Interview with Oliver Szolar and Andreas Hauer, CEO and CFO, Savira pharmaceuticals

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You previously worked as CSO for onepharm; what was the motivation for creating Savira?

OS: When I was working at onepharm, the organization was focused on anti-influenza and anti-inflammatory drug development. In late 2008, the enterprise management organization of the European Molecular Biology Laboratory (EMBL) was seeking for an industrial partner to create an approach for treating influenza based on recently resolved crystal structures of two crucial domains of the influenza virus polymerase. We at onepharm evaluated the opportunity and found the project well matching onepharm's drug development program on influenza entry inhibitors. Motivated from the first promising results, onepharm and EMBL agreed to spin out these anti-influenza programs into a new company devoted entirely to the design of novel, innovative flu therapeutics. While onepharm and my colleagues continued the focus on anti-inflammatories, I moved with the laboratory team into Savira in summer 2009.

What can you tell our readers about the exciting new developments of the partnership with Roche?

OS: Savira has signed a collaboration and license agreement with Roche earlier this year on Savira's influenza polymerase inhibitor programs. Under the terms of this agreement, Roche will be granted an exclusive, worldwide license. In return, Savira will receive milestone payments up to EUR 240 million. In addition, Savira will receive upfront payments, research and development support, and royalties on product sales. The collaboration with Roche already started shortly after

the foundation of Savira. We were pleased that we could attract such a competent partner with our rational, structure based development approach. After about two years of steadily increasing interaction with the virology discovery group of Roche, we eventually formed a strong development team that has the critical mass and the expertise to cope with the challenges of a state-of-the-art drug design program.

What do you expect from this in 5-10 years?

OS: The potential is great. The flu polymerase is well known as being one of the most interesting drug targets in influenza research. Many companies are following approaches related to influenza core proteins now, and the polymerase is one of the most promising. Looking at the sales numbers of Tamiflu, which have been peaking around $3 billion, as well as the fact that the market will significantly increase over the next 5-10 years, the potential for a billion-dollar selling drug exists.

AH: It is also worth noting that influenza virus core proteins such as the flu polymerase are less prone to mutations potentially conferring advantages regarding antiviral drug resistance in contrast to surface proteins such as the neuraminidase, which is targeted by Tamiflu.

Looking at biotech companies in the context of Austria, many Asian and Middle Eastern countries have low labor costs and can thus position themselves well globally. As these places are becoming hubs for innovation, how can Austria strengthen its position in the face of this global competition?

OS: With CROs and service companies, the competition has been around for years. Many companies in the service industry are really suffering from the competition in countries like China and India, particularly in contract manufacturing and chemistry. Many western companies now have partners in Asia because Europe cannot compete with pricing in most of these countries. Western companies will eventually disappear when they cannot provide a specific expertise. In drug development and I guess other innovative areas, China and India will be really strong competitors in the future. Specialists e.g. have been well-educated in the United States or Europe and are now attracted to come back to Asia. This is basically a natural development and one should rather take the opportunity to build up alliances with companies in these emerging markets.

AH: One temporarily sustainable advantage is the existence of clusters. Austria has for example a number of biotech companies focused on biologics. Biologics manufacturing is one area where historically university and research expertise has emerged early on. Once you have a certain critical number of industry experts and researchers, some fof them will start companies. Some individuals have been through several cycles of starting up businesses. Being able to draw on this pool and know-how makes such a cluster or network very helpful. It confers an advantage over

places where this does not yet exist.

To what extent do you think cooperating with the Chinese would help to strengthen Austria as a contender?

AH: There is no specific advantage for Austria right now. Even to the contrary, Austria is at a slight disadvantage as the country does not have that many internationally renowned universities that attract significant numbers of incoming students from Asia. Nor has Austria historically any deeper connection.

Cooperation is more a case of serendipity on a topic level, such as influenza: onepharm for example had established collaborations with Chinese research institutes on natural substances as well as some Japanese companies. What helps though, is when platforms exist which help such contacts to be established.

We see many life science clusters being formed here in Austria as well as the rise of many startup biotech companies. To what extent has Savira played a central role in the Austrian biotech industry?

OS: The deal that Savira made with Roche is quite unusual. We have received very positive feedback from our colleagues in the biotech industry and the funding organizations. They are very happy that the company was able to obtain such an alliance with a big pharmaceutical company at that early stage of development. You will not find too many of these alliances, especially in Austria, and even more so given the financial situation at the time. This is something that I think might have some impact on the Austrian biotech scene. Other companies are also doing well and selling their programs at significantly later stages. Pharmaceutical companies need to step in earlier into biotech companies and fill the gap that venture capital is now leaving because most of them obviously have problems with fund raising as a consequence of the current market. I think this is something that you can already see and deals like ours with Roche may serve as a role model for other companies.

Having been involved with research in your career, what advice would you give to a young entrepreneur looking to create his or her own startup biotech company?

OS: To start a biotech business you need money, and the public support esp. in the Vienna region is exceptional. Funding organizations seek for people with an innovative idea that stands out from the rest. This is the basis. Then you should consult as soon as possible experienced people in the areas of e.g. drug development, finance, IPR, etc. and develop a sound and structured business

plan, which clearly explains your ideas, elaborates on the unique selling points, presents the team and its strength, analyzes the market and the competitors, etc… If you can create this picture in a business plan to a funding organization they will definitely be interested in supporting you.

However, I would actually recommend starting as ‘normal’ employee in biotech for some time after leaving academia; inherent to the setup of most of the smaller biotechs, you would get in contact with basically all important areas of the company and can quickly develop experience in the field. I guess then you are much better armed for creating your own ideas.

AH: Bright ideas and the innovation itself are important, so are your academic credentials if you have built up credibility through relevant publications.

Additionally, there some ways to leverage these assets as a young entrepreneur: people who have been through startup cycles can give you advice on how to structure the company. Universities are also providing help out of their technology transfer offices, providing you external feedback. You are not going to invest a couple of thousand Euros into having someone write a patent application unless you are sure there is a commercial opportunity behind it.

The good thing is that those elements exist in Austria, and simply by looking at other companies you can easily find your way through. The funding organizations provide a base upon which, if you fulfill those criteria, you may cover the first years – depending on the capital requirements of your project.

If we were to come back in five years’ time, where will we find you both and where will we find Savira?

OS: If we are successful, and one of our candidates is getting into clinical development stages, then it will be a very exciting period for Savira. With respect to return on investment, there are different scenarios. Everything is possible, from sustainable development of the company to selling assets to a third party. It depends on the market and situation in five years from now.

AH: Technically speaking, we are aiming to have one influenza polymerase inhibitor in later clinical development together with Roche, and the rest flows from there.

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