

Biogen gives investors something else to ponder



Jacob Plieth



The company's chief financial officer leaves on the eve of its second-quarter earnings report; should investors be worried?

With generic competition to the blockbuster Tecfidera now possible next year, and fortunes wedded to the controversial Alzheimer's antibody aducanumab, Biogen has given its investors plenty to fret about. Yesterday it added another concern, slipping out news after market close that its chief financial officer was leaving.

On today's second-quarter call – a call on which the soon-to-be ex-finance chief, Jeffrey Capello, was present – the group brushed off the suggestions that it needed a better deal-maker. Still, the departure's timing, the evening before the financials, looks strange, and could stoke speculation over Biogen's acquisition strategy.

For instance, one possibility is that Mr Capello is leaving after disagreements over the logic of Biogen having been left so dependent on aducanumab. If this holds any truth, one logical assumption might be that Biogen will now urgently start looking for M&A targets.

Biotech investors would welcome such an outcome, though a company starting to shop for acquisitions at a time when markets are at all-time highs would look strange. On the other hand, perhaps Biogen has few options at this stage; maybe any disagreement concerned not whether Biogen should buy, but how much it should spend.

But is such a scenario realistic? True, a decision over valuations and affordability would certainly involve the chief financial officer. But Mr Capello's responsibility would logically be limited to financial matters, so it seems odd if he has been chosen to shoulder the blame for overall strategic shortcomings.

Still, his departure is the second of a senior executive in less than a year. [Last October Biogen's head of R&D, Michael Ehlers, left unexpectedly](#); hypothetically, the head of R&D would be a more logical exec than the head of finance to carry the can for any development strategy failings.

Binary outcome

It cannot be denied that aducanumab's looming FDA verdict – one of the biggest binary outcome events of recent years – has left Biogen exposed. This is especially true after the company's recent US patent loss, which [opened the door to generic versions of Tecfidera seven years earlier than expected](#).

On today's call Biogen stressed that it was appealing against this decision, and insisted that it remained well positioned irrespective of the final verdict. But analysts were keen to know more about aducanumab, which after delays was [finally submitted to the FDA this month](#).

Remarkably, Biogen would not confirm whether it had applied for breakthrough therapy designation, or if it had used a priority review voucher with the filing. It says it has fast-track status, and “expects to hear about priority review”; thus if priority review is granted investors will have no way of knowing whether this is based on aducanumab’s merits or merely due to the use of a voucher.

Mr Capello is staying for a brief handover, and in presenting the accounts said he had enjoyed working at Biogen. He was thanked and given good wishes.

Management played down a question as to whether it needed a better deal-maker, though it has highlighted the incoming finance chief, Mike McDonnell, as having “extensive expertise in value-creating, strategic financial considerations”.

Mr McDonnell will join from Iqvia, the company formed from the merger of Quintiles and IMS Health. Perhaps coincidentally, Iqvia was the contractor Biogen had used to run aducanumab’s pivotal trials, it confirmed today, though it said Iqvia had not been involved in regulatory interactions.

During Mr Capello’s time as chief financial officer Biogen’s stock lost 10%. This probably matters much less than the fact that, with the shares trading water this year, everything now hinges on aducanumab.