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Galapagos moves towards RA deal but a dark horse remains on the horizon

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Galapagos's oral rheumatoid arthritis drug GLPG0634 has cleared the first obstacle in the path to a full-blown licensing deal with AbbVie, hitting the primary endpoint of a crucial phase IIb trial. Further data are needed before the US pharma giant makes its decision, probably sometime in the third quarter, but the limited details released point to best-in-class potential for the Jak-1 inhibitor.

However a risk remains in the shape of an in-house AbbVie Jak that is due to generate data from a similar study in a couple of months. The two will inevitably be held up side by side and GLPG0634 will naturally be disadvantaged in terms of economics. Galapagos needs to hope that on efficacy and safety, its contender wins hands down.

Investors appear willing to bet that the drug, generically known as filgotinib, is in with a good chance of doing this: shares in the Belgian company surged 15% to a record high today, adding to a 60% advance so far this year.

At the highest dose tested in the Darwin-1 study the primary endpoint was met, with 200mg given either via one pill a day or split over two tablets significantly improving ACR20 scores after 12 weeks.

Results from the twice-daily administration look particularly impressive compared with other drugs in the class, probably due to filgotinib's rapid onset of action, analysts at Bryan Garnier commented.

Mark Schoenebaum at Evercore ISI agreed that the twice daily dose looks the most effective. He said filgotinib appears better than Pfizer's Xeljanz at the approved dose and on a par with the high dose of Lilly's baricitinib and Humira – the dangers of cross-trial comparisons notwithstanding.

Bearing in mind the safety concerns that have hampered the commercial success of Xeljanz – the only JAK inhibitor to make it to market in RA so far – here the signs are also good. Haemoglobin levels and the lipid profile of patients treated with the drug were improved – both Xeljanz and Eli Lilly's phase III competitor baricitinib promote a drop in haemoglobin, giving rise to fatigue and anaemia, and the label of the Pfizer pill cautions about lipid elevations.

Differentiation

Galapagos has long argued that filgotinib's selective JAK-1 inhibition will differentiate it from others in the class. Xeljanz hits three JAK receptors whereas baricitinib hits JAK-1 and 2.

ABT-494, the AbbVie-originated project, is also selective for JAK-1 although very little has been said about the compound. A phase I safety study was completed at the end of 2013 and four trials are now ongoing, according to clinicaltrials.gov. A 270-patient study has completed recruiting from a cohort similar to those studied in the Darwin-1 trial and assuming the trial registry is correct this should yield data in July.

The readout is unlikely to be considered material to AbbVie's share price so it would not be surprising if results are kept under wraps while the go/no-go decision on filgotinib is made.

Should AbbVie chose to opt in on filgotinib it can secure global rights in RA for $200m; it paid $150m to secure the option over the project back in 2012. A full deal would open up the possibility of further milestones worth up to $1bn, and tiered double-digit royalties.

Dark horse

Analysts covering AbbVie have pencilled in sales of $387m by 2020, according to consensus data from *EvaluatePharma*; baricitinib, by comparison, is forecast to be selling $680m by then.

Should AbbVie judge that filgotinib has the potential to be best in class it will likely be eyeing a much more successful future. Even the disappointing Xeljanz, which has yet to pass the muster of European regulators, sold $308m last year and is forecast to be generating $1.6bn by 2020 (*Therapeutic focus – Jaks still need to*

prove worth in rheumatoid arthritis, December 12, 2014).

All of which means the potential for substantial payments to its Belgian partner in the future. Galapagos bulls are of course already raising the prospect of a takeout instead; with a market cap of €861m ($917m) this is within AbbVie's reach although its recent $21bn binge on Pharmacyclics might give it pause.

Again, the unknown factor remains ABT-494; pursuit of this project instead would remove the need for any of payments. This is not to say that AbbVie will not be highly motivated to opt for the better compound and filgotinib does look highly competitive. But with ABT-494 a dark horse, it is impossible to tell which way the pendulum is swinging.

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