Interview with Carl Firth, CEO, ASLAN Pharmaceuticals

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Why did you decide to start your own company?

I started my career as a scientist with a real passion for molecular biology, and moved into pharmaceutical R&D working for AstraZeneca. After five or so years I was very keen to get commercial exposure, to see how we actually access our patients and how we get our important discoveries to those individuals.

So I moved to the commercial side. I had the opportunity to come across to Asia first of all in 2004 and worked for AstraZeneca China for nearly three years, really looking at how we develop our products and launch them in China. The move gave me a perspective of why people were so excited in this region and some of the ways we were addressing the China market. AstraZeneca was one of the first multinationals to really invest in China in a significant way.

I then spent a year here in Singapore before making an unusual shift into investment banking, which was a great way to get a broader understanding of how investors and other healthcare providers think about the industry– whether they be hospitals, distributors, medical device companies, etc. – an eye-opening experience.

In the early part of 2010, I left Merrill Lynch to set up ASLAN with some of my former colleagues from AstraZeneca. For some time we had seen in Asia many companies coming here to conduct chemistry, to do manufacturing, and late-phase studies. However, very few companies were taking advantage of the creativity and innovation that we see in many emerging centers conducting early

clinical studies in Asia.

Today, there are a number of reports that will tell you how dismal the rate of return for pharma investments are, and with recent patent expirations there are a number of companies really suffering and figuring out how can they build a sustainable model for developing drugs.

We were thinking about how we can change the way we think about drug development. The last thing we wanted to do was just transplant a model from the US or Europe into Asia, just to take advantage of some short term cost efficiencies. That, maybe, is going to work for two or three years but it is not going to work in the long-run. We have to change the way we think about developing drugs.

So we said, let us build a company that is not about trying to do this end-to-end, 12-13 year development cycle, costing billions of dollars. Let us just focus on early clinical development and find innovative ways to develop them in Asia. So we said there are some phenomenal pre-clinical compounds out there, let us go to big pharma, go to biotech companies, and acquire or license some of those compounds and tap into some of the great science and discovery work that has been done before. Then let’s bring them to Asia and figure out how we can develop them more effectively and more creatively than perhaps could be done in the West.

Are these molecules that have been forgotten in the West?

Certainly not forgotten. They may be molecules that have been put aside because of strategic reasons like the company may be looking for a development partner, or a company that previously would have liked to progress the compound suddenly shuts down a few R&D sites, and decides that it is not the best time to take them into the clinic.

But really the conversation we like to have with our partners is about thinking of a different way to develop this compound; maybe a different approach, a different indication, or more well-defined patient population. Going to top quality centers where we can access large groups of patients, and work with regulators on innovative strategies that ensure we get important new drugs safely and efficiently to patients.

I am proud to say that, to date, we have built three fantastic partnerships with Array in the US, with BMS, and with Almirall in Spain.

Are the compounds in specific therapeutic areas?

We have some very specific focus areas. In terms of general disease areas— oncology is number one. We also have an interest is respiratory and inflammation. To date we have brought in compounds in oncology and rheumatoid arthritis. Within those areas, there are specific targets of greater interest to us and we have been focusing on diseases or treatment paradigms more relevant to Asia. Why these particular areas? Primarily because of access to patients, because of regional experience, because of the investigators here, and also because of our internal expertise.

The strength of our management team has ben critical in building and executing this world-class portfolio. Our Chief Medical Officer was formerly global head of oncology development at AstraZeneca, and in my view one of the leading oncology drug developers in the industry. My Chief Scientific Officer has more of a background in respiratory and inflammation. He lead molecular biology at AstraZeneca in the UK, and looked after the asthma portfolio, before going on to lead a number of pre-clinical and phase one projects.

So for someone like myself, who is asking how we can do things differently, and how we can break away from the traditions and the decade-old paradigms of the industry, it is much easier to do so in a small, lean and efficient biotech than in a larger company.

How do you share risk in this kind of model?

To clarify, a key part of our model: although we are conducting the bulk of our work in Asia (we include Australia in that but not Japan for the moment) is to deliver a drug for global markets and global patients. Which means that, when we have finished the program that we are committed to – which is the end of phase two – we commit to deliver a phase three-ready compound that can be licensed to a big pharma or another entity and can go directly into a global phase three study.

ASLAN does not run phase three studies?

