Evaluate Vantage

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EP Vantage Interview - Agios' big thinking lands $130m deal with Celgene

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Agios Pharmaceuticals' chief executive, David Schenkein, says he has always had big ambitions for the company he joined last year. The wide reaching research collaboration announced yesterday, which cost new partner Celgene an eye-popping $130m upfront, should certainly help see them achieved.

Considering Dr Schenkein's two previous roles were heading research departments for two hugely successfully US oncology players, Genentech and Millennium Pharmaceuticals, it is perhaps not surprising that he joined Agios with grand ideas and, as he tells *EP Vantage*, the desire to build a company in a different way. Venture capital-backed Agios was only founded in 2007 but it has been generating a lot of excitement in a relatively new field of oncology, cancer metabolism, and Celgene now has first dibs on anything that emerges from its research labs in this area.

First option

The deal, although it has familiar elements, is certainly eye catching. For $130m Celgene gets an option over any candidate emerging from Agios' cancer metabolism research platform and an equity stake. The companies have declined to reveal the size or cost of the stake purchase or the length of the contract, which can be extended if Celgene chooses, for an additional sum.

The amount paid for this option is surprising because none of Agios' candidates have yet entered the clinic. The smaller partner will lead the early work up to the end of phase I, at which point Celgene can decide whether to buy full rights. On each licensed programme, Agios could receive a further $120m in milestones, plus royalties, and can take up the option to co-development and co-market.

Dr Schenkein says that it was always his intention to find one partner for the cancer metabolism programme, rather than individually licensing each candidate.

"The motivation was to do something very different and go after this space aggressively and broadly, it really did require one partner who was willing to go in with us," he says.

"From the beginning we've had a very big vision for this organisation. We felt strongly to do that would require a different model, and build a biotech in a different way than it's ever been built before."

Breaking the mold?

It is not unusual for smaller companies to sign broad, early stage research collaborations with larger players; think of Alnylam's multiple research deals with big pharma partners, including a broad RNAi research collaboration struck with Roche in 2007 which cost the Swiss company $331m upfront, and the numerous transactions Galapagos has struck with partners including Johnson & Johnson and GlaxoSmithKline.

What is new here is perhaps the stage at which Agios has decided to lock itself to a partner. Celgene was not the only party interested, and Dr Schenkein says that the process was very competitive with several companies prepared to strike similar deals.

The size is also no doubt a signal of the interest this area is attracting, with Agios itself making headlines last year with the identification of a new oncogene (*Agios oncogene discovery casts spotlight on cancer metabolism, November 24, 2009*).

And while the company is not alone in its work the field is hardly crowded. Others with similar projects include GlaxoSmithKline, which has a research group dedicated to cancer metabolism, and companies including Threshold Pharmaceuticals and Cornerstone Pharmaceuticals have candidates in the clinic.

Not to be missed

However, both Agios and Celgene clearly believe they have an opportunity not to be missed, and worth exploiting as quickly as possible.

The $130m in the bank, plus access to Celgene’s expertise, will hopefully mean speedy progress. Dr Schenkein says employee numbers, which currently total around 40 in the US plus contractors overseas, will now be built rapidly so R&D work can progress at full steam.

The cash also means Agios is unlikely to be distracted by funding concerns for a while. The company raised $33m in a series A in 2008 led by three venture capital firms, none of which have used this deal as an opportunity to exit, and a series B is unlikely to be required any time soon.

Story worth following

Although Celgene does not have options over any candidate outside of cancer metabolism, Dr Schenkein indicated that there is unlikely to be much work going on outside of this area. As to whether all of the $130m has to be directed at this area, he would not say.

The deal is so all-encompassing that it certainly begs the question, why did Celgene not just buy the whole company?

“We’re not interested in selling Agios,” Dr Schenkein replies. “We are very interested in building an independent company for the longer term. We’re thinking big and we want to change the game here”.

Given Dr Schenkein’s experience, a $130m licensing deal and the potential seen in cancer metabolism, this is an ambition not to be underestimated.