Gilead Sciences and Arcus Biosciences Establish 10-year Partnership to Co-develop and Co-commercialize Next-generation Cancer Immunotherapies

May 27, 2020

– Arcus to Receive $175 Million Upfront Payment and $200 Million Equity Investment and up to $1.6 Billion Plus in Potential R&D Funding, Opt-in and Milestone Payments with Respect to its Current Clinical Product Candidates –

– Gilead Gains Broad Access to Arcus's Clinical and Preclinical Pipeline of Immuno-Oncology Product Candidates that Target Critical Biological Pathways –

– Companies to Co-commercialize Gilead-Optioned Programs in the U.S. with Equal Profit Share; Arcus to Receive Double-Digit Royalties Outside the U.S. –

– Arcus to Continue to Independently Conduct Research on New Targets; Gilead to Receive Rights to Opt-In to All Programs in Arcus's Pipeline for Length of Collaboration –

FOSTER CITY, Calif. & HAYWARD, Calif.--(BUSINESS WIRE)--May 27, 2020-- Gilead Sciences, Inc. (NASDAQ: GILD) and Arcus Biosciences, Inc. (NYSE: RCUS), an oncology-focused biopharmaceutical company working to create best-in-class cancer therapeutics, announced today that the companies have entered into a 10-year partnership to co-develop and co-commercialize current and future therapeutic product candidates in Arcus's pipeline. The agreement will also provide ongoing funding to support Arcus's research and development programs.

This press release features multimedia. View the full release here: https://www.businesswire.com/news/home/20200527005478/en/

Arcus is building an extensive and diverse portfolio of investigational products that target important mechanisms involved in tumor evasion of the immune system, as well as developing drug candidates that target cell-intrinsic pathways important for cancer growth and metastasis. In addition to small molecule products, Arcus is also advancing antibody products that target immune checkpoint receptors, including PD-1 and TIGIT. Arcus currently has a clinical-stage pipeline of four immuno-oncology programs, as well as an active oncology discovery pipeline with six preclinical compounds that target critical biological pathways. A core component of Arcus's strategy is the development of intra-portfolio combinations that include small-molecule and antibody product candidates. Arcus has 10 ongoing clinical studies of molecules in its portfolio, including a randomized Phase 2 study in first-line non-small cell lung cancer evaluating combinations of three Arcus product candidates: AB154, an investigational anti-TIGIT monoclonal antibody; AB928, an investigational $A_{2a}R/A_{2b}R$ antagonist; and zimberelimab (AB122), an investigational anti-PD-1 monoclonal antibody.

"We are very pleased to build on Gilead's growing presence in immuno-oncology with this important new strategic collaboration with Arcus," said Daniel O'Day, Chairman and Chief Executive Officer, Gilead Sciences. "Gilead is committed to accessing the world's best innovation in immuno-oncology and our agreement with Arcus further demonstrates that commitment. By gaining access to its broad, diverse pipeline and Arcus's clear strengths in discovery and development, we believe that our partnership with Arcus will significantly accelerate our progress in developing transformative new therapies for cancer."

"We believe Gilead is an ideal partner for Arcus with its focus on thoughtful and purposeful science, vision to provide transformational therapies in the oncology setting and deeply experienced scientific leadership," said Terry Rosen, PhD, Chief Executive Officer, Arcus. "This collaboration will allow us to act as one team to maximize the clinical and commercial potential of Arcus's therapeutic development candidates, greatly amplifying and expediting the opportunities in our pipeline and discovery programs. At the same time, this partnership structure facilitates Arcus's path to becoming an independent, fully integrated biopharmaceutical company."

Terms of the Partnership

Under the terms of the agreement, Arcus will receive $375 million upon closing, consisting of a $175 million upfront payment and a $200 million equity investment from Gilead. Arcus is eligible to receive up to $1.225 billion in opt-in and milestone payments with respect to its current clinical product candidates. Gilead will gain access to Arcus's current and future investigational immuno-oncology products through the agreement, as Gilead continues to expand its presence in the field. This includes immediate rights to zimberelimab, as well as the right to opt-in to all other current Arcus clinical candidates, which include AB154, AB928 and AB680, upon payment of an opt-in fee that ranges from $200 million to $275 million per program, after delivery of a qualifying data package. If Gilead opts-in to the AB154 program, Arcus is eligible to receive up to $500 million in potential future U.S. regulatory approval milestones.

Gilead will receive the right to opt-in to all other programs that emerge from Arcus's research portfolio over the next 10 years, upon payment of an opt-in fee of $150 million per program after Arcus's delivery of a qualifying data package.

Upon Gilead's exercise of its option for a program, unless Arcus opts out according to terms of the agreement, the companies will co-develop and share global development costs and will co-commercialize and share profits in the United States. Gilead will obtain exclusive rights to commercialize any optioned programs outside of the U.S., subject to any rights of Arcus's existing partners, and for which Gilead will pay to Arcus tiered royalties ranging from high-teens to low twenties. Gilead will further provide ongoing research and development support of up to $400 million over the collaboration term.

