Amgen buys 1 company, partners with 2nd to create new drugs

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Biotech drug giant Amgen has made two much-needed deals to replenish its stock of medicines in development as new competition to its lucrative biotech drugs threatens future revenue.

The world's biggest biotech drugmaker said Wednesday that it's buying one company with a daily cholesterol treatment in mid-stage patient testing and signed a deal with another company, Xencor, to jointly develop drugs for cancer and inflammatory conditions.

Analysts called the deals smart moves for the Thousand Oaks, California-based company. However, Amgen shares fell 2.4 percent on the news, then rebounded by afternoon to $151.07, down just 0.7 percent.

Amgen makes complex biologic drugs produced in living cells, which until now haven't faced generic competition. The Food and Drug Administration recently set rules to get approval of near-copies of these medicines, called biosimilars. The first, a version of Amgen's Neupogen priced 15 percent lower, went on sale in the U.S. two weeks ago.

Swiss drugmaker Novartis AG is selling Zarxio, its biosimilar version of Neupogen, which fights infection in certain cancer and other patients. Neupogen sales—about $500 million in the first half of this year—already have fallen due to most patients switching to follow-on drug Neulasta, which requires less-frequent injections, plus increased brand-name competition.

Rival drugmakers are developing biosimilar versions of more-lucrative Amgen medicines whose U.S. patents expire within a few years.

Like most biotech drugmakers, Amgen isn't as good at discovering potential new drugs as at testing them in patients, getting regulatory approval and marketing the resulting new drugs, said analyst Steve Brozak, president of WBB Securities.

"The Xencor collaboration and the acquisition are perfect examples of Amgen taking direct steps to address these concerns," Brozak said.

Amgen will pay Xencor, of Monrovia, California, $45 million initially and up to $1.7 billion more if their partnership produces several approved drugs using Xencor technology for creating antibody-based medicines. Unlike existing antibody-based drugs that bind to just one site on their target, Xencor's experimental drugs are designed to bind to two targets, which should make them more potent and active in the body longer.

Meanwhile, Amgen will pay up to $1.55 billion, plus future royalties on product sales, to Dutch biotechnology company Dezima Pharma B.V. Dezima is developing a drug shown to reduce bad cholesterol levels about 45 percent in mid-stage patient testing, usually the next-to-last round before seeking approval.

UBS analyst Matthew Roden wrote to investors that both deals fit well into Amgen's pipeline, but the cholesterol deal is more important. He noted rivals Merck & Co. and Eli Lilly and Co. are in final-stage patient testing of similar medicines, but even with their four-year head start, Amgen "will look to be a significant player."

Amgen recently launched an injected biologic cholesterol drug called Repatha, priced at about $14,100 per year, in a different drug class called PCSK9 inhibitors. Because biologic drugs cost much more than older, mostly generic cholesterol pills such as Lipitor, they are likely to be limited to patients with sky-high cholesterol due to inherited conditions or those not helped enough by the older cholesterol pills.