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Abingworth taps biopharma's appetite for risk-sharing

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The success of previous forays into the clinical co-development space has enabled the UK venture firm to raise its biggest fund yet.

About a decade ago Abingworth started funding late-stage clinical work that developers could not pay for themselves. Growing demand for these clinical co-development deals has helped the UK venture firm to raise its largest fund to date, which closed this month at $585m.

The fund was significantly oversubscribed, ending up with $200m more than originally targeted. Appealing historical returns played a part, as did healthy investor interest in life sciences more generally, Tim Haines, managing director of Abingworth, tells *Evaluate Vantage*. The abundance of capital in the sector right now has not diminished interest in clinical co-development, he adds, with both big pharma and smaller biotechs signing up.

The basic idea behind these deals is that the late-stage clinical and regulatory work needed to get a project to market is passed to another party, in return for a lump sum and a fixed revenue stream. This only becomes payable upon success, however, which typically means regulatory approval; at this stage the previous owner is obliged to buy the asset back on the pre-agreed terms.

This means that the risk is also entirely transferred to Abingworth, which in most cases runs these deals through two portfolio companies it jointly owns with the private equity firm Blackstone. As such, a huge amount of due diligence goes into selecting which projects to back, Mr Haines says.

“The critical element for us is to get comfortable that the likelihood of approval is above a certain threshold. If we get that wrong, irrespective of the economics, we get nothing at all,” he says.

He admits that this is a more costly development path for the companies than doing it themselves. But for big developers with limits on their R&D capacity, or biotech companies concerned about selling shares to raise cash, these deals offer a way forward for assets that might otherwise sit on the shelf.

“For the pharma industry it's about having more drugs in the pipeline, but without denting the head of R&D's budget,” Mr Haines says. “For a biotech company we can save them a huge amount of [shareholder] dilution. As the air goes out of the [stock] market it's going to become even more interesting for biotech, should valuations get some compression.”

Paying out

Another advantage for young biotechs is access to the clinical and regulatory experience offered by the two companies that operate these deals – Avillion and SFJ Pharmaceuticals. To date, Abingworth has invested in 11 co-development deals through these entities, six of which have paid out so far.

These include bringing to market Pfizer's leukaemia drug Bosulif, which was approved in 2017; an agreement to work with Astrazeneca on the advancement of an asthma project, PT027, which should yield phase 3 results later this year; and most recently a deal with Nektar to fund development of bempegaldesleukin in head and neck cancer.

This new fund is essentially a bet that Abingworth and its partners can continue to pick projects wisely. Mr Haines says that investors were also attracted by the relatively short time lines compared with typical venture investing, and being able to participate in biopharma in a way uncorrelated to the public markets.

"That really resonated. So in terms of risk profile it has an appeal and therefore we have different investors in this fund [than our venture funds].

Abingworth also raised an oversubscribed traditional venture fund earlier this year, which closed out at its hard cap of $465m. It is abundantly clear that investors remain very interested in accessing the drug development sector, via almost any route.

For trends in venture financing, read Evaluate Vantage's recent analyses here: The retreat of corporate venture funding? and Europe's venture boom trails the US. The latest quarterly data can be found here: Biotech venture financing starts the year with a bang