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Nektar Coffers Brimming with Cash Thanks to \$1.5B Deal

By Catherine Hollingsworth
Staff Writer

Nektar Therapeutics Inc. will end the year flush with cash, after entering a deal valued at \$1.5 billion with AstraZeneca plc. to develop a late-stage bowel drug candidate and a preclinical pain product.

Under the deal, San Carlos, Calif.-based Nektar would receive an up-front payment of \$125 million for the two molecules: NKTR-118 for opioid-induced constipation and NKTR-119 for pain relief without the unpleasant side effect of constipation.

Nektar has completed Phase II testing of NKTR-118, and results will be presented at the American College of Gastroenterology annual scientific meeting in October. AstraZeneca would be responsible for Phase III development of NKTR-118.

The London-based drugmaker has set an estimated regulatory filing date of 2013, possibly sooner if Phase III is completed sooner than expected, AstraZeneca spokesman Chris Sampson told *BioWorld Today*.

Opioids now are often used on late-stage cancer patients, and chronic use can lead to bowel dysfunction. An estimated 40 percent to 90 percent of patients who take opiates chronically for pain management will develop constipation, according to the companies. Less than half of those patients find effective relief from current treatment options such as laxatives and stool softeners.

While AstraZeneca has its own products in the pain, gastrointestinal and oncology spaces, Nektar's bowel drug "sits nicely at the intersection" of those areas, Sampson said.

NKTR-118 combines Nektar's small-molecule polymer conjugate technology with naloxol, a derivative of the narcotic pain drug naloxone. Under the deal, AstraZeneca would determine appropriate opioid combinations with the Nektar product.

The other product covered under the deal, NKTR-119, is intended to combine oral NKTR-118 with selected opioids to provide pain relief without the side effect of constipation. Nektar would receive development milestone payments as well as tiered sales milestone payments. Nektar also would

receive significant double-digit royalty payments on NKTR-119 net sales worldwide.

Currently, no drugs are approved for opioid-induced constipation (OIC), and chronic use of currently available opioids can cause the condition. "I don't see much in the way of competition," Howard Robin, Nektar president and CEO, told *BioWorld Today*. He added that there is a high degree of dissatisfaction with current options.

In the Phase II study, oral, once-daily NKTR-118 was shown to increase bowel movement in patients from once a week to 5.5 per week. Robin said he could imagine the potential for well over \$1 billion in sales of the bowel drug in the U.S. alone. Opioid sales are about \$10 billion a year in the U.S., he noted.

Jonathan Aschoff, an analyst with Brean, Murray Carret & Co, agreed that Nektar's bowel drug has blockbuster potential. He stated in a research note, "We believe that the chronic OIC market is \$13 billion in the U.S. alone, and more than twice that worldwide, and thus we view the royalty revenue to be at least as substantial as the \$15 billion in up-front and potential milestones."

While the deal provides Nektar with a great deal of cash flow, it also successfully applies polymer conjugate technology to small molecules, Robin said.

Nektar's technology and expertise have been applied in nine approved products in the U.S. or Europe for partnered products that include UCB's Cimzia, Roche's Pegasys for hepatitis C and Amgen's Neulasta for neutropenia.

Cowen & Co. analyst Ian Sanderson wrote in a research note, "We view this high-value collaboration agreement as an important validation of Nektar's oral pegylation technology."

Even without the eye-popping AstraZeneca deal, Nektar might have done just fine cash-wise. Based on its other collaborations, Nektar had expected to generate a revenue profit stream of \$200 million to \$400 million a year by 2012 or 2013, Robin said.

Its other collaborations include a deal with Bayer for an inhaled amikacin program for Gram-negative pneumonias,

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scheduled to enter Phase III early next year; Affymax's hematide product for anemia associated with chronic renal failure, currently in Phase III; and UCB's Cimzia for rheumatoid arthritis, Crohn's disease and psoriasis.

Nektar's other programs include NKTR-102 combined with anticancer agent irinotecan.

The company plans to present preliminary Phase II results in platinum-resistant ovarian cancer by the end of this year.

In addition, Nektar is studying NKTR-102 in advanced colorectal cancer and hopes to have data from that trial by the end of next year.

The company also is studying pegylated docetaxol with an improved pharmacokinetic profile in a Phase I

trial that is expected to be completed by the end of the year. And it hopes to file investigational new drug applications in the coming year or two for preclinical pain products.

Nektar ended the second quarter with \$294 million in cash and equivalents.

The company has \$215 million in debt remaining, due in 2012, although the market value is at a significant discount of about \$163 million, JMP Securities analyst Cory Kasimov wrote in a research note. Guidance for a year-end cash balance is at least \$275 million, he said, excluding the impact of AstraZeneca partnership.

Shares in Nektar (NASDAQ:NKTR) were up \$1.11 Monday, or 13 percent, closing at \$9.57. ■