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C4X shows being early to the party can bring success

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Very early stage deals could be the way for C4X to avoid the funding desert that has scuppered so many other UK biotechs.

C4X Discovery's business model, of out-licensing rather than developing projects in house, looks like it is starting to deliver. This week the UK group announced a €414m ($494m) biodollar licensing deal with Sanofi for its oral preclinical IL-17A inhibitor programme. While the upfront payment of €7m was slightly more modest, landing a big name partner was enough help drive shares in the UK biotech up by 8%.

The deal with Sanofi follows an agreement with Indivior in 2018, worth $10m up front, and is all part of a plan by C4X's chief executive, Clive Dix, to hand off assets before they even hit the clinic. Speaking to *Evaluate Vantage* he said: "We think our technology is best placed finding molecules, getting good quality starting points, taking them as far as we can as a candidate and out licensing."

This approach runs counter to that of many UK biotechs, which have traditionally focused on discovering single products – usually due to funding constraints – and trying to commercialise them. It is an method that Mr Dix thinks might have held some companies back.

"We try to avoid this because if your first molecule fails it kills the company, and if it doesn't it changes the company completely, because you then become that molecule," he says.

Shifting the risk

In C4X's deal with Sanofi, the French company will take on all of the risks and cost of commercialising the oral IL-17 inhibitor, which will be developed initially in psoriasis.

The current leading IL-17 inhibitor for psoriasis, Novartis's Cosentyx, sold almost $3bn for this use last year, but as a MAb it tends to be reserved for more severe forms of the disorder.

C4X is hoping its small molecule approach will allow the treatment model to move back to milder forms of psoriasis, giving them and Sanofi a bigger share of the market, which is forecast to hit $32bn in 2026, according to *Evaluate Pharma*.

Alongside the €7m upfront payment from Sanofi, C4X is in line for a further €11m if a candidate enters the clinic. The money will be ploughed back into C4X's current pipeline, which includes a Nrf-2 activator and an oral α4β7 integrin inhibitor programme, in the hopes of finding partners for these assets. Mr Dix is also on the lookout for another project to bring in to keep the number of internal programmes running at about five.

The deal with Sanofi has brought some renewed investor interest in the company, whose shares had hit historic lows earlier this year. But at 43p the stock is still a long way off the 130p it hit in 2016, making C4X look relatively cheap.

Staying single

But Mr Dix is not interested in selling anytime soon. “The end goal is to make this a sustainable drug discovery engine. Roll forward five or six years and if we have done another three deals, then you have an expectation of revenues coming in all the time and it’s a fairly chunky business.”

And it is gaining scale through deals that generate revenues that Mr Dix hopes will keep C4X independent. “All the little [UK] companies that have done well have been bought in the main by an American [group] and disappeared,” he says.

Mr Dix blames the inability of UK firms to grow independently on the age-old problem of lack of funding in the country. “If there was the right sort of risk-reward funding then we might build a company that becomes the next Celltech or the next Amgen, but the funding model doesn’t work at the moment, it just doesn’t want to put big money behind clinical development candidates,” he says.

As such C4X will have to keep signing more deals with big pharma if it wants to buck the UK biotech trend.