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Agenus mortgages some vaccine royalties for $115M in R&D cash

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Agenus ($AGEN) is trading away future royalties on a GlaxoSmithKline ($GSK)-partnered vaccine adjuvant in exchange for up to $115 million, planning to invest the proceeds in its growing pipeline of immuno-oncology treatments.

Under a royalty financing deal, Agenus will hand over the rights to QS-21, used alongside GSK vaccines for malaria and shingles, to an investor group led by Oberland Capital for a $100 million loan, recouping another $15 million if and when the shingles vaccine wins FDA approval.

In a novel twist, GSK's future royalty disbursements will serve as Agenus' principal and cover payments on the debt, which accrues interest at 13.5% per year. If and when GSK's payouts satisfy the loan terms, Agenus will regain full rights to QS-21; if the adjuvant doesn't live up to its potential after 12 years, the company will have to pay its financiers the difference.

For Agenus, the deal is a means of leveraging the long-term value of a late-stage asset in order to invest in some potentially more lucrative early-stage ones, particularly in the fast-growing field of immuno-oncology. With the loaned cash, Agenus plans to advance a slew of preclinical antibodies designed to use the body's natural defenses to fight off tumors, a pipeline that includes inhibitors of PD-1 and CTLA-4.

Agenus has gradually shifted its focus toward immuno-oncology over the past few years, buying up new technologies to flesh out its cancer pipeline.

Back in early 2014, the company had just $25 million in the bank and was trading at less than $3 a share after a GSK-related clinical setback. Pivoting away from traditional vaccine development, the company paid $10 million in cash and promised $40 million more to acquire a company called 4-Antibody and its discovery platform. Agenus quickly parlayed that deal into a $100 million oncology agreement with Merck ($MRK) months later, and by early 2015 Incyte ($INCY) had come along with a partnership worth up to $410 million.

Now the Lexington, MA, biotech is looking at about $210 million in net cash, expecting to net $78 million from the loan. That creates enough of a war chest to move its cancer pipeline forward, the company said.

Leading the way is the wholly owned Prophage, an oncology vaccine in midstage development for brain cancer. And in immuno-oncology, Agenus held onto full rights to its preclinical PD-1 and CTLA-4 programs and is splitting costs and profits 50-50 with Incyte on the GITR and OX40 antibodies. The plan going forward is to get Prophage into Phase III by the end of this year and file four checkpoint INDs by the end of 2016, the company said.

On the whole, Agenus has more than doubled its market value since the 4-Antibody acquisition, and CEO Garo Armen said the company's best days remain ahead.

"We've been in this for 21 years. As the Irish say, it's not for the faint-hearted," Armen said. "Twenty-one years is a long time, but now the pieces of the puzzle have come together for us."

- read the statement

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