

European biotechnology brokers deals

## Big Fish!

Bored with those awkward and meaningless press releases that have a bashful “financial details were not disclosed” at the end? Here are two that detail endless millions of euros.



Morphosys has landed a big fish. Several other European biotech companies have too.

**M**orphosys, a profitable antibody producer from Martinsried, near Munich, announced in December that it will form a strategic alliance with Novartis, with the aim of discovering and developing novel biopharmaceuticals. Morphosys will assume responsibility for discovery and development and Novartis will handle marketing. In addition, Morphosys holds the rights for the secondary utilisation of certain products.

### German midget rolls in money

The performance-related deal will bring in between €420 million and €700 million for Morphosys (depending on its success). The collaboration will continue for ten years, with an optional two-year prolongation and the possibility to sever the alliance after seven years in certain cases.

Morphosys was founded in 1992 and has never developed therapeutic antibodies beyond Phase 1. Novartis, however, apparently believes wholeheartedly that they will succeed. The Swiss pharmaceutical giant owns seven percent of Morphosys' shares.

### Swiss shrimp milks a cash cow

Let's move to Switzerland. Addex Pharmaceuticals, a Geneva-based biotech company, announced in January that it has entered into an agreement with Merck & Co. to develop an orally available drug candidate for the potential treatment of schizophrenia and other diseases of the central nervous system. The compound, known as ADX63365, is an allosteric modulator that targets glutamate receptor 5 (mGluR5). mGluR5 is believed to be an important target for the treatment of mental illnesses. Merck has pledged to fork out up to €457 million at various development milestones for ADX63365. A €15 million slice will be paid upfront. Like Morphosys, the Swiss have an option to co-promote their future

product in certain EU countries.

Addex's Chief Executive Officer, Vincent Mutel, a former CNS diseases researcher at Roche, who co-founded Addex five years ago, spoke of “*more deals like [this one are] likely in the not too distant future*”, referring to his company's additional drug development programmes for osteoporosis, type 2 diabetes and inflammation.

Mutel didn't speak much about a significant trial failure that emerged on the same day. Another of Addex's experimental molecules, ADX10059, had proved completely ineffective in a Phase 2 study in patients with dental anxiety (an irrational and exaggerated fear of dentists and dental procedures). This failure aside, it is astonishing that the stock market showed no reaction to the extraordinarily large deal with Merck. Addex's shares trundled along unchanged near their rock bottom of €18.70. Since its impressive IPO in May 2007, which earned €83 million and was the largest biotech IPO in Europe in three years, the company's stock has dropped nearly 50 percent.

### Cunning foxes no matter what

Novartis and Merck have placed risky bets with a doubtful outcome, but probably there is no other way. The pharmaceutical industry has accumulated pots of money in recent years, but is bound up in red tape, excessive promotional expenditure and a complete lack of real innovation. By contrast, Morphosys and Addex Pharmaceuticals have played their hand well. Morphosys has cleaned up even though they are still to prove the therapeutic efficiency of their antibodies. Addex Pharmaceuticals have done something even more wily. The Swiss greenhorn has flogged its rights to the enigmatic compound ADX63365, that is currently – oops!, only in preclinical development. The big pharmaceuticals really must be desperate. WINFRIED KOEPPELLE

### Pipelines run dry

## Big Pharma Courts Biotech

Failures and the absence of future concepts are startling weakening drug giants.

Marc Cluzel is faced with Hobson's choice. Cluzel, CEO of the pharmaceutical group Sanofi-Aventis, recently revealed his plans “*to pursue biotech buyouts*”. Sanofi-Aventis faces a drug pipeline that is running dry and urgently needs replenishment.

AstraZeneca is one step further ahead. For a long time, the Anglo-Swedish corporation was also hunting for biotech. Now they have established a massive biotech unit by uniting the British antibody developer Cambridge Antibody Technologies with MedImmune (Gaithersburg, USA) in 2007.

What is GlaxoSmithKline's method of freshening up its sickening share price? Buying into biotech, of course! In December, GSK forged a development pact with Santaris Pharma (Denmark) to develop new antiviral drugs that could result in a €480 million payment for upfront fees and development and regulatory milestones.

Merck KG (Darmstadt) is out for similar things. In December, the Germans gained exclusive rights to Toll-like receptor (TLR) agonists that were developed by the US biotech Idera Pharmaceuticals. The chance to develop drugs for cancer and other diseases from these TLR agonists was pricy: Merck paid a €27 million up front fee and in addition has to fork out over €260 million in milestones. -WK-