SuperGen signs timely deal with Glaxo

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With sales of its lead drug losing headway to rival Celgene’s Vidaza, striking a deal with GlaxoSmithKline to collaborate over cancer drug discovery was just the tonic that SuperGen’s shares needed. Yesterday, the Californian group announced that it had inked a deal worth up over $375m to utilize its novel drug discovery technique, Climb, causing a 13% jump in its stock to $2.70.

Under an early stage and therefore heavily back-end loaded deal, Glaxo agreed to buy shares worth $3m and pay $2m in cash in return for SuperGen pushing a range of cancer compounds through to proof of concept. The total development milestones could eventually reach $375m and the group will be entitled to double digit royalties on any products produced by the collaboration.

Validation

Given the modest upfront fee, what may have pleased investors is that the agreement plays more to the strengths of SuperGen, which now primarily sees itself as a drug discovery group and has therefore directed most of its energy towards pushing cancer treatments into clinical development. The group currently has six products in the clinic.

The focus on drug discovery is down to the 2006 acquisition of Montigen, which gave SuperGen the drug discovery platform Climb, which has caught Glaxo’s eye.

As well as providing validation for the group’s drug discovery platform, the potential milestones from Glaxo will be very welcome because of the increased competition for its only marketed drug, Dacogen. The treatment for myelodysplastic syndrome (MDS) has come under serious pressure from Celgene’s Vidaza, which has shown strong efficacy in the disorder.

The fight back

MDS is a potentially fatal group of bone marrow diseases that limit the production of normal blood cells; poorly functioning and immature blood cells are produced instead. People with MDS experience a raft of debilitating symptoms including aemia, bleeding, infection and fatigue. Patients can go on to experience bone marrow failure which can lead to death from bleeding or infection. Additionally, over time MDS can progress to acute myeloid leukaemia (AML).

In an attempt to fight back SuperGen's marketing partner in the US, Eisai, plans to start a head-to-head trial of Dacogen and Vidaza in AML by the end of this year. But with results not expected before 2011 the potential for limiting the flow of sales from Dacogen to Vidaza will be minimal in the short term.

Additionally, Vidaza continues to generate data to reinforce its impressive efficacy. In August, Celgene reported the results from one of the largest randomised phase III trials in higher risk MDS, where Vidaza showed that it almost doubled overall survival rates to two years, setting Dacogen a very high bar.

Lower expectations

The competition from Vidaza has been reflected in the archive forecasts sales for partners Eisai and Johnson & Johnson, which holds ex-US rights. In May 2008 the drug, which has yet to gain approval outside the US, was forecast to produce sale of $138m for J&J by 2012, a figure that has dropped to $23m according to archived forecasts from EvaluatePharma. Eisai has seen 2012 forecasts fall from $334m to $278m in the last 12 months.

The annual increase in royalties received by SuperGen are also only set to rise modestly every year, moving from a forecast $40m this year to $49m in 2012.

As such with the next most valuable drug in SuperGen's pipeline, the tyrosine kinase inhibitor MP-470, only at phase I, the Glaxo deal could not have come a better time.