We may assist in part of the phase three study, but we have no aspirations of running global phase three programs and we do not have any aspirations to commercialize today. It is not part of our model. But of course, we are building relationships here in Asia, we have expertise here, so it may make sense in certain cases for us to co-develop in this part of the world. But that would be on a case-by-case basis.

We believe that we can develop in Asia as a platform for global drug development, to change the way we think about developing drugs globally. The advantages of that are we can leverage the creativity and innovation of places like Korea, Singapore, and Australia that are very progressive in terms of how they think about drug development. There are very motivated and experienced

investigators who provide very high quality data. Also, because of the size of those centers and their access to patients we can often recruit these studies faster than elsewhere in the world.

So it is about: number one, creativity; number two, speed; number three, efficiency; and number four, about being close to where the emerging markets are, particularly markets like China.

How does your business model fit in with pharma dynamics today?

What we are doing is not just a footnote of what is going on in Asia. This is one of the solutions by which we can address the challenges of global drug development. When we look at what has been happening in the industry, the pharma industry has been very unusual because it is a highly integrated industry – it has done everything from early drug discovery to commercialization. There are certain parts of that process that the industry has done well, and some parts they have not.

Recently we have seen big pharma challenged to justify early R&D spending, with the response that many of these companies are increasingly looking to external parties to provide that early innovation. We can perhaps see a future, probably not in the next few years, but further out, where there are a range of discovery companies with some great technological approaches essentially delivering pre-clinical assets into the industry. Then there will be companies like ASLAN, with some very creative and efficient ways of developing drugs, and taking these through the end of phase two. At this point big pharma will come in, well prepared to run the much larger phase three studies and to commercialize – some of the things that they are very good at doing – and ultimately bring the treatment to the patient.

So I do see that we are starting to move towards this model, bit by bit, and I see ASLAN providing a very important role in demonstrating how we can solve part of those development challenges in that critical mid stage.

How do your partnerships work with the three companies you mentioned?

In general terms, we prefer to share risk on the backend with our partners. We do not like paying upfronts or milestones. Instead, we want our partners to work with us because they think that we are the best player out there to get these compounds to the end of phase two. We really believe that if we can do that, we can generate a lot of value.

So we would rather companies come to us and say “you take our compound” and let us – ASLAN – figure out the right development strategy. We are then responsible to fund that program to the point where we are in a position to license it or partner with big pharma for phase three development and launch.

In the current environment, it is only at this stage – phase 3 – where the industry really recognizes the value of the compound, with a few exceptions. If we can get them to that point, hopefully we can do a successful transaction with a big pharma, and we can then split the economics of that with our originator.

Is there going to be a new compound in the next year?

Hopefully sooner than next year. Our size has been one of our success factors. Today, we stand as a company of 12 people. We have always said we never want the company to have more than 20 people. We believe that being small allows us to be very lean, very efficient, to take decisions very quickly, and ultimately be very responsive.

This of course limits how many compounds we are going to be able to do. We cannot do nine or ten compounds with 20 people, but more than three. We are looking to expand, but in a limited and quite a selective way from this point onwards.

Does China also figure in your future plans?

China is critical in any company's strategy and for us, even more so. We are currently manufacturing in China. In the near future, we shall also be developing in China as well, conducting clinical development work in China, and also running pre-clinical studies there as well.

It is also very important at the other end, because when we consider the areas in which we are developing, China will be critical. We focus on Asia-prevalent disease. And of course a big driver for that is the huge unmet need and number of patients in China. In oncology, tumour types like gastric cancer, hepatobilliary cancer and hepatocellular carcinoma (liver cancer) are a much bigger problem in this part of the world, particularly in places like China, Korea and Japan.

There are certainly challenges in terms of market access, in terms of getting to the right patient groups, pricing strategy, etc. And as we go in to China with compounds that may be very innovative, we have to think very carefully about the risk we are taking. There are some uncertainties there that we need to map out, such as regulatory process and the speed of running these studies.

How important is funding in this part of the world?

We are happy to say we have closed two rounds of financing since we started the company. It is however a very tough funding environment. If you look at the industry as a whole, investors have been asking themselves if this is a place where they can really make money. Again the reports say

that perhaps it is a real challenge. If you just take the pulse on the screen in the US, only around half of the funds that were around a few years back are continuing to actively invest in this area today.

