CLOSER LOOK

MEMORANDUM

Lilly declines to advance Transition Therapeutics-partnered GLP-1/glucagon dual agonist LY2944876/TT401 into phase 3 - April 18, 2016

Transition Therapeutics announced this morning that its licensing partner Lilly has declined to advance GLP-1/glucagon dual agonist TT401 (LY2944876) into phase 3. Development and commercialization rights will revert back to Transition Therapeutics and the company is free to advance the candidate independently or through a new licensing agreement with another company. This decision follows recent positive topline phase 2 results that demonstrated similar A1c reductions with TT401 vs. AstraZeneca's GLP-1 agonist Bydureon (exenatide) and dose-dependent weight loss (up to 3.3 kg; 7.3 lbs) that was statistically superior vs. Bydureon at the highest dose (50 mg). While the weight loss results are somewhat encouraging, we imagine Lilly may have balked at the lack of an A1c-lowering advantage, especially given the increasingly high bar for new anti-diabetic drugs. Although TT401 has been the most advanced GLP-1/glucagon dual agonist in an increasingly crowded competitive landscape that includes candidates from several other major diabetes players such as Sanofi, Janssen, AstraZeneca, and Zealand, it also reflects well the high bar for the field and the increasingly high costs of developing and commercializing compounds. While some expressed hope that Lilly's decision not to pursue further development of the candidate does not foreshadow difficulties for other candidates in the class, which we see as one of the more promising new type 2 diabetes drug classes in the pipeline, we can only say that new compounds will have to show real differentiation against available drugs and we weren't positive this would be the case. Janssen/Hanmi's GLP-1/glucagon dual agonist candidate is expected to initiate phase 2 trials this year, and we hope the results for that candidate will be more unequivocally positive - we certainly recognize a lot will have to happen positively for this to be the case.

-- by Helen Gao, Emily Regier, and Kelly Close