Gilead will have the right to appoint two individuals to Arcus's Board of Directors upon closing of the transaction.

Terms of the Equity Investment

Gilead's $200 million equity investment will be at a price per share of $33.54. Additionally, Gilead will have the right to purchase additional shares from Arcus, up to a maximum of 35% of the outstanding voting stock of Arcus over the course of the next five years, at a 20% premium at the time Gilead exercises such option, or, if greater, at the initial purchase price per share.

This transaction, which is expected to close in the third quarter of 2020, is subject to applicable antitrust clearance under the Hart-Scott Rodino Antitrust Improvements Act and other customary closing conditions.

Cowen and Morgan Stanley & Co. LLC are acting as financial advisors to Gilead. Citi is acting as financial advisor to Arcus. Covington & Burling LLP, Skadden, Arps, Slate, Meagher & Flom LLP and Venable LLP are serving as legal counsel to Gilead and Cooley is serving as legal counsel to Arcus.

Zimberelimab, AB928, AB680 and AB154 are investigational and not approved anywhere globally. Their efficacy and safety have not been established. More information about clinical trials with zimberelimab, AB928, AB680 and AB154 is available at www.clinicaltrials.gov.

Arcus Conference Call

At 5:00 a.m. Pacific Time/8:00 a.m. Eastern Time today, Arcus's management will host a conference call and a simultaneous webcast to discuss the transaction. A live webcast of the call can be accessed by visiting the “Investors” section of Arcus’s website at www.arcusbio.com. Please connect to the website at least 15 minutes prior to the start of the call to allow adequate time for any software download that may be required. Alternatively, please call (877) 209-6698 (U.S.) or (825) 312-2373 (International) and dial the conference ID 1827008 to access the call. A replay of the webcast will be available approximately two hours after the call through 14 days following the live event.

About Arcus Biosciences

Arcus Biosciences is an oncology-focused biopharmaceutical company leveraging its deep cross-disciplinary expertise to discover highly differentiated therapies and to develop a broad portfolio of novel combinations addressing significant unmet needs. AB928, the first and only dual A_{2a}/A_{2b} adenosine receptor antagonist in the clinic, is being evaluated in several Phase 1b/2 studies across multiple indications, including prostate, colorectal, non-small cell lung, pancreatic, triple negative breast and renal cell cancers. AB680, the first small-molecule CD73 inhibitor in the clinic, is in Phase 1 development for first-line treatment of metastatic pancreatic cancer. AB154, an anti-TIGIT monoclonal antibody, is in randomized Phase 2 development for first-line treatment of metastatic non-small cell lung cancer in combination with zimberelimab and AB928. Zimberelimab (AB122), Arcus’s anti-PD-1 monoclonal antibody, is being evaluated in a Phase 1b study as monotherapy for cancers with no approved anti-PD-1 treatment options, as well as in combinations across the portfolio. For more information about Arcus Biosciences, please visit www.arcusbio.com.

About Gilead Sciences

Gilead Sciences, Inc. is a research-based biopharmaceutical company that discovers, develops and commercializes innovative medicines in areas of unmet medical need. The company strives to transform and simplify care for people with life-threatening illnesses around the world. Gilead has operations in more than 35 countries worldwide, with headquarters in Foster City, California. For more information on Gilead Sciences, please visit the company’s website at www.gilead.com.

Arcus Biosciences Forward-Looking Statements

This press release contains forward-looking statements. All statements other than statements of historical facts contained herein, including, but not limited to, the ability of the parties to complete this transaction in a timely manner or at all or achieve the expected benefits of this transaction, are forward-looking statements reflecting the current beliefs and expectations of management made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause Arcus’s actual results, performance or achievements to differ significantly from those expressed or implied. Factors that could cause or contribute to such differences include, but are not limited to, the ability to obtain regulatory approval for the transaction, inherent uncertainty associated with the COVID-19 pandemic, including the duration and/or severity of the outbreak and actions by government authorities to slow the spread of the virus, and inherent uncertainties associated with pharmaceutical product discovery, development and commercialization. Risks and uncertainties facing Arcus are described more fully in Arcus’s most recent annual report on Form 10-K and quarterly report on Form 10-Q, each filed with the SEC. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this press release. Arcus disclaims any obligation or undertaking to update, supplement or revise any forward-looking statements contained in this press release.

Gilead Forward-Looking Statements

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks, uncertainties and other factors, including the ability of the parties to complete this transaction in a timely manner or at all, the ability of the parties to meet potential milestones in the estimated timelines or at all and the risk that the parties may not realize the expected benefits of this collaboration. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. These risks, uncertainties and other factors could cause actual results to differ materially from those referred to in the forward-looking statements. The reader is cautioned not to rely on these forward-looking statements. These and other risks are described in detail in Gilead’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, as filed with the U.S. Securities and Exchange Commission. All forward-looking statements are based on information currently available to Gilead, and Gilead assumes no obligation to update any such forward-looking statements.

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