The problem that we have seen, particularly when a lot of funds start scaling back, with reduced fund sizes, is that they retrench back to their home market. Whereas four or five years ago people were getting a lot more excited about the growing importance of Asia, I think we have seen a lot of big names in the field still talking about Asia, but we have not seen as many deals actually happen.

Now there have been a few funds who have been more forward thinking, and they have set up teams in this part of the world, but with a few exceptions, the majority of those have actually focused on growth equity. They come over to China, but they are no longer investing in biotech. Instead, they are investing in CROs, service companies, or distribution companies, which is a very different proposition, because there are still very good investment proposals to be had in this space. So looking at the money going into drug development in Asia, it is very low.

How hard is it to get good talent?

We have brought together a fantastic team, A big attraction has been because we are doing things differently and trying to make a difference. The company was founded by a management team who were not trying to make a quick buck – we all left jobs in big pharma and banking and took a big pay cut to do what we are doing, not because of the hope of an IPO – but because we felt passionately about what we were doing. We feel that drug development in the industry today does not work, but there is still huge unmet need in many diseases. I think it was that feeling of really trying to change the world that has helped to attract great people and allowed us to build such a strong team.

What is the most exciting part of being a new company?

I think that in Asia there is a real passion to do things differently. We are not constrained by decades of set thinking, set ways of doing things. You talk to people here – whether it is partners, stakeholders, regulators, or the government – and there is a real thirst to say can we work together and make a difference.

What do you expect of ASLAN in five years?

I hope you will see a company that is not much bigger than where we are today in terms of people and our office space. Our clinical projects will have advanced, our portfolio grown to perhaps 6 or 7 compounds and we will have further shown how we can do things differently.

For example, we are trying to think about how we can, at a relatively early stage in clinical development, combine targeted oncology agents in a way that makes scientific sense. People have long known that the signaling pathways responsible for these tumors are very complex. There is a lot going on, and more often than not, you hit a tumor with one particular inhibitor that knocks out one part of the pathways, and another pathway takes over. These tumors adapt very quickly and they develop resistance. Now, much in the way of HIV, you see people thinking about combination approaches. The industry is now thinking about what happens if we knock out multiple pathways in a tumour cell at the same time, from the very beginning. Maybe thinking of a way of preventing the onset of resistance or improving the efficacy of treatment, but to do that you have to combine agents together. That can be quite difficult, and requires a close partnership with investigators and regulators to figure out a feasible and pragmatic development strategy. It is one of the things we have been working on and making good progress, particularly in areas where many of these patients have few treatment options left to them.

Now we could blindly run forward with a therapy and try and treat all the patients with a particular disease, cross our fingers and hope that we will hit enough of a signal to be able to slip it past the regulators and get it into the market and make lots of money. But that is not what we want to do.

We want to say from the outset that we know these things are not going to work in maybe even 80 percent of our patients. So let us figure out in the beginning where it is going to work and only run studies in that setting. Let us also figure out, that if we need to run it as a combination, which combination makes sense, and how do we work with our stakeholders to put together a clinical and regulatory strategy that allows us to safely test those combinations. These are some of the things we are working on currently.

What advice can you give to future executives coming to Asia?

I would say, more than anything else, you have to be open-minded. The danger is that senior executives in the industry get planted in Asia, but that is not enough because many of the times all they are going to do is import and repeat the same model.

It is said that the definition of insanity is repeating the same thing over and over again and expecting to get a different result. So if we just keep doing the same thing that we have been doing in the rest of the world, it is not going to work. We have to think differently and Asia is very open to that. You need to work with the stakeholders of the system, recognize that things are changing very quickly, recognize that people are perhaps more willing to try different things because they do not have the same entrenched paradigms, and then anything is possible.

What is your final message to our readers?

Everyone has recognized that the industry is changing. Many companies and many executives have stood up time and time again and said we have to change things, we have to find a new model. But what really is changing? Moving pieces around on an org chart is not going to help and creating new acronyms to name a new business unit is not going to help. Change is going to involve taking a few risks along the way, but not small, incremental risks. Sometimes, for the industry, that means giving up its ere a vital part of the DNA of the industry.

Things are changing faster than anyone realizes. We all spoke about the “patent cliff” and other challenges – even ten years ago. But what has changed since then other than there are now a lot fewer R&D sites? The next five years is going to look completely different as the rate of change continues to accelerate. So we have to be bolder in terms of the steps we take and we need to make sure that people are open-minded to the new model.

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