

“IT BECAME CLEAR TO US THAT WE NEEDED TO FIND A PARTNER WHO WAS JUST AS COMMITTED TO THE CONCEPT AS WE WERE.”

MICHAEL GILMAN, ARRAKIS

DEALS

RNA-targeting small molecule play Arrakis taps Roche as first pharma partner

BY PAUL BONANOS, ASSOCIATE EDITOR

For its first partnership, RNA-targeting therapeutics developer Arrakis has chosen Roche for a multitarget deal that lands the biotech a \$190 million upfront payment, while allowing it to remain an independent company with an eye on an eventual listing.

Arrakis Therapeutics Inc. will grant Roche (SIX:ROG; OTCQX:RHHBY) options to obtain rights to therapies Arrakis will develop against an undisclosed number of prespecified targets. The biotech will perform preclinical work until Roche must decide whether to opt in, at which point the pharma will fund the remaining preclinical work and subsequent clinical testing.

CEO Michael Gilman declined to disclose any specific targets in the deal, which covers all of Roche's therapeutic areas of interest spanning oncology, immune and inflammatory disorders, neuroscience, infectious diseases and ophthalmology.

Five-year-old Arrakis is developing RNA-targeting small molecules, “rSMs,” that are designed to bind RNA targets directly, inhibiting their function by trapping them in configurations where translation becomes impossible. Gilman said Roche's

wish list did not overlap with any of its three internal preclinical programs (see “[RNA, Meet Small Molecules](#)”).

When Arrakis announced its series B round in April 2019, Gilman told BioCentury that the company believed its platform was broadly applicable and could lend itself to partnering, although it had not yet had serious discussions about a deal (see “[Arranging Arrakis' Syndicate](#)”).

“We were still trying to figure out what we had, and until you know, you probably shouldn't partner,” Gilman said as Arrakis announced the new deal.

“Once we figured out how to screen, we were getting hits on everything. And we now understood that there were dozens of targets available, maybe more, and it was clear we couldn't touch even a tiny portion of those. Our internal view was, we want to see as many medicines come off this platform as possible.

“Once you get to where there are more targets than you could possibly handle, then there is zero reason to be greedy,” he said.

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“It became clear to us that we needed to find a partner who was just as committed to the concept as we were.”

He added that Roche and other companies with which Arrakis held partnering discussions showed interest in some targets that were not previously in Arrakis’ development plans. “Our list is pretty long,” Gilman said. “That tells you right away that these pharma companies know stuff that the rest of us don’t necessarily know. It also told us the target base was larger than we imagined it to be.”

Omega Funds’ Otello Stampacchia told BioCentury the deal with Arrakis was highly competitive. “There was a sizeable number of term sheets they were discussing.”

Omega’s Paulina Hill is an observer on Arrakis’ board, and Omega was an investor in the company’s series B round.

Arrakis said milestones and royalties associated with the deal could amount to “several billion dollars.”

The deal gives Arrakis a robust balance sheet while retaining its independence. Gilman said discussions about M&A “never came up” with Roche, and stressed that Arrakis would prefer to grow as a standalone entity. A serial entrepreneur, Gilman was the founding

CEO of Stromedix Inc., which Bristol Myers Squibb Co. (NYSE:BMY) acquired in 2012; and Padlock Therapeutics Inc., which Biogen Inc. (NASDAQ:BIIB) acquired in 2016.

To date, Arrakis has raised \$113 million in two private rounds, including a \$75 million series B last year and a \$38 million series A round in February 2017.

Gilman said another private round -- likely a mezzanine funding -- is possible.

“We think we have a pretty good idea of how far we can get on our current balance sheet,” he said. “Somewhere in there we’ll get out and raise some more money, in part just to get some crossovers into our syndicate and get ready for the public markets. We think that’s where we’re headed eventually, but we’re in no rush.”

Gilman wrote in a [blog post](#) announcing the deal that the COVID-19 outbreak led to the deal’s completion in virtual fashion, with videoconferencing replacing face-to-face meetings. He told BioCentury the pandemic had little or no effect on the deal’s timing and structure, however, and that talks were fairly advanced prior to the outbreak’s effects.

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EDITORIAL & RESEARCH

NEWSROOM:

pressreleases@biocentury.com

SAN CARLOS, CA:

+1 650-595-5333

CHICAGO:

+1 312-755-0798

WASHINGTON, DC:

+1 202-462-9582

UNITED KINGDOM:

+44 (0)1865-512184

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BioCentury Inc.
BioCentury International Inc.

MAIN OFFICES

1235 Radio Road, Ste. 100
Redwood City, CA 94065-1217
+1 650-595-5333; Fax: +1 650-595-5589

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