BIOPHARMADIVE

DIVE BRIEF

Sage, reeling from depression drug decision, to lay off 40% of workforce

The restructuring is one of the sector's largest this year and comes after the FDA issued a narrower approval for the medicine, Zurzuvae, than Sage had hoped.

Published Aug. 31, 2023

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An empty laboratory onurdongel via Getty Images

Dive Brief:

- Sage Therapeutics, reeling from a regulatory decision that will sharply curtail the potential of its newest medicine, is slashing jobs, pausing some early-stage research and reshuffling its executive team.
- The Cambridge, Massachusetts-based biotechnology company said Thursday it will shed about 40% of its workforce to "right-size the organization" and make room for new employees to help sell its treatment for postpartum depression. The company will also prioritize the experimental brain drugs SAGE-718 and SAGE-324 at the expense of certain less advanced candidates.
- Two Sage executives who have been with the company since its 2011 founding – Chief Scientific Officer Al Robichaud and Chief Development Officer Jim Doherty – will depart, along with Mark Pollack, senior vice president of medical affairs. Robichaud will continue to act as a scientific consultant and adviser to Sage.

Dive Insight:

Even in a year when more than 100 biotech companies have laid off staff, Sage's action stands out. Based on the company's headcount of 689 full-time workers as of Feb. 8, its planned reduction could become one of the largest layoff rounds within the biotech sector this year and follows a major restructuring in April 2020.

Sage's recent troubles are rooted in the Food and Drug Administration decision earlier this month to issue a narrow approval for a drug called Zurzuvae. The agency cleared the medicine for women with postpartum depression but rejected its use in a much wider pool of patients with major depressive disorder.

The ruling slashed Sage's market value in half, as analysts cut their expectations for peak sales of the drug by as much as two-thirds. The loss of the larger market also raised questions about whether Sage's partner Biogen would stick with the medicine.

It's been a rocky few years for Sage, which won the very first approval for a postpartum depression treatment back in 2019. But that medicine, Zulresso, required a 60-hour infusion and never generated significant revenue. On that score, Sage should have more success with Zurzuvae, which is given orally.

Biogen decided to invest in the newer medicine, then known as SAGE-217 or zuranolone, back in 2020 at the same time it acquired rights to SAGE-324, seen as a treatment for essential tremor and other neurological disorders. Sage took home more than $1.5 billion from the deal to start and is eligible for as much as $1.6 billion in further payments, provided it hits certain milestones.

While Sage's depression drug had already fallen short in one major clinical trial in 2019, executives still had faith in it as a new, fast-acting way to treat the condition. In 2022, the company said a different study had succeeded and began the process of applying to the FDA, even as questions remained about the magnitude and durability of the treatment's effects.

Sage said Thursday it expects the latest reorganization to save about $240 million a year. The company also has the potential to earn a $75 million milestone payment from Biogen for the first commercial sale of Zurzuvae, which is expected in the fourth quarter.