Evaluate Vantage

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Gilead’s cancer ambitions stretch to $21bn

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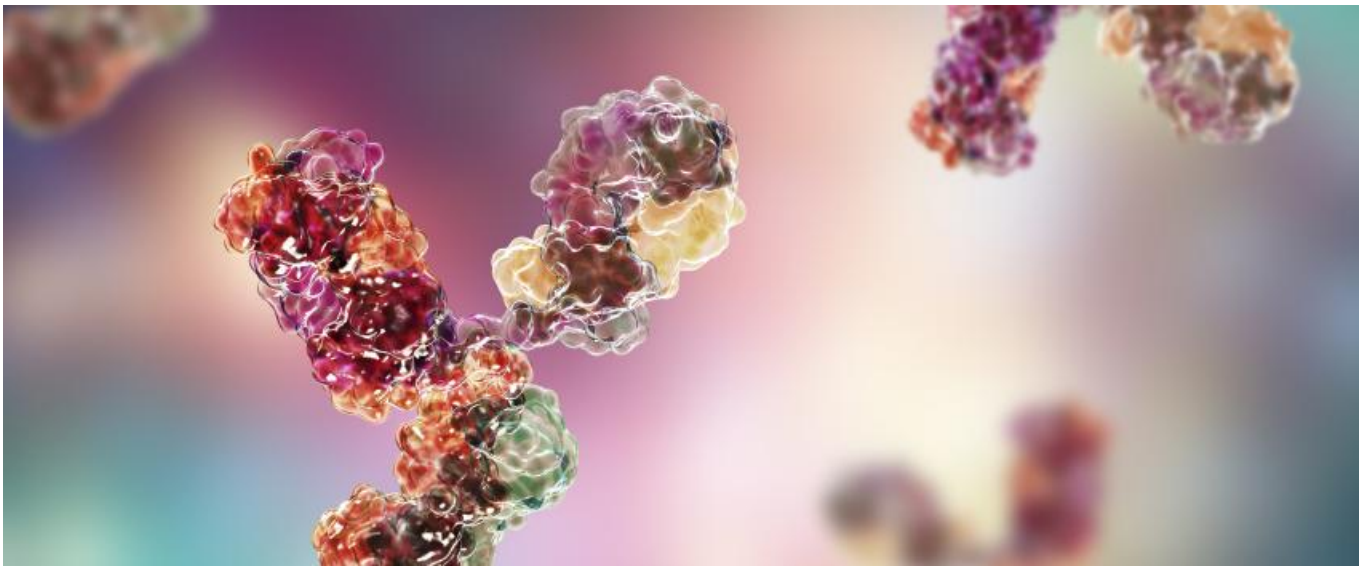

As Immunomedics and Seattle both get backing from the big boys, antibody-drug conjugates finally come of age.

Any remaining doubt about Gilead’s intent to become an oncology player was blown away last night by the group’s $21bn purchase of Immunomedics. An immediate question is whether Gilead has overpaid, although Seattle Genetics might be wondering about the one that got away.

Seattle tried to license Immunomedics’ antibody-drug conjugate sacituzumab govitecan – now approved as Trodelvy – for a mere $250m three years ago, but was thwarted by the activist investor Venbio. Immunomedics’ decision to go it alone now appears justified. But Seattle is unlikely to be too sore today, having just announced its own substantial tie-up with Merck & Co.

Immunomedics has certainly been waiting a long time for this moment – the company was founded back in 1982. Investors who kept the faith through several setbacks, including a complete response letter in 2019, will be celebrating a very big payday. The $88 per share purchase price represents a 108% premium on Friday's close, and 300% on where the stock was at the beginning of this year.

Gilead is obviously not troubled by the manufacturing issues that spurred that CRL. To coin an overused biopharma phrase, it believes it has found a “pipeline in a product” in Trodelvy.

But the group will have its work cut out to justify this price tag – *EvaluatePharma's NPV,* derived from sellside consensus sales numbers, puts Trodelvy’s net present value at just $11.7bn. The deal is largest in biopharma this year so far, as well as the biggest in Gilead’s history.

