

BRIEF

Xoma clears debt with Novartis licensing deal

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By Suzanne Elvidge
Contributor

Dive Brief:

- Novartis AG is paying out for a global commercial license for Xoma Corp.'s anti-IL-1 beta monoclonal antibody gevokizumab and rights to IL-1 beta intellectual property portfolio for cardiovascular disease.
- In a deal that Xoma describes as "transformational", Novartis is paying out \$31 million upfront, including a \$5 million equity investment, along with commercialization milestone payments and tiered high-single to mid-double-digit royalties. Xoma gets its outstanding debt almost halved, with Novartis settling the €12 million (\$14.3 million) obligation to Les Laboratoires Servier. The maturity date on Xoma's debt to Novartis will also be extended from September 2020 to September 2022.
- Xoma's share price shot up on Friday's news, hitting a high of \$11.82 and closing at \$11.10, up over 24%.

Dive Insight:

In July 2015, Xoma's stock crashed down by over 77% after gevokizumab failed to meet the primary endpoint of the Phase 3 EYEGUARD-B study in patients with Behçet's disease uveitis, run by partner Servier. Prior to this, gevokizumab had also missed an endpoint in a study for osteoarthritis.


The company's share price didn't recover until, after losses, Xoma announced a reverse stock split and restructured the company in 2016, creating a leaner cost structure. Restructuring included appointing a new CEO, Jim Neal, taking a \$25 million investment from BVF Partners and cutting staff.

Neal sees the Novartis deal as a validation of the company's changes and strategy, and the jump in the market seems to support that too. "Today, we achieved a significant milestone in the transformational change that we initiated in March of this year. The immediate impact of these licensing agreements for gevokizumab and our IL-1 beta intellectual property eliminates almost half of Xoma's outstanding debt, more than doubles our cash position, and generates potential recurring revenues through royalties," said Neal.

Gevokizumab has also been studied in Phase 3 as a treatment for acute non-anterior non-infectious uveitis and to prevent disease flares in non-infectious uveitis in patients who are controlled with steroids and immunosuppressants.

Xoma's model is to discover and develop antibodies and then license them out to partners as fully funded programs, to continue clinical development. The company has more than 20 partnered and fully-funded programs based on antibodies discovered internally, and is seeking partners for six programs, ranging from preclinical to Phase 3. This isn't Xoma's first deal with Novartis. Back in 2015, Novartis snagged access to the biotech's TGF-beta inhibition program.

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