Evaluate Vantage

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Amgen picks its moment to strike for Chemocentryx

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The $3.7bn price is cheaper than it would have been last year, but Tavneos must still fulfill its pipeline-in-a-product potential.

Some investors had been concerned that the launch of Tavneos, Chemocentryx's vasculitis therapy, would prove a damp squib. Amgen, it seems, has no such worries, today buying the company for $3.7bn, more than twice the target's market value.

This is perhaps not as expensive as it looks. The $52 a share Amgen paid may be a 116% premium to Chemocentryx's closing price yesterday, but the smaller group had been trading at this level just over a year ago.

Amgen investors will therefore hope the company has managed to bag a bargain, but much will depend on whether Tavneos can expand beyond ANCA-associated vasculitis, an autoimmune disease that causes inflammation of small blood vessels.

Notably, Chemocentryx has also been evaluating Tavneos in hidradenitis suppurativa, C3 glomerulopathy and lupus nephritis; however, results in the former two indications have been mixed at best. Indeed, it was somewhat surprising that the drug got the nod in October for ANCA-associated vasculitis, given a split adcom vote and concerns about liver toxicity.

Tavneos sold $5.4m in the US in the first quarter of 2022, surpassing consensus sellside expectations of $3.8m, although it is too soon to label the launch a success. The drug is also approved in the EU and Japan, but Amgen will only gain the US sales; Kissei Pharmaceutical has the Japanese rights and Otsuka the Canadian, with all other territories being mopped up by Vifor.

Growth driver

It will now be up to Amgen to make Tavneos a success in the world's biggest drug market and justify Chemocentryx's price.

The product's NPV, as calculated by *Evaluate Pharma* and based on current sellside consensus, stands at just under $2bn. SVB analysts, meanwhile, see sales potential of over $2bn by 2030.

As for the rest of Chemocentryx's pipeline, CCX140, which had been in phase 2 for kidney disease, seems to have been quietly dropped as it does not appear in the company's latest update. There are also four other

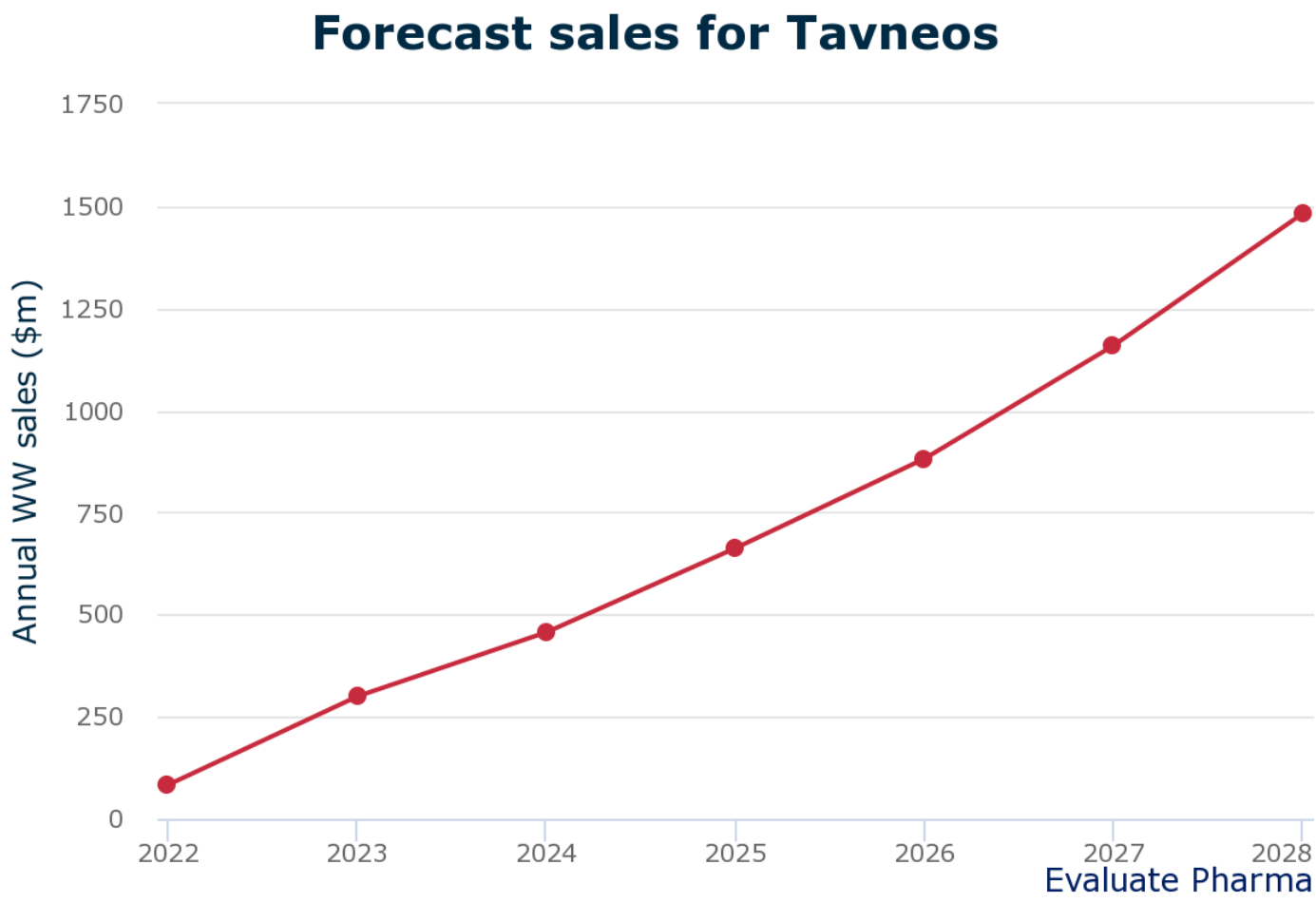
projects, including a PD-(L)1 inhibitor, listed.

Chemocentryx's pipeline		
Product	**Target**	**Status**
CCX140	CCR2	Ph2 in nephrotic syndrome and diabetic nephropathy; since abandoned?
CCX507	CCR9	Ph1 in ulcerative colitis
CCX559	PD-(L)1	Ph1 in unspecified cancer
CCX111	CCR6	Preclinical in TH17-driven disease
CCXTBD	CCR4	Preclinical in "other dermatological"
Source: company presentation.		

In any case, Tavneos is the main driver behind the deal. Chemocentryx previously said it would start two studies of avacopan in the second half of this year: a phase 3 in hidradenitis, despite the earlier miss, and a study in lupus nephritis, inspired by the renal function improvement seen in the phase 2 glomerulopathy trial.

In Tavneos, Amgen has got its hands on a much-needed growth driver. The group's existing portfolio is facing a patent cliff, with several key products, including Enbrel and Otezla, due to lose exclusivity in 2025-30.

Tavneos's US exclusivity could last until 2036 if patent extension is granted, according to SVB. Wringing the highest possible sales out of a drug has become an Amgen speciality, and the group will need all that expertise to justify today's outlay.



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