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AVI Biopharma CEO Chris Garabedian Seeks to Avoid Quick Flip, Build Enduring Drug Company

Luke Timmerman 6/2/11



Chris Garabedian took his first shot at being a CEO last December. Immediately, people thought this was a little bit crazy.

Friends wondered, why leave a job as an up-and-coming VP of corporate strategy at a biotech powerhouse like Summit, NJ-based Celgene (NASDAQ: CELG) to run an obscure little company like AVI Biopharma (NASDAQ: AVII)? AVI was built on a technology, antisense drugs, that few people in the industry believe in. The company's track record is brutal—30 years spent on R&D with no FDA-approved drug to show for it. There was a leadership void, since a shareholder rebellion led to the ouster of the previous CEO. And, with labs in Corvallis, OR and headquarters in Bothell, WA, it's a long way off the beaten path for most biotech industry executives and investors.

Garabedian, 44, admits he was skeptical at first. But when encouraged to take a look a year ago by the company's largest investor, George Haywood, he looked. And the more Garabedian studied, the more he started to think it could be a classic diamond in the rough. It's a bold, brash thing to say, but Garabedian told me a few weeks ago that the AVI of today reminds him of the 1990s version of Foster City, CA-based Gilead Sciences (NASDAQ: GILD) when it was worth about \$500 million, long before it went on to become the world's largest maker of HIV drugs, worth \$32 billion today. Garabedian spent most of eight years in various roles at Gilead during its

boom years, before joining another biotech success story in Celgene. Now he says it's time to apply what he learned in those places.

"Those are experiences at Gilead and Celgene that shaped me, and helped me know what it takes to grow a breakout biotech," Garabedian says. "I always felt that if I saw another opportunity to do that at another company, that's something I could be excited about."

AVI, he says, is the place. There's certainly room to grow. The stock closed yesterday at \$1.55 a share, and the company has a little more than 110 employees, and a market valuation of about \$210 million.

"We could make this a breakout biotech. It will take some time. It's not going to happen in a year," Garabedian says. "But I think this could be a company valued in the multi-billions in the next several years."

Before diving into Garabedian's blueprint for how he intends to lead AVI to that lofty perch, I wanted to know a little more about him. Unlike a lot of biotech CEOs, he never went on to get an MD, a PhD, or an MBA degree. He got a bachelor's degree from the University of Maryland in marketing, and worked his way up in biotech through various marketing-related roles.

He did some consulting in his first real job out of college for a couple years. He says he "got the biotech itch" while consulting in the early '90s. He caught on full time with Abbott Laboratories, where he worked on marketing, brand man-



Chris Garabedian

agement, and product development in various parts of Abbott's business in cardiovascular medicine and neurology, he says. "I started to learn how to work with R&D teams," on things like when to hit the brakes on a new drug development program, when to press on the gas, and what it takes to get the ultimate prize—FDA approval to sell your new drug.

Garabedian's first experience in a small, nimble biotech came in 1997 as a senior director of marketing for Gilead. He was brought in initially to help craft the marketing plan for adefovir (Hepsera) for hepatitis B. But he was really more drawn to the drive and focus of the management team—many of whom are still there today. "They had a big vision for the future, and wanted to be independent," Garabedian says.

The theme of independence came up over and over throughout my conversation with Garabedian. A little over a year into his stint at Gilead, Garabedian took a “detour” to join COR Therapeutics in its marketing department, but he moved back to Gilead after a little more than a year when he saw that COR wasn’t interested in being independent (it was later acquired to Millennium Pharmaceuticals).

At Gilead, Garabedian climbed through the ranks in various business roles such as business development, marketing, and medical affairs. Garabedian told me a few war stories with gusto, and the confidence of a born salesman. He boasted about how Gilead beat its rival GlaxoSmithKline in one head-to-head HIV marketing competition, beating the bigger rival 3-to-1 in market share, even though his team had half the marketing budget.

As he progressed at Gilead and later Celgene, Garabedian says he’s had CEO opportunities, and passed them up. “I had been approached for quick flips. I’ve had people say, ‘Hey Chris, come here, do a deal, sell the company, earn a few million bucks. Does that appeal to you?’ No, I wasn’t interested.”

AVI, at first glance, might look like a quick flip story. CEO Les Hudson was ousted by the board back in April 2010, and three directors soon exited the picture as well. It has a technology for making drugs that specifically shut down certain biological processes at the level of RNA, which theoretically can be used against a wide variety of diseases. Garabedian was skeptical at first, and wasn’t really a believer in the company’s technology for making RNA-based drugs. But Haywood, the company’s largest shareholder, proved persuasive.

