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## Biotech firms face difficult challenges



**PETER HADEKEL**

*“Despite the exciting work going on, the markets want nothing to do with IPOs of their stock.”*

Frank Bobe knows all too well the long odds that face young biotech companies seeking to finance the research and development of new drugs.

Bobe is president and chief executive officer of Montreal-based BioAxone Therapeutic Inc., a privately held firm working on a promising new drug to treat acute spinal cord injury.

The company recently announced positive interim results from an early phase clinical trial primarily designed to test the safety of the drug, known as Cethrin.

More testing will be required. But Cethrin holds the promise of improving the quality of life for people suffering debilitating thoracic or cervical injury that leaves them with no sensory or motor function below the level of the injury.

The problem is that, despite the exciting work going on at biotech companies like BioAxone, the markets want nothing to do with initial public offerings of stock in such firms.

"The IPO market, for all practical purposes, doesn't exist (for biotech)," Bobe said in an interview at his office in a St. Laurent industrial park.

That makes it even tougher for a young, research-driven company to finance its growth and development.

BioAxone was started in 2000 by Universite de Montreal researcher Lisa McKerracher.

Her work investigated the effect of using a recombinant protein delivered onto the spinal cord during stabilization of the injury.

The idea is that the protein will penetrate cells and turn off a "master switch" that seems to activate cell degeneration and prevents nerves from regrowing.

While the drug does not promise a miracle cure, it does hold the hope that patients can recover some level of sensory and motor ability.

Even a small change can make a dramatic improvement in the quality of life of someone who has suffered this type of injury, Bobe points out.

For example, a paraplegic with a cervical injury who regains use of an index finger can then use a computer and become much more independent.

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The firm has raised \$24 million in venture capital from four shareholders: Multiple Capital, T2C2, Desjardins Venture Capital and the Solidarity Fund.

Bobe, an industry veteran with 17 years experience at Novartis, was brought in last year to commercialize the product.

It's tricky business. The company has enough funding to see it through to the end of the current phase of drug trials next year.

But more trials are required, and it won't be until 2011 at the earliest that Cethrin can be brought to market.

How does he bridge the funding gap, given the absence of a stock-market alternative?

The goal is to conclude a partnership agreement with a big pharmaceutical company within the next 12 months, Bobe said.

"We are in discussions with potential partners."

Big pharma companies are increasingly looking at smaller, research-based companies to provide the pipelines they need for new drugs. In return, they give the cash infusion and the marketing muscle needed to commercialize the product.

"We are fortunate enough to have a clinical program with very encouraging results in a very exciting area, because the medical need is huge," Bobe said. "There's nothing out there."

There are currently no approved drug therapies for acute spinal cord injuries suffered by nearly 12,000 new patients every year in North America alone.

Several other drug companies, including Novartis, are working on their own products in this area, but BioAxone is farthest ahead, Bobe said.

Some companies are working on a different approach, through stem cells.

"We don't see them as competitors," he said.

"Spinal cord injury is a very challenging area" and if Cethrin comes to market, it probably would be used in combination with other drugs.

Bobe sees a potential market for North America and Europe of at least \$300 million U.S. a year for the product.

While it's an exciting opportunity for a Montreal company, he lamented the fact that elsewhere in Montreal, biotech seems to be slowing down.

There's a lack of private venture capital and a lack of government support for early-stage firms.

The mood of the industry seems a lot better in Vancouver, Toronto and Ottawa, he noted, and Montreal is in danger of losing the lead it once enjoyed.

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