Top-five deals announced in 2020*			
Target	**Acquirer**	**Value ($bn)**	**Date announced**
Immunomedics	Gilead Sciences	21.0	Sep
Momenta	Johnson & Johnson	6.5	Aug
Forty Seven	Gilead Sciences	4.9	Mar
Principia Biopharma	Sanofi	3.7	Aug
Aimmune Therapeutics	Nestle	2.6	Aug
**As of September 14, 2020; Source: EvaluatePharma.*			

For a start, Gilead will need to expand Trodelvy, a Trop2-targeting ADC, beyond its current use in late-line triple-negative breast cancer, where it received accelerated approval in April. The group is gunning for earlier lines of therapy in TNBC, as well as new tumour types including bladder and non-small cell lung cancer.

There will be an indication of how this strategy might pan out at the upcoming Esmo meeting. The virtual conference will see full data from Ascent, Trodelvy's confirmatory TNBC trial, but perhaps now even more eagerly awaited will be updated results from the pivotal Trophy-U-01 trial in urothelial cancer.

Merdad Parsey, Gilead's chief medical officer, pointed to "really promising" data in bladder cancer during a conference call yesterday to discuss the deal.

The results will need to have improved from an interim analysis of Trophy-U-01, presented at Esmo last year. That found an overall response rate of 29%, short of the 44% ORR seen with Seattle Genetics' ADC Padcev in metastatic urothelial cancer.

However, Mr Parsey yesterday highlighted Trodelvy's better tolerability profile, so maybe Gilead plans to position Immunomedics' agent as a safer alternative.

Combos

This year's Esmo will also feature data on Trodelvy combinations, possibly with Parp and checkpoint inhibitors – the ADC is being trialled alongside the likes of Clovis's Rubraca and Roche's Tecentriq.

Further into the future investors will be watching out for data from the Tropics-02 trial in HR-positive, Her2-negative metastatic breast cancer, due next year.

Selected clinical trials of Trodelvy				
Trial name	**Setting**	**Therapy**	**Trial ID**	**Note**
Ascent	3L TNBC	Monotherapy	NCT02574455	Top-lined positive, full data at Esmo 2020
Trophy-U-01	2L/3L urothelial cancer	Monotherapy	NCT03547973	Cohort 1 data at Esmo 2020
Tropics-02	3/4L HR+/Her2- breast cancer	Monotherapy	NCT03901339	Data due H2 2021
Morpheus	1L TNBC	Trodelvy + Tecentriq	NCT03424005	Primary completion Jan 2023
Seastar	2L mTNBC, metastatic urothelial cancer, ovarian cancer	Trodelvy + Rubraca	NCT03992131	Primary completion Oct 2023
Source: EvaluatePharma, clinicaltrials.gov.				

Decent data in the aforementioned trials will help Gilead stay ahead of Astrazeneca, which recently licensed another Trop2-targeting ADC, DS-1062, from Daiichi Sankyo (*Another Astra-Daiichi tie-up puts Trop2 in focus*,

July 27, 2020).

A more stable drug linker and lower drug-to-antibody ratio could mean less toxicity with DS-1062, although this project is only in phase I, so it will be a while before it becomes apparent whether this is indeed the case.

Gilead will need several of these opportunities to come through, as this deal was all about Trodelvy. Immunomedics' pipeline lists one more clinical asset, an ADC targeting CEACAM5, IMMU-130, but with no progress in the past few years it has presumably been abandoned.

It seems likely a competitive bidding process drove up Immunomedics' price – Leerink analysts claimed that "at least four" other companies were involved in negotiations. Maybe Merck was one of them, given its deal with Seattle today.

Gilead has shown before that it is not shy of paying top dollar, although the group's chief executive, Dan O'Day, insisted yesterday that this was a "medium sized" deal and that the group still has the firepower for more bolt-ons.

Only time will tell if acquiring Immunomedics was a masterstroke along the lines of Pharmasset, or a dud like Kite.