

BioCentury

Strategy

The right structure

Cytokinetics Inc. could get \$125 million from Amgen Inc. before the latter even touches CYTK's CK-1827452, a cardiac myosin activator that has completed two Phase I studies in heart failure. But what CYTK President Robert Blum likes most about the deal is the structure of the co-promotion rights.

AMGN (Thousand Oaks, Calif.) paid CYTK \$75 million up front for an option to license CK-1827452, including \$33 million in an equity purchase.

CYTK (South San Francisco, Calif.) will pay for a Phase IIa trial that it expects to begin in early 2007. But if AMGN likes what it sees, it will need to pay out another \$50 million to license CK-1827452 and follow-on compounds. CYTK then would be eligible for another \$600 million in milestones, plus royalties.

If AMGN exercises its option, CYTK can participate in later-stage development for higher royalties.

"This deal is good for reasons other than just financial," said Blum, who noted that "biotech companies often get profit-sharing, but they can't afford it."

The key is that while CYTK can co-promote in North America, AMGN is paying the bill for the life of the products.

"AMGN will pay for marketing materials, medical education, employee training, and other costs that many biotechs don't think about when they strike a co-promotion deal," Blum said. "Cancer promotion can cost hundreds of millions of dollars; other indications can cost more. If you have to fund half of these costs, then it can take several years before you make a profit from your sales."

Blum said he learned this lesson when he was director of business development and marketing at Cor Therapeutics Inc., where he struck a deal to co-promote Integriilin eptifibatide to

treat acute coronary syndromes with Schering-Plough Corp. (SGP, Kenilworth, N.J.). "That was attractive over time, but was very expensive at the beginning," because Cor was on the hook for its own promotion costs, he said.

This time around, Blum said CYTK would be able to build up a new sales force on AMGN's tab, so royalties would fall immediately to the bottom line. "Clinical expertise is invaluable to a sales force," he added, "so AMGEN was amenable to the deal" because CYTK has the clinical expertise in this area.

He noted CYTK's 2001 cancer development deal with GlaxoSmithKline plc (LSE:GSK; GSK, London, U.K.) had similar co-promotion terms.

CYTK plans to put the money from the deal back into its research programs, including those involving cardiac muscle, smooth muscle, skeletal muscle and cancer. At Sept. 30, 2006, the company had

\$88.7 million in cash and investments, and last month raised \$37 million in a registered direct offering.

Although spokesperson Anne McNickle said the company is open to other cardiovascular deals, AMGN has not been known for its interest in the space.

Indeed, its only related programs are with Aranesp darbepoetin alfa, which is in two cardiovascular-related Phase III trials: one to reduce mortality in patients with anemia and chronic heart failure; and one to reduce cardiovascular events in patients with anemia, kidney disease and diabetes.

In 2004, it dropped out of a 50-50 deal to develop its alfineprase thrombolytic with Nuvelo Inc. (NUVO, Sunnyvale, Calif.), exclusively licensing the program to NUVO. — Aaron Bouchie



BioCentury[®]
THE BERNSTEIN REPORT ON BIOBUSINESS

PO Box 1246
San Carlos CA 94070-1246
Voice: 650-595-5333
Fax: 650-595-5589
www.biocentury.com

DAVID FLORES
President, CEO & Publisher

KAREN BERNSTEIN, Ph.D.
Chairman & Editor-in-Chief

BioCentury[®], The BioCentury 100, and The Clear Route are trademarks of BIOCENTURY PUBLICATIONS INC. All contents © Copyright 2007, BIOCENTURY PUBLICATIONS INC. ALL RIGHTS RESERVED. No part of this publication may be reproduced, photocopied or reproduced in any form, retransmitted, or stored in a retrieval system without prior written consent of the publisher.

The contents of this publication are gathered from sources believed to be reliable, but in any case are not warranted by the publisher for a particular use or purpose. Also, the content and opinions herein may change without notice and do not constitute investment advice.