

“The Pink Sheet”

PRESCRIPTION PHARMACEUTICALS AND BIOTECHNOLOGY

AUGUST 30, 2011

Founded 1939

Adimab Inks Novo, Biogen Deals, On Track to Double Partnered Programs for Second Straight Year

CHRIS MORRISON ¹C.MORRISON@ELSEVIER.COM

Adimab LLC, a purveyor of yeast-based antibody discovery technology, has quickly generated positive cash flow through deal making and is on pace to double its number of partnered candidate programs for the second straight year.

Novo Nordisk AS and **Biogen Idec Inc.** joined Adimab's stable of partners, the company announced Aug. 29. CEO Tillman Gerngross said the privately held company now has 24 partnered programs and is aiming to finish the year with 35 - five in 2009, 10 in 2010, and 20 this year. It last announced new partners in December 2010, when **Eli Lilly & Co.**, **Roche's Genentech** and **Human Genome Sciences Inc.** joined the fold.

Adimab simultaneously announced it had received milestone payments from existing partners **Merck & Co. Inc.**, **Novartis AG**, **Pfizer Inc.**, and HGS. It also said that partner **Merrimack Pharmaceuticals Inc.** exercised a commercial license around MM-151, a three-antibody cocktail designed to bind three distinct epitopes of the epidermal growth factor receptor.

The drug candidate, discovered by Adimab for Merrimack and slated to enter the clinic this fall, would be Adimab's first partner program to enter humans. Gerngross described the speed of the Merrimack program as “state of the art. From starting a project to taking the commercial license, this is by far the most aggressive timeline that I'm aware of.”

The Lebanon, N.H.-based biotech is unusual among most of its antibody technology peers in that it has no ambitions to become a drug developer. Avoiding costly drug development - while enabling a multitude of large pharmas and smaller biotechs with its discovery technology - has proven to be a successful business strategy for Adimab thus far.

But the real validation for Adimab - and the first significant payday for its investors - may come in 2012, when the company plans to execute on at least one deal whereby it would transfer its technology platform to a pharmaceutical partner.

Currently, explained Gerngross, Adimab limits partners to two programs apiece. Biogen and Novo, for example, each have selected two undisclosed targets against which Adimab will deliver fully human antibodies. The big biotechs get options to commercialize antibodies generated through their collaborations and Adimab gets upfront payments and preclinical and clinical milestone payments and royalties.

Those and other existing deals are structured as project-based research licenses and companies later can opt for a commercial license around a program, as Merrimack has. Gerngross says the company typically commands \$10 million to \$20 million in total pre-commercial milestones and a mid-single-digit royalty per program, a price he describes as “in-line with competing technologies.” Adimab's involvement in the programs begins and ends with antibody discovery, a process that typically takes eight weeks (additional time may be spent optimizing the antibodies later).


But Adimab hopes these initial programs are just the beginning. “We feel that people need to see the output for themselves,” explained Gerngross. “They need an opportunity to kick the tires before they're able to make a meaningful decision,” he said. And that decision likely would be an expensive one involving a taking of a non-exclusive license to utilize Adimab's technology on an unlimited basis. “We structure the [early] relationships so each partner gets one or two shots at goal, then they need to decide: do we bring it in-house or do we forego the opportunity?”

Though Adimab has been adding partnered programs at a Moore's Law pace, after 2011 it is likely to slow down and turn its attention to technology transfer. "A lot of folks are in exactly that position where they'll have to make a decision," said Gerngross. That decision would likely involve an upfront payment significantly larger than the company's current one- or two-project deals.

That's good news for Adimab's venture backers SV Life Sciences, Polaris Venture Partners, OrbiMed Advisors, Google Ventures and Borealis Ventures. In 2010, Adimab undertook the arduous task of restructuring itself into an LLC - a process that will enable the biotech to return cash to its shareholders in a more tax-efficient manner.

Adimab aims to position itself as the rare biotech that isn't in search of an exit opportunity, and Gerngross

says the company no longer needs to raise capital from investors. "We're entirely focused on value creation, not value realization," he said. As it continues to enable others with its antibody discovery technology, it can pass milestone payments and royalty income through to its backers, creating a "robust and self-sustaining" revenue stream.

"Our shareholders are aligned with our philosophy," said Gerngross, who says that although those investors are patient, he expects to return significant cash in 2012. 

[Editor's note: More news on the pharmaceutical and biotech industries is available each day in ² 'The Pink Sheet' DAILY. Visit our Web site to ³ sign up for a free trial.]