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Forma signs second Celgene deal and sets stage for exit

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If Forma Therapeutics' latest deal is any indication of the quality of its science and dealmaking prowess, it might never have to tap its investors for another penny.

Celgene spent $225m upfront to secure a second broad discovery collaboration with Forma, a deal that could last more than seven years and gives the bigger partner an option to acquire Forma. It is the type of deal becoming more common in drug development, and one which the Massachusetts-based company has exploited repeatedly – not bad for a five-year-old company that has raised only $51m from its venture capital backers.

Expansion

Unlike the Forma-Celgene pact struck in April 2013, which covered candidates regulating cell homeostasis, the new collaboration is less limited by biology and disease areas. Privately held Forma's discovery platform covers epigenetics, tumour metabolism, cell homeostasis and protein-protein interactions; much of the big pharma collaboration it has done so far has involved oncology.

Forma's announcement simply disclosed that the deal would cover "broad areas of chemistry and biology". However, given Celgene's interest in haemotological cancers, it is a fair guess that it is looking at oncology targets.

That is the initial stage of the collaboration, lasting three and a half years. At the conclusion of stage one, Celgene will have the option of renewing the deal twice for two years, at a total price of $375m should it see the terms through to the end. Following the second renewal the New Jersey oncology specialist will have an option to acquire Forma.

Celgene's earlier deal with Forma, signed a year ago, saw the smaller partner take in $200m in R&D funding up front. Combined with potential milestones, the value across the two deals is $1.56bn – impressive for a discovery collaboration.

By now, this could seem a bit run-of-the-mill for Forma, which has in the past signed deals with Johnson & Johnson, Eisai, Boehringer Ingelheim, Cubist and Roche, along with Cancer Research Technology, the technology transfer arm of the charity Cancer Research UK, and the Leukemia and Lymphoma Society in the US (*Forma keeps finding big pharma fans, January 11, 2012*).

Early stage

A few years ago, the deals Forma has forged, and the payments attached to them, would have been less common. While they are far from the standard in 2014, there are more of them these days for companies with the right discovery tools, and Forma seems to have hit a sweet spot in the licensing cycle (*Broad research collaborations top deal tables in 2013 as oncology fades, February 12, 2014*).

It does not hurt that Forma works in oncology, and that scarcity value, combined with an overheated market that has created more than a few improbable billion-dollar companies, has driven a trend towards earlier-stage licensing deals.

Remaining primarily a platform discovery company, as Forma now is, has not typically built the value that investing in a proprietary pipeline does. But the biotech bubble has torn up the business strategy rulebook for life science companies; success for Forma may be defined by the admittedly lower-risk strategy of exiting through the Celgene door.

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