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Sanofi bizdev gets busy and brings in Lexicon

Jonathan Gardner

Sanofi's chief executive, Olivier Brandicourt, picked an auspicious time to set out a stall in diabetes. Just over a year after his predecessor left during unrest over a shrinking outlook for its insulin franchise, the French company has splashed out more than $700m in two days to secure new glucose-controlling projects.

The deal announced today is for Lexicon Pharmaceuticals' SGLT1/2 inhibitor sotagliflozin, an agent that delivered positive phase II results more than three years ago. If nothing else, the deals have given executives something to talk about at today's analyst meetings in Paris, but with potential launch of the first of these new products realistically three or more years away investors should get accustomed to a declining outlook for now.

Lexicon's receipt of a $300m cheque from Sanofi could come as cold comfort to another ex-chief executive, Lexicon's Arthur Sands, who imprudently promised a deal by the end of 2012 and now heads up Nurix. Yet given that diabetes players like Lilly already had SGLT2s, Sanofi has seemed the most likely partner for some time – it was just a matter of when (*Lexicon could define Sanofi as the ideal diabetes partner, March 5, 2013*).

Not surprisingly, investor reaction was positive, with Lexicon shares rising 22% to $12.84 in early trading, their highest levels since early 2014.

Diversifying

While Sanofi had the good fortune to have Lantus in its stable, its efforts to diversify in diabetes beyond that have fallen flat. Trying to compete with Novo Nordisk's Victoza in the GLP-1 space produced the disappointing Lyxumia, for example, and the French group missed out almost completely on the latest drug class, the SGLT-2s, which now have the halo of cardiovascular survival benefit (*EASD – Lilly blooms with full Jardiance outcomes data, September 18, 2015*).

Sotagliflozin represents a last-chance saloon of sorts, with all of the available assets in this class having been scooped up by the likes of Johnson & Johnson and AstraZeneca. Some very early stage projects exist, but nothing that would potentially see launch before the 2020s.

With promising data behind it, it is a bit of a wonder that Lexicon did not secure a deal earlier. It believes that the dual targeting of its project – blocking SGLT2 enables glucose excretion, while inhibiting SGLT1 slows glucose absorption in the gastrointestinal tract – yields better blood-sugar control than SGLT2 blockade alone. However, in theory this also doubles the potential for safety problems to emerge.

This may help explain why the deal includes an obligation for Lexicon to pay up to $100m in development costs over the next three years. On top of the up-front fee, Lexicon has the promise of milestones from the $1.4bn deal pot to help offset its R&D spending.

Bolting on

All told, Sanofi has signed diabetes-related pacts worth $5.9bn in value over the past two days. Yesterday's collaboration with Hanmi Pharmaceutical was for three projects, albeit earlier stage, but holding the promise of a step change in insulin and GLP-1 treatment protocols as they have longer durability than currently marketed products (*Hanmi throws lifeline to Sanofi diabetes, November 5, 2012*).

The most advanced of these is the GLP-1 efpeglenatide, which has reported phase II data with once-monthly dosing. Realistically, none of these are any more likely than sotagliflozin to reverse Sanofi's dramatic loss of diabetes market share – from 23% in 2014 to 14.2% in 2020, according to *EvaluatePharma* – as a launch in that time seems implausible.

Sanofi's Lantus problem is not going away, and these two licensing deals represent a solution only in several years – that is, if they do not fall victim to clinical failure. It might be wise for Mr Brandicourt to consider that the fastest-growing part of its armoury came with the acquisition of Genzyme, and put his M&A team to work.

To contact the writer of this story email Jonathan Gardner in London at jonathang@epvantage.com or follow @ByJonGardner on Twitter

Evaluate HQ
44-(0)20-7377-0800

Evaluate Americas
+1-617-573-9450

Evaluate APAC
+81-(0)80-1164-4754