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Women have their say as all-female panel talks biopharma investment, technology trends

By Marie Powers, News Editor

SAN FRANCISCO – One of the hottest tickets in town Wednesday at the 36th Annual J.P. Morgan Healthcare Conference took place far from the hallways of the Westin St. Francis, as Women in Bio and Bloomberg Intelligence hosted an all-female panel of investors and industry executives who discussed the capital markets and their impact on biopharma development and commercialization.

Christiana Bardon, partner of the MPM Oncology Impact Fund and founder and managing member at Burrage Capital, observed that investor interest in biopharma rebounded in 2017 following a bit of a trough in 2016 and will likely continue this year, but she cautioned against getting "too obsessed" with the market. Instead, Bardon said, biopharmas should "focus on the fundamentals" by continuing to innovate, exploiting a welcoming regulatory environment and executing in clinical development.

In oncology, for instance, "incredible" patient responses to kinase inhibitors, immuno-oncology (I-O) regimens and cell therapies are driving "tremendous excitement" among investors, Bardon pointed out. But it's at the bedside, where physicians now see patient response rates of up to 80 percent compared to 5 percent in the early days of chemotherapy, that drug development makes a difference. In the end, that's the winning strategy for biopharma, she said.

Gisela Schwab, president of product development and medical affairs and chief medical officer at Exelixis Inc., acknowledged that it's "hard to not talk about" I-O, which has "come into its own." The future of the field is dependent on biopharma's ability to optimize treatment strategies with even more effective combination therapies, focusing on effect and duration of response.

"What is really exciting is that the science is catching up with the observations" that were made in the early days of I-O, Schwab said, and investigators are beginning to understand how other anti-cancer compounds could provide synergistic treatment with checkpoint inhibitors. Mainstreamed use of biomarkers and companion diagnostics also is identifying more patients who can benefit from these compounds, with improved response rates.

Exelixis, which has a broad development program for cabozantinib (Cabometyx) that includes some half-dozen combination efforts, has been rewarded for its success, with its stock price (NASDAQ:EXEL) rising nearly 60 percent over the past 12 months.

Additional insights are gained each day, added Shehnaaz Suliman, who joined Theravance Biopharma Inc. in July 2017 as senior vice president of corporate development and strategy from Roche Partnering, where she served as vice president and global therapeutic head. Combination products need to make sense, however, and Suliman suggested that better understanding of the gut/brain axis will lead to better drugs. Although such findings are being applied to indications such as inflammatory bowel disease, "is there something about the microbiome that can be predictive in the T-cell therapy space and predict which patients will respond?" she asked. These types of research efforts, outside oncology, are equally exciting "and worth watching," Suliman said.

A potential disconnect, however, is that diagnostics remain "a tough place to invest and make money," Bardon said. "I'm a huge fan of companion diagnostics, but the reimbursement hurdle is very, very high."

Marianne De Backer, vice president of venture investments at Johnson & Johnson Innovation, agreed, pointing out that "there was not a single exit in diagnostics" in 2017. Nevertheless, the diagnostics space continues to attract investment, she said, and the convergence of health care and information technology is attracting new types of backers who may develop new investment models.

De Backer also struck a cautionary note about the money trail gravitating toward rare disease, advising companies to invest "across the spectrum of early stage innovation" rather than taking too narrow a view.

A similar conclusion was reported earlier in the week by Jamie Munro, global practice leader, portfolio and licensing, at Clarivate Analytics during the company's Deals and Portfolio Annual Review. Oncology has become a major driver of orphan drug approvals, Munro said, representing approximately 40 percent of such approvals in 2017. The flip side of that equation is that a growing number of oncology approvals target smaller patient populations, with each 2017 approval targeting, on average, one-third the patient cohort of oncology drugs approved in 2010. (See *BioWorld*, Jan. 9, 2018.)

'Value-based pricing is in the public good'

Corporate venture funds, at least, are casting a wide net. In

2017, they represented one-third of investment in biopharma series A rounds, according to De Backer.

"If you're a small biotech, it's a good time to speak with corporate investors," she advised.

De Backer also cited increased interest in tools companies with technologies that enable more efficient drug development. Thanks to improvements in artificial intelligence along with diagnostic and monitoring technology, the field is making incremental progress toward the prevention of cancer by intercepting the disease at ever earlier stages, she said.

Despite the soaring potential of drug development, valuations for early stage companies remain all over the map, and raising money isn't a given, panelists agreed. De Backer pointed to geographic divergence, noting that billions in venture funding go to companies on the West Coast and in Boston, but "if you look at the rest of the world, it's really dire." Still, valuations rose a bit in 2017, especially in hot therapeutic areas such as oncology and I-O.

The all-female panel predicted "business as usual" in the wake of the U.S. tax bill, noting that big pharma already has a global footprint and massive amounts of cash to deploy.

"The way we do our capital allocation is to focus first on investments in R&D, then give dividends to our shareholders, look at M&A opportunities and do share buybacks," De Backer said. Although the tax bill "may provide more flexibility in how we use our capital, it won't really change anything about our strategy."

As for the sturm and drang over drug pricing, "As long as we're developing drugs that provide value to patients and improve their lives, there will always be a market," Bardon said. What's needed to make the pricing equation work in the face of curative therapies is to improve efficiencies in the supply chain and bring down the cost of goods, which she expects will occur over time.

"Providing value for patients is what we all have to practice," Bardon said.

But Suliman admitted to feeling "conflicted," acknowledging that the internal rate of return for pharma "is headed below the cost of capital" while "value-based pricing is in the public good." The problem, she said, is that the current dialogue is focused on extremes.

"We own some accountability around some of those discussions," Suliman said, noting that industry officials must do a better job explaining value-based pricing so consumers can understand the criteria that underlie the out-of-pocket prices they pay.