

interview

Chris Ashton talks about his career and the recent merger of Argenta Discovery and Etiologics

Interviewed by Steve Carney

Could you give me a little information with respect to your career history?

I've spent the entire twenty years of my career helping to build small start-ups to successful maturity. I've done this for at least five start-up companies and I'm glad to say that we've managed to turn each of them so far into a success, so obviously I'm hoping that that trend will continue. Therefore, my career has really progressed with each role as I've obtained a more and more senior position in each of those companies. Most of the time in my early career, I was largely involved in the commercial aspects of the business and more latterly in general management and, finally, coming to fruition with the CEO role at Etiologics, now Argenta.

'We are typically not short of ideas; we just need to back the right ideas'

Is it a conscious effort on your part to stay in small start-ups rather than move into big pharma where the challenges are somewhat different?

I don't think that I have a personality that would really suit big pharma. What I like about biotech is that everything you do is very visible – every decision you make is very

Chris Ashton, PhD

Chief Executive Officer, Argenta Discovery Ltd

Chris Ashton has nearly 20 years commercial and general management experience in the biotechnology industry. He has helped establish a number of early-stage companies and gained senior level experience in both UK and USA listed companies. He was a key member of the executive management team at Oxford GlycoSciences plc that led a successful London Stock Exchange flotation. He went on to be the founding Commercial Director at Inpharmatica Ltd and later, at Orchid, he spent two years as a member of the Executive Management team, responsible for establishing and driving the subsequent rapid growth of the European operations. During his tenure, he negotiated and executed the successful acquisition of Cellmark Diagnostics from AstraZeneca, and completed the first major SNP genotyping collaborative deal for Orchid. In October 2002, he was the founding CEO of Etiologics Ltd, and subsequently led the merger of Etiologics with Argenta Discovery Ltd in October 2004.



visible – but you're in a position where you can really impact the direction and growth of the business. That's the spirit that we've always tried to engender in each of the companies that I've worked in or run. We tried to keep organizations as flat as possible and cut down on bureaucracy. It's one reason why biotech companies, if you have the same critical mass in a group as big pharma, can genuinely compete; at least up to early-stage clinical development. This often works in companies where you have 100–150 employees. Once you get to several hundred employees in a biotech, it becomes much more difficult to retain that entrepreneurial spirit. Typically, I've had the feeling that in big pharma, you may have a group responsible for a programme and, if that programme's not going well, the individuals are thinking about how that impacts their careers and perhaps

there are programmes that continue for the wrong reasons. I get the impression it is often difficult for scientists to kill projects early. However, the incentives in biotech are quite the opposite – you are rewarded for killing programmes early because you are really thinking about the cash the company has and how you are going to create shareholder value. We are typically not short of ideas; we just need to back the right ideas. That's the type of spirit that you try to build in biotech companies.

Who was the most inspirational influence in your career and how did that inspiration manifest in the way you have gone about business?

I've worked in companies with a lot of really bright people and it would be truly unfair to single just one out. As I've progressed, I've often been influenced and learned from

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many people with a wide range of seniority and experience. That's what you try to build in a team of people and in a management team. What I have learned is that companies are all about people; building the right spirit and creating the right chemistry is ultimately what is going to create success. In companies like this, it's all about getting the team highly focused around the key objectives of the company. That is what I've learned – it's all about having the right ideas and implementation; getting the right team spirit and focus behind those objectives. Ultimately, in biotech, you're here to create shareholder value, we're not here just to sustain employment, we're really here to build a valuable company. You have to get those objectives on the table up front and get the whole team behind them. More importantly perhaps is that I have also learned what not to do in certain situations. I think the most important thing a management team can do is make clear decisions even under difficult circumstances. That is what people want and can work with as long as you have a clear rationale for the decision. Clarity is what people can work with.

'...building the right spirit and creating the right chemistry, is ultimately what is going to create success'

What do you think are your most significant personal achievements?

There are several really. I've worked in different kinds of companies. In the early stages of my career I worked for a company called AppliedBiosystems. That was the first stage of my career and I spent about eight years there and I was really fortunate. The company was, and still is, unbelievably successful. I worked then for a number of years at Oxford GlycoSciences (OGS) where we set off to be a carbohydrate company and that was really tough, quite frankly, the original business plan and the original ideas weren't working. I probably learned most from that exercise, particularly when something isn't working – you should stop what you are doing and recreate new plans for the company. We turned that company around into a drug discovery player. That was hard work, but I picked up a lot of really

interesting experiences there, in terms of what you do when things aren't going well. I was part of the senior management team that took that company public. That obviously was a good experience for me and I learned a lot. That put me on the track to achieving what I have today.

For those that may not be aware, could you outline the size and structure of the merged company?

We are ~120 people on two sites; the original Argenta site is in Harlow (Essex, UK) and houses the medicinal chemistry and *in vitro* biology facilities, and is the company headquarters. The Etiologics site is based close to Slough (Berkshire, UK). In 2002, we acquired the respiratory group from Bayer which comprised ~20 very experienced scientists who had worked in this therapeutic field for nearly two decades. This is where all of the respiratory expertise is currently based; it is essentially a biology and pharmacology facility. We have a lot of knowledge and experience in this area.

