

Novartis sees hidden value in Xiidra



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Novartis will need to boost Xiidra sales to justify the hefty price it has paid, but the Swiss company has form.

In shelling out \$3.4bn up front for Takeda's dry eye disease drug Xiidra, Novartis risks getting egg on its face. The product, which booked revenues of \$388m in 2018, hardly looks like a future blockbuster.

But Novartis obviously thinks it can do better than the prior owner, and it has taken big gambles on other unloved drugs. Sales of the radiopharmaceutical Lutathera, gained through the \$4bn purchase of AAA, are going strong, and Novartis must believe that it can repeat the trick with Xiidra.

Sellside analysts appear to agree: *EvaluatePharma* consensus forecasts Xiidra making sales of just over \$1bn in 2024. Still, Shire - which Takeda recently acquired - paid just \$160m up front for Xiidra in 2013. With more foresight Novartis could have saved itself a lot of money.

Over the odds?

This is not the first time the Swiss company has paid big bucks for an asset picked up cheaply by its current owner: last year it spent \$1.2bn on Endocyte to get its hands on another radiopharmaceutical, Lu-PSMA-617. The project had cost Endocyte just \$12m in 2017 ([From zero to hero, Endocyte completes a remarkable transformation, 18 October 2018](#)).

The jury is still out on Lu-PSMA-617, which is in a [phase III study](#) in metastatic castration-resistant prostate cancer that is due to conclude next year. Novartis listed the candidate as one of its future blockbusters during its first-quarter earnings call, but the sellside is more cautious, with *EvaluatePharma* putting 2024 revenues at \$359m.

Xiidra, which has been approved since 2016, is more of a known quantity. But the market for the product will get tougher soon: generic versions of its main rival, Allergan's Restasis, are due to hit in mid-May.

Xiidra has a quicker onset of action than Restasis, and the former is approved to treat both the signs and symptoms of dry eye disease, while Allergan's drug is only indicated to treat the signs. Whether this will count for much once cheap copycats hit is another question.

Novartis must have confidence in Xiidra: as well as the up-front fee it has committed to paying milestones of up to \$1.9bn.

US sales force

As well as Xiidra itself, the Swiss group will also get a US sales force in eye disease before the approval of a big pipeline hope, the wet age-related macular degeneration (AMD) project brolocizumab, on which the FDA is set to decide later this year.

Novartis does already have a presence in ophthalmology with Lucentis, but is only responsible for marketing outside the US.

After Novartis recently spun out its eye disease device unit, Alcon, the Xiidra deal shows that it still wants to be an ophthalmology player. And investors in other eye drug specialists took the purchase as a sign of renewed interest: Aeri Pharmaceuticals, for one, rose 8% yesterday, when rumours of the deal first emerged.

Meanwhile, Takeda will be able to pay back some of the debt it took on when it bought Shire. Shire's former owners are still the clear winners, though Novartis will be looking to prove the doubters wrong.