“[Haywood] connected me with people who have looked and studied the RNA space very closely. They’d say ‘the chemistry is real, we’ve just had this revolving-door management, nobody had the right strategy, nobody knows what to do with this, they haven’t really gone out to pharma to try to pitch it and sell it and do deals. We’re sitting on a gold mine,’” Garabedian says.

I gave him an incredulous look. “I was like anybody else who heard this, skeptical. Are you serious? How come nobody else knows about this? It sounds too good to be true,” Garabedian says.

But after doing his diligence, Garabe-

dian agreed to take one of the open board seats last June. Soon he was put to work on a committee to look for AVI’s next CEO.

Being on the board, Garabedian says, opened his eyes to how AVI’s chemists, years ago, developed a novel chemical approach for delivering RNA-based therapies that addressed some of the delivery limitations that early antisense companies, like Carlsbad, CA-based Isis Pharmaceuticals (NASDAQ: ISIS) encountered years ago, and which RNA interference companies are dealing with today.

What he really liked was that AVI’s compounds, known as morpholinos, have been shown to remain stable in the bloodstream, and that “they get in cells, and stay in cells.” After more than 400 patients have been dosed in a variety of clinical trials, there haven’t been signs of any immune-reactions against the compounds, he says.

Garabedian says he wasn’t interested in taking the CEO job himself at first, but a few key things came together when he was approached by other members of the board. First, he saw what he thought was convincing data that AVI Biopharma had proven its scientific concept with its RNA-based treatment for Duchenne Muscular Dystrophy—that it could help patients produce more of the vital dystrophin protein they need to maintain muscle function. AVI had also done some eye-opening animal trial work against the deadly Ebola and Marburg viruses, profiled recently in *The New Yorker*, which has enabled the company to line up \$300 million in government R&D contracts. All of AVI’s drugs are 100 percent owned, and unencumbered by licensing deals with Big Pharma, giving the next CEO a lot of flexibility—Uncle Sam is paying much of the bills, and the CEO will have a lot of latitude in deciding what to do with them.

Looking at that pipeline, Garabedian saw potential for AVI to follow a model like that of Cheshire, CT-based Alexion Pharmaceuticals (NASDAQ: ALXN), which has one approved drug for a very rare disease, for which it charges a lot of money. The same path could be said for Duchenne Muscular Dystrophy, which affects about 31,000 people in the U.S., Europe and Japan.

Alexion has shown it can build a company worth more than \$8 billion for treating patients with a rare blood disorder. Garabedian wanted assurance from the board that he wouldn’t have to do a quick

partnership with a Big Pharma or Big Biotech company to bring in cash—that AVI could chart a course to develop its Duchenne drug completely on its own, or possibly with the help of a partner outside North America after it has a chance to build up a more convincing body of evidence to drive up the price.

“I told them I don’t think we’ll get full value of the program if we partner now,” Garabedian says.

With that basic idea, of building an independent drug developer around a potentially lucrative niche in Duchenne Muscular Dystrophy, Garabedian has been off to the races. He started by pitching the company to a lot of new investors at the JP Morgan Healthcare Conference in January. He brought in a couple of key executives—Peter Linsley as the new chief scientific officer, and Effie Toshav as senior vice president and general counsel. The company raised another \$32 million in cash through a stock offering.

Garabedian—who has found an apartment in Bellevue because he says it’s halfway between Sea-Tac International Airport and AVI’s offices in Bothell—has been flying all over the world to meet with key scientific leaders and investors. The AVI team has been given marching orders to do critical experiments that the FDA wants to see in new drug applications—things like long-term animal safety studies and consistent/scalable manufacturing processes—which he says were languishing.

Much of this work is supposed to come to a head by the first quarter of 2012, when Garabedian says he wants to see AVI ready to go into a mid-stage clinical trial of patients with Duchenne Muscular Dystrophy, which could produce proof far more convincing of the drug’s benefit than it has today.

If AVI is ever going to get there, it will take a lot of the proverbial blood, sweat, and tears—plus time and money. That vision of becoming a multi-billion company isn’t something that Garabedian sees himself executing on with a “quick flip.” While most biotech companies are essentially built to be sold to Big Pharma companies, he insists he’s pursuing something bigger and more enduring.

“Seattle is going through a bit of a resurgence with Dendreon’s success and Seattle Genetics’ success,” Garabedian says. “We hope to be another one of those companies.”

