



Kieger – Thoughts from the Street

Citi European Healthcare Tour

Zurich, October 07, 2015

We attended the Citi European Healthcare Tour with company and physician meetings in the UK, Switzerland and France. Our take: Immuno-oncology (I/O) hopes becomes reality, faster and broader than ever thought

2016 will be the year of immune-oncology combinations, the potentially holy grail of this space. The I/O field develops extremely fast and what looked promising yesterday can be redundant tomorrow and vice versa.

Big, early players with broad approaches and capabilities look the most promising. Pricing of I/O agents especially in Europe is going to determine the rate of adoption.

I/O will reshape on how cancer will be treated in the future. A paradigm shift is taking place in cancer therapy - from targeting and directly destroying cancer cells to targeting and activating immune cells which will destroy the cancer cells and lead durable responses.

Normally the immune system would identify cancer cells and kill them. However, cancer cells have developed multiple ways on how they can evade the body's own immune system.

The approach of targeted therapies, today's standard of care in many cancer types, is to kill cancer cells by interrupting single points of cancer cell metabolism. But cancer cells often find ways to adopt, survive and grow again. More holistic approaches are needed. Activating the body's own immune system to fight cancer cells - the approach of immunotherapy - so far has shown very promising results.

However we are only at the beginning of the journey. Often only a fraction of patients responds to I/O monotherapy treatments (e.g. 30% in Melanoma, 20% in lung cancer for anti-P/D-1). Here lies the hope for combinations, namely to make non-responders to responders. Little clinical data on combinations is available so far. But 2016 will be the combination year, as a myriad of all sorts of combination trials will report first findings.

The I/O winners

It is still hard to assess the winners in the I/O race. Blocking PD-1 as clinical backbone therapy seems established and clinical monotherapy data for most of the different anti-PD(L)-1s looks pretty comparable. Speed to market, smart combination and patient stratification strategies will determine the future winners.

Companies, which have been early betting on I/O and with broad combination portfolios, such as Roche, AstraZeneca, BMS and Merck remain in pole position. A lot of followers like Novartis, Pfizer, Merck KgaA, Sanofi, etc. try to pick up as quickly as possible. Also many mid-sized and smaller biotech companies are playing in the field. Especially for small companies with only a few shots on the goal and approaches that work in a limited number of indications, expectations could turn out as too high.

I/O will not be beneficial for all the oncology companies as the paradigm shift also means that current therapies and classic therapies still under development might become redundant or only useful in niche indications and later lines of treatment

Pricing

Drug pricing remains a hot topic, not only with politicians but also with physicians, patients, investors, etc. Everybody has started to realize that I/O combination therapy cannot mean simply adding up prices for single drugs. Bundled and outcome based drug pricing is the way forward, otherwise healthcare systems will not be able and willing to bear the high costs for cancer treatments - resulting in access restrictions and slower adoption of the promising therapies. Certainly also a risk for the high expectations for I/O companies, but definitely not an unresolvable one, as a huge step forward in treating cancer seems very much within reach.

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