'When something isn't working – stop what you are doing and recreate new plans'

What were the factors that drove the merger and what do you perceive as being the immediate and long-term benefits?

Both companies needed what the other side already had. Effectively, we were two companies of different sizes, but with very similar business models and ambitions. The business model was to generate contract research business to help fund the company with the ultimate aim of building significant upside value, from an investor point of view, through developing its own therapeutics. Argenta has built a very successful contract research business, mainly around medicinal chemistry. For Argenta to execute on the therapeutic play, they needed disease biology and a disease focus. On the other side of the equation, Etiologics had acquired the pre-clinical respiratory group from Bayer Pharmaceuticals. There is considerable respiratory disease expertise at Etiologics, actually, I believe it is unique in terms of its capability. What it needed was a strong

medicinal chemistry capability in order to execute on its therapeutic programmes. So it was need driven from either side – we had complementary strengths that the other side required. Putting the two together strengthened the contract research business and built a deeper focus in terms of the therapeutic approach and potential future therapeutic development.

'Our business plan aims to deliver two Phase I molecules in 24 to 30 months'

So, in the future, how would you like the company to be viewed? As a drug discovery company that does contract research or a contract research company with drug discovery capability?

I think eventually there will be a transition. In the next three to five years, what we really need to do is execute on the business model. It's not always easy to run with a hybrid business model where you are running contract research and a therapeutic business side by side, but we've got a really good opportunity here to succeed on that business model, where others have failed. We have already got a very robust contract research business and we have built a fantastic pipeline of customers. We talked to all of our customers and our prospective customers before we announced the merger. The pharmaceutical and biotech companies we talked to could see the rationale for this merger and, as customers, were really excited by the two companies coming together. We got some excellent feedback along the lines that the merger obviously brings additional capability to the table and that it was a smart thing to do for both companies. Pharma companies understand that to sustain and grow a pure contract research business going forward isn't going to generate an appropriate shareholder return. Companies like ours need to generate the upside value through their own therapeutic programmes, albeit these will likely be partnered at appropriate stages. A number of companies are intending or need to go through the transition that we have just made. Although others have the same idea, we are one of the first to execute on it. Within the next two to three years, our therapeutic programmes will have got to the

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stages of clinical development from which future deal flow will follow. Interestingly enough, in our contract research business, we already work with a number of respiratory players. We would hope that they would be the first port of call for the partnering of our internal programmes. The two sides of the business are synergistic. We have revenues, and we have a therapeutic strength and focus. Fairly unique I think! We just need to execute on our strategy now.

'It's unusual for a young biopharma company to have such a deep expertise in a therapeutic area.'

Could you outline some highlights of the drug discovery programme and what the strategies for development will be?

The plan was to build and grow the contract research business that will provide some cash flow partially to mitigate the cash burn of our therapeutic programmes. The six-million pound investment was mainly to support the therapeutic programmes. What the group from Bayer has been working on, and where their real expertise resides, is in asthma and chronic obstructive pulmonary disease (COPD). The real focus of the group is anti-inflammatory approaches to COPD. We have got a group here that understand inflammation, respiratory disease and COPD probably as well as any big pharma group playing in the area. It's really unusual for a young biopharma company like this to have such a deep expertise in a therapeutic area. So, now what we are really working on is anti-inflammatory approaches to treating COPD and other chronic respiratory diseases where there is a high unmet medical need, such as severe asthma, cystic fibrosis and pulmonary fibrosis. What we have seen over the last five years is that asthma treatments really do not treat the progression of COPD. The focus in the industry is to develop anti-inflammatory approaches which treat the underlying cause of the disease and halt further deterioration. One of our strengths is that we have perhaps the best and most developed portfolio of screens and models in the world for assessing the anti-inflammatory efficacy of compounds in this disease. That is one of the reasons why we have been able to develop a contract

research business in this area, screening the anti-inflammatory assets for and on behalf of a number of leading companies in our various models to assess their likely efficacy in the clinic.

Our business plan aims to deliver two Phase I molecules in the next 24 to 30 months. In a nutshell, that's the real therapeutic goal of the company. If we can generate a minimum of two Phase I assets in the next two to three years, we will have significantly increased the value of our organization. The key to our approach is the prioritization of anti-inflammatory mechanisms that may work in COPD. Based on our pre-clinical expertise and our clinical awareness, we have embarked upon programmes that we believe will be the most efficacious in this disease. At present, we are building our own molecules directed against those targets. What we're really doing here is building programmes where there already is either pre-clinical or clinical proof-of-concept around the target. If you like, this is a fast-follower approach where we are leveraging our combined chemistry and biology skills to the maximum in order to get to clinical proof-of-concept rapidly.

'It's good to be seen as a premier contract research company with a real strength and focus...'

