Evaluate Vantage

December 20, 2021

Another failure heaps more pressure on Novartis

Madeleine Armstrong

Deals will come into even greater focus after the failure of ligelizumab, one of the group's brightest pipeline hopes.

It was already obvious that Novartis's pipeline needed bolstering, and the group now has the firepower to do so. The situation has become even more urgent today, though, with the failure of a big pipeline hope, ligelizumab.

It is probably a coincidence that this morning the company also announced a deal with Beigene over the Tigit inhibitor ociperlimab. Novartis likely needed to be in this space, given the presence of other big pharmas, but this is hardly the big, bold acquisition for which investors have surely been hoping.

Tigit chase

Novartis has paid $300m up front for an option on ociperlimab, and is on the hook for another $600m or $700m if it exercises this before mid-2023 or late 2023 respectively. Potential milestones total $1.9bn.

The Swiss group is not the only one prepared to pay out for a Tigit asset: Glaxosmithkline parted with $625m up front to get its hands on Iteos's EOS-448. That deal included up to $1.5bn in milestones.

EOS-448 is in phase 1, while ociperlimab is in two phase 3 studies – Advantig-301 and Advantig-302 – in non-small cell lung cancer, where it is being combined with tislelizumab, the PD-1 inhibitor that Novartis licensed from Beigene in January.

It is some time before these trials will complete. The only available clinical data on ociperlimab come from the phase 1 Advantig-105 dose-escalation study testing a tislelizumab combo in solid tumours; this year's Asco meeting heard details of two partial responses among 26 patients.

The combo is also being evaluated in phase 2 studies in other solid tumours including cervical and oesophageal cancers and hepatocellular carcinoma.

Given these deals, plus Gilead recently opting in on Arcus's domvanalimab, interest in this mechanism looks set to continue. Still, shares in Mereo, one of the few groups with an unencumbered Tigit inhibitor, were down 4% today, perhaps owing to Novartis not choosing its project.

Losing ligelizumab

The latest deal with Beigene might end up being expensive for Novartis, but at least the group has something

new to focus on after its latest blow-up, which saw ligelizumab fail to beat Xolair in the pivotal Pearl 1 and 2 trials in chronic spontaneous urticaria, an autoimmune skin condition.

According to *Evaluate Pharma* sellside consensus the anti-immunoglobin E antibody was expected to bring in $652m in 2026, making it Novartis's most valuable phase 3 asset. It is still in pivotal trials in chronic inducible urticaria and peanut allergy, but these readouts are much further off and, in any case, ligelizumab's prospects here no longer look great.

Novartis still has another chance in urticaria with the BTK inhibitor remibrutinib, which recently went into phase 3 and is also being studied in multiple sclerosis.

However, Novartis needs a nearer-term boost, and a look at some of the big readouts coming in 2022 highlights just how lacklustre its pipeline is. It is notable that among the catalysts Jefferies analysts highlight adjuvant data with canakinumab, which has already crashed in two NSCLC trials.

Novartis's notable 2022 catalysts

Project	Description	Event	Timing	2026e sales ($m)
Leqvio (inclisiran)	PCSK9 RNAi	FDA approval decision	Pdufa Jan 1, 2021	2,026
Kisqali	CDK 4/6 inhibitor	Data from ph3 Natalee in adjuvant HR+/HER2- breast cancer	Due YE 2022	1,719*
Canakinumab	Anti-IL-1 beta MAb	Data from ph3 Canopy-A in adjuvant NSCLC	Interim analysis due YE 2022	1,234*
Iptacopan (LNP023)	Complement factor B inhibitor	Data from ph3 Apply-PNH in paroxysmal nocturnal haemoglobinuria	Completes Jul 2022	597

**Total sales - drug already marketed for other uses. Source: Evaluate Pharma & clinicaltrials.gov.*

In adjuvant breast cancer Novartis will have to hope that including intermediate as well as high-risk patients will not scupper its chances of getting a win in the Natalee study of Kisqali.

Meanwhile, iptacopan's performance in paroxysmal nocturnal haemoglobinuria could indicate how another valuable pipeline prospect will do in follow-up indications including IgA nephropathy and C3 glomerulopathy.

But the biggest near-term test for Novartis is an approval decision for Leqvio, which might sneak in by the end of the year. That this decision has taken so long is a black mark against the company's deal-making nous – it paid nearly $10bn for that project's developer, the Medicines Company.

If Novartis does plump for a big buyout – rather than sticking to share buybacks and bolt-ons like today's Beigene deal – investors will have to hope that it chooses more wisely.