

Morphotek Investors To See \$350M From Sale To Eisai

By [Jonathan Matsey](#)

Investors in antibody drug developer Morphotek Inc. stand to receive \$350 million in cash following the company's proposed acquisition by Japanese pharma giant Eisai Co.

Eisai will pay \$325 million in cash, with an additional \$25 million coming from the company's cash on hand, said Chris Christoffersen, partner at Morgenthaler Ventures, a firm that has invested in Morphotek's two most recent funding rounds.

Eisai will also assume up to \$10 million in Morphotek debt, Christoffersen said. The deal is expected to close in one to two months.

Based in Exton, Pa., Morphotek is a company developing oncology therapies from monoclonal antibodies. The company has two products in Phase II trials: MORAb-003 for ovarian cancer; and MORAb-009 for pancreatic cancer and mesothelioma.

The company had kept control of its intellectual property until now, Christoffersen said, and decided to seek out corporate partners for the late-stage development of the ovarian cancer drug. "When they decided to go on the road to partner, the first four [or] five companies wanted to look at the whole portfolio," he said.

Morphotek had also been mulling a public offering following its Series D, but Christoffersen said that having seen so much interest in the partnership talks, the company knew an exit would come faster from an acquisition.

Christoffersen declined to provide specifics, but he did say that the investors would receive healthy returns.

Morphotek has raised close to \$80 million in four financing rounds, the most recent being a \$40 million Series D in October 2006. The latest funding was led by new backer Investor Growth Capital and joined by new investors Hunt BioVentures and MDS Capital and existing investors. The company's previous investors include Forward Ventures, Morgenthaler, SR One, Flagship Ventures, Burrill & Co., CB Health Ventures and Rock Maple Ventures. The company, with 53 employees, has also raised funds from Ben Franklin Technology Partners of Southeastern Pennsylvania, Bedwick Capital Management and Trieste Capital.

During the past few years, Morphotek transitioned from a services company to a drug developer, Christoffersen said. "They had what basically was a service business, increasing the potency and production of an existing antibody," he said. "We helped them focus more on internal therapeutics." Morphotek sold the services business to Invitrogen

Corp. in September 2006 and continues to generate royalties from it.

Antibody companies have been hot on the mergers and acquisitions market; with GlaxoSmithKline PLC acquiring Domantis Ltd.; Amgen Inc. buying Abgenix Inc., Merck & Co. purchasing GlycoFi Inc. and Abmaxis Inc., and Pfizer Inc. buying Rinat Neurosciences Corp., all in 2006.

"Big pharmaceutical companies were historically small-molecule companies," Christoffersen said. "But it turns out that monoclonal antibodies have been around for a while and have a higher rate of success and therefore have become of interest to the big pharmaceutical companies."

But one hang-up for the antibody drug space has been intellectual property, with many of these companies subject to hefty royalty and licensing payments. Christoffersen said that Morphotek had been particularly attractive because it largely sidestepped this issue.

"They have the ability to create fully human antibodies in cell cultures, which gets around many IP issues," he said.

<http://www.morphotek.com>

<http://www.eisai.co.jp>