

Kieger – Thoughts from the Street

ASCO 2015

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Our thoughts after ASCO 2015 in Chicago, the biggest oncology congress in the World

We remain very optimistic for the oncology market and its players after attending the ASCO (American Society of Clinical Oncology) 2015 in Chicago, the world's most important oncology congress.

Immuno-oncology - using the body's own immune system to fight cancer - not only continues to hold up to its promises, but surprises with ever broader potential clinical use and faster development than previously thought.

It also seems that drug development has entered a new area with dynamic and fast-forward trial design. Furthermore it is encouraging to see that the industry has started to become more sensitive to drug pricing.

Why the hype around Immuno-oncology?

Evaluatepharma estimates that the oncology market will nearly double to ~USD 150bn until 2020, largely driven by new immuno-oncology drugs.

Cancer cells have the ability to silence the body's own immune system. Normally the immune system has the ability to recognize and kill highly mutated cells, such as cancer cells. For some reason cancer cells manage to evade this immune response. Research to reactivate the immune system has been ongoing for many years. But only recently breakthrough has been achieved. Anti PD-1 drugs could show a significant and most important durable increase in overall survival rates in melanoma and lung cancer. The first anti PD-1 drugs from Merck (Keytruda) and Bristol Myers Squibb (Opdivo) have been developed and approved in record time. It took only 3.5 years for Keytruda from first in man clinical trials to the first market approval in the US in September 2014.

Which company will win the immunooncology race?

Investors expected that ASCO 2015 would carve out winning immunooncology profiles. Currently Roche, Bristol Myers, Merck and AstraZeneca are in the lead. However, the opposite happened. Although companies have further pronounced and shaped their immunooncology strategies, all approaches look still reasonable with good chances for success. Only time will tell which one has been the right one. It might well be that in a market which is expected to become a USD 40-50bn market, most of the followed approaches will find their use. The most common denominators however are that combination of different drugs will play a role – but already here opinions vary (I/O drug and chemo or better I/O and I/O, etc.) and that biomarkers are important – but what biomarkers will be used is still open. Another denominator is that innovative approaches such as cell therapies, vaccines etc. will play a role in order to achieve an even better response or show efficacy in patients who normally would not respond to treatment.

Who will pay for it?

The whole oncology community has recognized that drug pricing with combinations will become an issue and that only value based pricing is offering a reasonable solution for the problem. Oncology drugs differentiate and we do not expect that price wars like in Hepatitis C, diabetes or respiratory disease will soon become reality in oncology. For the moment we think that though many things are changing in oncology, pricing for innovation remains as it was.

What can we expect over the next year?

While we believe that many questions will remain open for a longer time, we think that over the course of the next year directions become more clear, as combination trials will give first hints and as biomarker strategies will further evolve.

What to do as a healthcare investor?

Stay involved, with several shots on the goal. The most important thing is that immunooncology has become reality and that prospects with ever increasing knowledge and understanding of underlying mechanism look extremely promising.

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