Evaluate Vantage

June 27, 2022

Epizyme accepts reality

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Dire market conditions combine with a loan overhang and investor desertion to force Epizyme's hand in a low-ball takeout.

Epizyme has become the latest depressed biotech to decide that securing some immediate cash is preferable to committing market suicide. The $247m takeover by Ipsen that it agreed to this morning values Epizyme 90% below its 2013 IPO price, and 95% below where it was trading in early 2020.

Back in 2020, of course, Epizyme had just launched its first drug, Tazverik. But investors took a dim view of the situation, and saw the solo launch as a cue to abandon the company. The sellside fled too, slashing Tazverik's sales forecasts, and when the biotech market crashed – and GSK abandoned a key licensing deal to boot – Epizyme had no choice but to accept the inevitable.

It is not alone in having done so: just last week F-Star and Radius Health agreed to low-ball takeouts, the latter having also failed to make a splash with its first approved drug. While all three deals suggest a significant loss of value for any remaining long-term investors, the fact deals are happening at all is some comfort.

For its part Ipsen picks up Tazverik for a relatively small amount of cash, not long after it secured rights to Genfit's elafibranor in another example of a low-ball deal with a depressed seller. Both transactions show Ipsen treading far more cautiously than when it spent $1bn on Clementia, whose lead project blew up in the clinic less than a year later.

The Tazverik millstone...

However, reality has caught up with Tazverik. The EZH2 inhibitor was once expected to sell over $1bn in 2026, *Evaluate Pharma's* archived sellside forecasts reveal, but consensus now puts the number at a mere $373m. Such a reality check is not uncommon for products launched by small biotechs without the help of a more muscular partner, an earlier analysis showed.

Not only that, but to support its solo launch Epizyme had taken on long-term loans, which as of last month amounted to $217m on its balance sheet. Back in 2019 this might have seemed a paltry amount, but at Epizyme's current valuation it stood as a significant overhang, likely contributing to the company's willingness to take Ipsen's money.

Ipsen today told investors that it expected Tazverik to be capable of $150-250m of peak sales in its current indications of relapsed follicular lymphoma either with an EZH2 mutation or without if patients have no further options, and in the niche use of epitheloid sarcoma.

However, Ipsen reckons sales could hit $800m if the drug gains a second-line mutation-agonistic follicular lymphoma label, something dependent on the confirmatory Symphony-1 trial. If Tazverik secures formal US second-line approval by 2028 Ipsen will pay Epizyme holders a contingent value right worth $119m; a further $51m CVR is payable if Tazverik sells $250m in any four consecutive quarters by the end of 2026.

...and little else

Epizyme's only other clinical asset of note is the SetD2 inhibitor EZM0141, which recently entered phase 1 in multiple myeloma and diffuse large B-cell lymphoma. Epizyme, a group founded on the promise of epigenetics, has several other assets targeting helicases and histone methyltransferase/ acetyltransferases, but these are all preclinical.

The company's biggest endorsement had been a deal with GSK for two protein arginine methyltransferase inhibitors, GSK3326595 and GSK3368715. Both reached phase 1, but the UK group quietly canned the tie-up in March, citing "prioritisation within the synthetic lethal portfolio".

Just before that Epizyme had pulled off an $85m equity offering, stretching its cash reach to late 2023. Despite this it still had net indebtedness; the current market is no place for messy capital structures, so investors should welcome Ipsen's bailout.