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JP Morgan – Vertex and German Merck find their perfect fit

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It is difficult not to see yesterday's licensing deal between Vertex and Merck KGaA as a decent match. The US biotech had made clear its desire to get out of whatever oncology assets it still owned, while cancer forms the cornerstone of the German company's R&D resurrection plan.

The only thing at issue, then, is the $230m up-front fee – an amount that looks rich given that only one of the projects has so far generated even early-stage clinical data. Then again, the assets' targets are particularly relevant for Merck, and as a bonus they appear to face very little industry competition.

As icing on the cake the groups timed the deal for maximum impact by revealing it at this week's JP Morgan healthcare conference. However, any share price accretion was negated by the across-sector slump caused by the US president-elect's comments about pharmaceutical price controls.

The main focus of the Vertex disposal is VX-970, an ATR protein kinase inhibitor on which the company reported initial phase I safety data at last year's Asco meeting.

The attraction to Merck of this programme is likely twofold: it is an asset with very little industry competition, and DNA damage/repair is a key target of Merck's existing oncology effort: ATR (standing for "ataxia telangiectasia and Rad3-related") kinase is thought to help cancer cells survive DNA damage.

Merck vs Astrazeneca

Astrazeneca is one of the few big players to have made DNA damage response a major oncology focus, with its Parp inhibitor Lynparza at the centre of a combination strategy that the group says will work better than monotherapy.

Lynparza is being combined with the Wee1 inhibitor AZD1775, as well as an ATM inhibitor, AZD0156, and Astra's own ATR inhibitor, AZD6738. *EvaluatePharma* reveals only one early rival targeting ATR – VE-821/A220, in the academic setting of the Massachusetts General Hospital.

A separate Vertex phase I asset, VX-803, against the same target, is also changing hands. Merck's head of R&D, Luciano Rossetti, recently highlighted the pruning that he had done to the group's pipeline, but also said there was scope for more licensing to plug gaps (*Interview – German Merck unveils its secret weapon, January 9, 2017*).

Within the group's narrowed oncology focus targeting DNA damage and repair is key, he said, while highlighting its DNA-PK inhibitor M3814 as one of its most exciting early assets. From Vertex it is also getting a second phase I DNA-PK inhibitor, VX-984; the aim is to combine these into a single programme, suggesting that Merck now has two shots on goal at DNA-PK.

Like ATR targeting, DNA-PK inhibition is an approach with very little competition. Apart from VX-984 and M3814 only a Canadian non-profit group, The Centre for Drug Research and Development, appears to have disclosed early work on a project in this field, BCCA621.

The deal also includes a couple of preclinical anticancer projects that the partners are not disclosing. In oncology Vertex had previously studied Aurora kinase, Flt-3 kinase and Map kinase inhibitors, but these were discontinued, so it is unlikely that they are the mystery assets in the transaction.

A final note about the deal terms is that beyond standard royalties no future payments have been specified. The ultra front-end-loaded transaction shows just how much Merck wants to catch up to the industry's oncology leaders.

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