

OncoMed Pharmaceuticals

Pharma & biotech

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An eye-popping deal with Celgene

OncoMed has pulled off a stunning pipeline deal with Celgene that covers its lead drug and five preclinical candidates and has a headline value of c \$3.3bn. Even if only a small fraction of this sum is ultimately realised – as the majority of milestone payments depend on clinical success – the deal catapults OncoMed to the forefront of the cancer stem cell (CSC) space. It is now cash rich with three partners and five clinical-stage drugs that have multiple value-adding catalysts over the next couple of years. OncoMed's shares have risen by 115% since the deal was announced.

A transformative deal

The deal with Celgene includes \$155m upfront, a \$22.3m equity investment at \$15.13 per share, milestone (and option exercise) payments that total \$790m on demcizumab, \$505m on anti-DLL4/VEGF bispecific antibody, \$440m each on four other biologics and \$100m on small molecule drugs. Celgene gains an option to license worldwide rights to up to six novel anti-CSC therapeutic candidates, while OncoMed retains rights of co-development, co-commercialisation and profit-sharing. The total 'bio-dollar' value of the deal is c \$3.3bn.

Technology validated

The deal's impressive upfront payment and its massive total value (although in reality only a small fraction is ever realised) and broad spectrum put it in contention for the top biotech licensing deal of 2013. It validates OncoMed's CSC-targeting technology as a unique and attractive approach of developing novel cancer drugs, with Celgene joining Bayer and GSK among OncoMed's partners.

News flows follow

Key data points are one demcizumab Phase Ib and one Phase Ib/II trials (all in combination with standard-of-care), three vantiactumab Phase Ib trials (developed with Bayer) and two OMP-59R5 Phase Ib/II trials (developed with GSK). Positive read-out could result in milestone payments from respective partners.

Valuation: Market has caught up

OncoMed's market cap has doubled since the Celgene deal was announced and its EV now stands at \$512m, well ahead of other CSC companies. This reflects OncoMed's strong cash position, its multiple collaborations and five clinical stage programmes.

Historic financials

Year end	Revenue (\$m)	PBT (\$m)	EPS (\$)	DPS (\$)	P/E (x)	Yield (%)
12/11	31.4	(15.0)	N/A	0.0	N/A	0.0
12/12	24.7	(22.2)	N/A	0.0	N/A	0.0

Source: Company data

Price **\$28.38**
Market cap **\$834m**

Share price graph



Share details

Code	OMED
Listing	NASDAQ
Shares in issue	29.384m

Business description

OncoMed is a clinical-stage biotechnology company engaged in developing monoclonal antibodies and other agents that target the biologic pathways critical to tumour-initiating cells, also known as cancer stem cells (CSC). It has five candidates in clinical development, including demcizumab (anti-DLL4, OMP-21M18). OncoMed has collaborations with Celgene, Bayer and GSK.

Bull

- Partnership with Celgene with c \$3.3bn total potential milestone payment.
- CSC-targeting drugs gaining industry attention.
- Strong cash position: pro forma \$322m.

Bear

- CSC-targeting drugs appealing but unproven in clinics so far.
- Drugs are in early stages of development.
- Reliance on partners for clinical progress.

Analysts

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