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Celgene’s record-breaking deal hangs on phase II data

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Celgene must have seen something absolutely earth-shattering in the phase II data. At least this is the hope its investors must now cling to as they try to rationalise the group’s decision to fork out a massive $710m for Nogra Pharma’s GED-0301.

Until yesterday the Crohn’s disease project was virtually unknown – as was Nogra itself – and only early human data on it are available. But Celgene has touted the still unpublished results of a phase II study that it saw in due diligence as one reason for handing across what *EvaluatePharma* data compute to be the largest up-front payment in biopharma history (see table below).

GED-0301 is an orally dosed antisense DNA oligonucleotide that Celgene claims has the potential to redefine the standard of care in Crohn’s disease. The only human data available, from a non-placebo-controlled 15-patient trial, showed an average reduction in Crohn’s disease activity index from 287 to 89 by day 8.

But the real promise lies in a 166-patient phase II trial that measured remission rates after 15 days’ treatment as its primary endpoint. Celgene said these data had been submitted to a major medical journal, and based on them it plans to start phase III by the year-end.

On a call yesterday the company said the results showed a very robust response that was “very different from anything in the market today”, with many patients going into remission quickly. It also played up the antisense delivery system, which yielded absorption that gave GED-0301 an enhanced safety profile.

Competitive

But can all this really be worth $710m up front, plus almost $2bn in milestones and a tiered double-digit royalty?

The privately held Nogra Pharma must have been bargaining from a position of extreme strength, and Celgene confirmed that the bidding process had been highly competitive. Investors seemed unconvinced yesterday, sending Celgene down 2.5%, though this was probably largely due to missed first-quarter revenue estimates.

Nogra is actually the new incarnation of the Italian firm Giuliani, and has a tax-friendly Ireland domicile – one reason for the high valuation. UBS analysts praised Celgene for licensing in an asset that has blockbuster potential and can have a favourable impact on tax; the group already has an effective tax rate of barely 13%.

But the fact remains that $710m is the richest pure up-front payment in biopharma history, according to *EvaluatePharma* data. The next highest seems to be the $518m handed over last October by Switzerland's Sellas to gain rights to two of Fosun’s projects for lung cancer and diabetes, though the precise nature of this payment is unclear.

Biopharma's biggest licensing deals by up-front payment					
Project	**In-licensing company**	**Source company**	**Deal date**	**Status on deal date**	**Up-front payment ($m)**
GED-0301	Celgene	Nogra Pharma	2014	Phase II	710
Fotagliptin benzoate & pan-HER inhibitor	Sellas Life Sciences Group	Fosun International	2013	Preclinical	518
Bardoxolone methyl	AbbVie	Reata Pharmaceuticals	2010	Phase II	450
Tradjenta & empagliflozin	Eli Lilly	Boehringer Ingelheim	2011	Phase III	409
RTA 403 & TRA 404	AbbVie	Reata Pharmaceuticals	2011	Preclinical	400
Abilify	Bristol-Myers Squibb	Otsuka Holdings	1999	Phase III	400
Roxadustat	AstraZeneca	FibroGen	2013	Phase III	350
Alnylam/Roche RNAi collaboration	Roche	Alnylam Pharmaceuticals	2009	Research project	289
OBP-601	Bristol-Myers Squibb	Oncolys BioPharma	2010	Phase II	286
Eliquis	Pfizer	Bristol-Myers Squibb	2007	Phase III	250
Nexium OTC	Pfizer	AstraZeneca	2012	Filed	250
Dimebon	Pfizer	Medivation	2008	Phase III	225
Fanapt	Novartis	Titan Pharmaceuticals	1997	Phase II	218
Cabozantinib	Bristol-Myers Squibb	Exelixis	2008	Phase III	212
Erbitux	Bristol-Myers Squibb	ImClone Systems	2001	Phase III	200
Tanezumab	Eli Lilly	Pfizer	2013	Phase III	200
TC-5214	AstraZeneca	Targacept	2009	Phase II	200
Abilify Maintena	Lundbeck	Otsuka Holdings	2011	Phase III	200
Kynamro	Genzyme	Isis Pharmaceuticals	2008	Phase III	175
ABT-110 (PG110)	Abbott Laboratories	PanGenetics	2009	Phase I	170
Excludes equity investments, marketed products and company acquisitions. Source: EvaluatePharma.					

Arguably, AbbVie shelled out more in licensing rights to Reata's bardoxolone and related compounds, though the combined $850m was actually paid in two separate deals. The table also excludes marketed drugs – such as the Tysabri interest Elan sold to Biogen Idec for $3.25bn – and equity investments like Sanofi's recent $700m endorsement of the RNAi company Alnylam.

Among other major licensing transactions whose signing fees were not pure up-fronts, it is worth mentioning Bristol-Myers Squibb's Erbitux deal, which additionally involved a $1bn equity stake in its developer, ImClone Systems, and Johnson & Johnson's $650m takeover last year of Aragon for that firm's prostate cancer project ARN-509.

For now Celgene remains understandably upbeat, though curiously a phase II long-term extension study of GED-0301 seemed to have been prematurely ended. Whether this is something investors need to worry about is not clear, but the history of licensing shows that paying a lot up front is no guarantee of success (*In licensing, you don't always get what you pay for, July 23, 2013*).

Indeed, Reata's bardoxolone blew up spectacularly, Targacept's TC-5214 failed phase III, and Roche's Anlylam deal was terminated when the Swiss firm ditched RNAi.

Until the phase II data are published investors will just have to trust Celgene's shrewd history of deal-making and take the company at its word.

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