Evaluate Vantage

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Takeda takes long-term bet on Envoy

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Takeda is at it again. The Japanese group’s seeming insatiable appetite for small to medium-sized deals had it reaching for its chequebook for the fifth time this year, as it decided to end early its three-year investment and two-year research collaboration with the private US biotech Envoy Pharmaceuticals.

By taking out Envoy Takeda gains access to the company’s proprietary bacTRAP technology, which is currently being used to develop a suite of CNS products. At a price tag of up to $140m, which includes an undisclosed up-front fee and future milestones, the deal is unlikely to break the bank and allows Takeda to get in on the ground floor of a new technology ahead of its rival investors.

Old ties

Envoy has eight preclinical products in development, and while investing in such an early-stage technology does look risky Takeda has obviously drawn on its relationship with Envoy since 2009 to make the decision.

The Japanese group, through its Takeda Ventures corporate investment arm, was one of the original investors in Envoy and in 2010 formed a research collaboration focused on schizophrenia. As such the company will have done more than its fair share of due diligence on Envoy and its technology to feel comfortable enough to strike now; Takeda's VC arm is more up-front than most corporate funds about taking a strategic position in private companies.

Envoy’s bacTRAP technology certainly is novel; it combines genetic engineering with molecular biology techniques to identify, label and extract proteins produced by cells that are present in certain diseases without requiring the isolation of those cells.

This technology is particularly applicable to the brain where many hundreds of cells types producing different proteins are intermingled. By isolating only the target proteins Envoy hopes to develop highly specific drugs that avoid many of the side effects of older CNS drugs. The technology is also applicable to therapy areas outside CNS.

Mind the gap

As well as helping the group hopefully crack one of the most failure-prone therapy areas, the acquisition plays into Takeda’s growing acquisitiveness and desire to expand its US operations. Most of this effort is to fill the void left by the patent expiry of its diabetes drug Actos.

The $4bn-a-year drug finally saw generic competition in August, and with few large launches slated to get off the ground before 2014 it is one reason why Takeda’s business development department has been working overtime this year.

So far in 2012 Takeda has bought the vaccine business LigoCyte Phamaceuticals for $60m, Brazilian group Multilab Industria e Comercia de Pordutos Pharaceuticos for $273m, URL Pharma for an initial $800m and Intelikine for $310m (*EP Vantage interview – LigoCyte buy boosts Takeda’s vaccine business, October 08, 2012*) .

But unlike the $800m purchase of the gout specialist URL Pharma, or MICPP, which were done to add to the bottom line quickly, the investment in Envoy is clearly a much longer-term bet.

However, if successful this investment could reap significant dividends given the paucity of new treatments in CNS. The space has seen most of the big-selling drugs succumb to generic competition and the only form of innovation come in extended-release versions of older products.

At its peak, Lilly's schizophrenia drug Zyprexa achieved sales of $5bn. If the products from Envoy can replicate a small amount of this success, the 10-year time horizon that Takeda is now looking at to bring them to market will be worth it.

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