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Merck turns to Prometheus to bolster its post-Keytruda strategy



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For \$10.8bn the pharma giant gains a promising new mechanism, and adds immunology as a future investment area.

Strong data [in a promising new immunology mechanism](#) tipped Prometheus as a takeover target late last year, and so it has come to pass. A \$10.8bn bid from Merck & Co emerged over the weekend, a punchy price tag that points to a competitive process.

The \$200 per share offer represents a 75% premium over Prometheus's share price on Friday, something even more impressive when considering that the biotech's stock had tripled in value in December. On a call this afternoon Merck executives said Prometheus's lead asset, PRA023, had multi-billion dollar peak sales potential, and told investors to expect further investment in immunology.

Like [Merck's \\$11.5bn acquisition of Acceleron in 2021](#), this move is about replacing Keytruda's huge revenue stream, which is likely to start fading early next decade. In another echo of that deal, the company also found itself today justifying the price it has agreed to pay.

Rob Davis, Merck's chief executive, pointed to Prometheus's work on what could be the first biomarker in ulcerative colitis, and potentially other inflammatory conditions, as well as the strong phase 2 data on PRA023 in both UC and Crohn's disease. The project hits TL1A, a protein that belongs to the TNF superfamily, an area of biology that has spawned several huge blockbusters, including Abbvie's Humira.

"What today should tell you is the confidence we have in this asset," he said, pointing to the potential for "meaningful NPV creation. We see [PRA023] as a meaningful opportunity in a period when growth will be important for the company."

Scarcity value

Analysts at SVB Securities calculate an NPV of \$9.3bn for PRA023, a number that assumes success in both ulcerative colitis and Crohn's disease.

Merck must have based its valuation on more than just this asset, and executives also talked up Prometheus's target and drug discovery platform, describing this as a precision medicine approach that will allow for patient stratification. Eliav Barr, Merck's chief medical officer, said the group wanted to introduce biomarkers to immunology, as has been done in cancer.

It is also true that Merck is paying for scarcity value, with only three TL1A-directed MAbs having made it into mid-stage trials, according to *Evaluate Pharma*. Alongside Merck/Prometheus, Teva has a candidate in two mid-stage UC and Crohn's studies, although data are unlikely to emerge before next year.

Roivant and Pfizer are closer competitors. The latter [spun out certain rights to its TL1A asset, PF-06480605](#) into a new "vant" subsidiary company last year, in a deal that seems to put a considerably lower value on the project than Merck has put on PRA023. [Mid-stage data also look promising on PF-06480605](#), and the two assets look likely to move into pivotal development on similar timelines.

New directions

It will be some while before Merck generates data sufficient to justify the price of this deal. In the meantime, investors will also be left pondering the strategic direction Merck is taking. The pharma giant has no real presence in immunology, aside from two fading franchises, Simponi and Remicade, which it sells in certain regions under a legacy deal struck between Schering Plough and Johnson & Johnson.

True, Prometheus answers demands for the company to diversify away from Keytruda. But immunology is a fiercely competitive space, as is proved by the price Merck had to pay to secure PRA023.

Davis said that immunology, as well as cardiology and oncology, would be areas for investment in the future for Merck, in terms of both business development and internal research. On the call management also highlighted [an asset acquired with Pandion in 2021](#). MK-6194 (formerly PT101) is an IL-2 mutein designed to activate T regulatory cells, and will enter phase 2 trials this year, possibly in vitiligo.

These assets do not amount to a particularly broad immunology pipeline. But Merck has deep pockets and is clearly prepared to pay up to replace Keytruda.

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