What will your strategy be for the development of those molecules that will come from your pipelines?

If you look at the respiratory pipeline in COPD in the industry as a whole, it's pretty weak. So there is a big demand even for early-stage compounds in this area but, from a company point of view, the real inflection point, in terms of value, is clinical proof-of-concept. So what we've done as an organization, in addition to developing our discovery expertise, which we are now leveraging, is to build our own clinical network on the outside, which will enable us to take any programme to Phase IIa proof-of-concept. That's the ultimate point at which we would want to partner our programme. There's no way that a company like this is ever going to raise the money to take these things into a Phase III clinical trial. Our business plan is built around

taking programmes as far as Phase IIa proof-of-concept. We've got the right network in place to do that. We believe that's the best value inflection point at which to partner our programmes. Because of the current relative weakness of the pharma industry pipeline, we believe that there are also opportunities to partner before then. Like all good companies, we are going to be pragmatic and, if the right deal is on the table at the right stage, we'll obviously consider it. We don't see this landscape changing too rapidly and so we think we are in the right position at the right time with Argenta.

'It's not all about price...It's all about quality and meeting expectations'

How would you like the new merged company to be perceived by the external pharma/biotech community?

With Argenta, I think it's very clear that we have built up a fantastic reputation for carrying out extremely high quality contract research, particularly in medicinal chemistry, CADD, ADME and *in vitro* screening. It is very important that we maintain that impact in the marketplace. It is important that we remain a premier provider of contract research to the global pharmaceutical and biotech community. What people will see over time is an emerging respiratory pipeline coming from the company. I believe that all too often biotechs feel that they can compete in two or three therapeutic areas, and the reality is that you can't. If you look at what is going on in the pharma industry, every week of the year you see announcements that pharma companies are getting out of one area or another, and focusing on fewer. So it's good to be seen as a premier contract research company with a real strength and focus in terms of our internal therapeutic strategy. I think that makes a lot of sense to everybody, including our investors. The question of competing with our customers has come up, but it is not a discussion point because the way everybody divides up the field is that you work on a specific target exclusively with a single partner. It is important to ring-fence the target. If you are working on that target internally, then you clearly would not be able to work with any

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other partner on that target. It's really very clean in terms of how you can divide up the field.

How do you see outsourcing from big pharma progressing in the mid to long term?

I think there will always be outsourcing, but you have to ask yourself why do pharmaceutical companies typically outsource? Looking at competitor companies, it's not all about price. We have sometimes been the most expensive solution, but we have a reputation for delivering. It's all about quality and meeting expectations. The main reason pharma companies come to us is that they are looking for a solution to a problem or, especially with biotech companies, they want to run a whole integrated research programme. They want innovation. They are often looking for us to think outside the box in terms of creating a different solution, or

going about things in a different way than they would internally. Typically, in a lot of the programmes we are working on, there is a parallel effort progressing with the partner and they view us as an extension to their own research team, bringing a different approach to solving a problem. It isn't always about extra capacity either (although that can be important to a big company research group with too many projects to run); it is often about employing an external group with a different expertise. That is what people see when they come to us and work with us.

What metrics will you use in the next year and the next five years to assess the success of the company with respect to its scientific mission?

What we are trying to do here is to build a company that isn't constantly trying to dip into the investor pockets. Clearly, that's where the contract research component is very

important – first we have to be focused in terms of running a robust, successful contract research business. The second thing is to build the upside value for the management, the staff and the investors by achieving success in our respiratory programmes. We need to achieve the goals we have set for ourselves. In this case, making the clinical milestones will be the absolute true measure of whether we are successful or not.

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*For more information on this subject, see the Keynote review, Perspectives for cytokine antagonist therapy in COPD, by Willem I. de Boer pp. 95-108 in this issue.

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Focus on biotechnology in Australia

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Continued attention to scientific and clinical excellence, and an industry with clear commercial opportunities, has allowed Australia to adopt first position in the Asia-Pacific (AP) region and sixth position among the top biotech countries in the world [1]. Biotechnology is one of Australia's fastest growing industries with ~370 core biotechnology companies listed in 2004 (there

were 190 companies in 2001), and 43% of these companies are in human therapeutics, 16% in agricultural biotech and 15% in diagnostics. The revenue generated from Australian biotech and devices companies rose from almost A\$1 billion (US\$778 million) in 2001 to ~A\$2 billion (US\$1.5 billion) in 2002–2003 [2]. This article provides a brief overview of the different biotech companies in Australia, the funding support available and the future for this industry within the AP region.

Innovation networks and infrastructure

Australia has a strong culture of scientific endeavors arising from biotechnology departments in research institutes. The proportion of research spin-offs among new biotech start-ups is steadily increasing and, in the financial year (FY) 2003–2004, up to 66% of all new biotech firms were derived from such spin-offs. Universities were responsible for 23 out of the 28 research spin-offs, with the universities of Queensland and Melbourne, in particular, responsible for almost 50% of all spin-offs [2]. For example, IMBcom Pty Ltd commercializes biotechnology research