mr Caforio highlighted Celgene's "industry-leading" cell therapy platform, including the BCMA antigen, where the group has the "best and broadest approach, with multiple shots on goal".

A company that has struggled with cell therapy is **Novartis**, which has faced extensive problems manufacturing Kymriah. Novartis's chief exec, Vas Narasimhan, admitted that the company had dropped the ball here, but insisted that this was always going to be a long-term bet, and that the issues had been fixed, with the goal being to cover the spectrum of blood cancers with CAR-T before moving to solid tumours.

Interestingly, he distanced himself from a Celgene-type acquisition, stating that big deals had not worked out historically owing to integration problems. The focus instead would be on bolt-ons in innovative medicines, perhaps pointing to acquisitions like that of Endocyte last October.

M&A was also the focus of **Pfizer's** presentation, though this too was turned into a fireside chat, with no breakout session, with the group's brand new chief, Albert Bourla. Pfizer will continue to "invest aggressively" in business development, he said, but its need differed from previous years, where problems concerned tax or lack of growth.

Rather, deals would be done to support R&D, and the somewhat surprising view was that the "new" name of the game was topline growth. Possible upcoming approvals could include tafamidis for cardiomyopathy amyloidosis and Bavencio plus Inlyta in renal cancer.

Another company with a new chief executive is **Gilead**, though the newcomer, Daniel O'Day, does not start until March, and was thus not present at the group's JP Morgan fireside chat. But the company's current management caused some excitement by hinting that takeovers might be on the cards.

The group's chief financial officer, Robin Washington, said M&A was a focus, for instance in cell therapy. Nash is another area where business development would continue being done; a [small deal here was signed](#) on Sunday with Yuhan Corporation.

And **Merck & Co's** Ken Frazier gave biotech investors yet more hope, stating that it was "helpful" that recent market turmoil had seen valuations come down. His company had failed to close some attempted deals because there was no willing seller, he added - hinting that this situation might change.

A much more surprising view came from **Biogen**, which played down the need for M&A even though the company is becoming hugely exposed to a single asset in a highly risky disease - aducanumab, which in 2020 should yield phase III Alzheimer's disease data that seem increasingly unlikely to be subjected to interim analysis.

While to many this screams out the need for diversification sooner rather than later, Biogen's chief executive, Michel Vounatsos, said there was no burning need to acquire, while chief financial officer, Jeffrey Capello, mentioned buybacks as a way of returning cash. Such stubbornness could earn Biogen the wrath of more proactive investors.

Regeneron pushed its nascent presence in immuno-oncology, which at its core has Libtayo, the sixth anti-PD-(L)1 drug to reach the market. CD3 bispecifics and new co-stimulatory bispecifics would be tested in combination with Libtayo, which would also take on Keytruda in lung cancer.

Still, it was hard to get away from today's news that Regeneron's immuno-oncology alliance with Sanofi [would be ended 18 months early](#), with the French firm retaining opt-in rights only to two bispecifics, targeting BCMA and Muc16, and leaving Regeneron with sole rights to the REGN4659 anti-CTLA-4 and REGN3767 anti-Lag3 antibodies.

"To make it simple [Sanofi] asked to focus on two things they wanted... they weren't going to get most of the early stuff anyway," said Regeneron's chief executive, Len Schleifer. The groups' joint involvement in Libtayo remains unaltered.

Among the first day's fallers, **Sarepta** was off 5% after disappointing investors by not announcing the results of a gene therapy approach to treating limb-girdle muscular dystrophy, while FDA guidance on the path forward for its micro-dystrophin gene therapy program for Duchenne muscular dystrophy was interpreted by some as spelling a delay. **La Jolla**, meanwhile, crashed 50% after [posting downbeat guidance](#) for Giapreza.

Surprisingly **Xencor** did not fall, after Novartis [handed back rights to XmAb13676](#), an anti-CD20 bispecific. “The CD20 just didn’t make commercial sense for them any more; it’s a tough space, and they frankly haven’t been able to establish much beachhead with Kymriah,” Xencor’s chief executive, Bassil Dahiyat, told *Vantage*.

For live updates from the rest of the JP Morgan healthcare conference in San Francisco on January 7-10 follow [@ByMadeleineA](#) and [@JacobPlieth](#) on Twitter.

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