

## Kerry Blanchard - CEO, Everest Medicines, China

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*Dr Kerry Blanchard explains why he took on the challenge of becoming CEO of Chinese biotech Everest Medicines and how Everest's internationalist approach to teambuilding helps it stand out from the crowd in China. He also touches on commercialization, partnerships, funding, and the evolution of the Chinese biopharma landscape.*

**Kerry, you assumed the position of CEO of Everest Medicines in February 2020. Firstly, with your extensive academic and industry background globally and in China, what motivated you to helm Everest Medicines?**

My career has certainly spanned different areas and countries. I did my PhD in biochemistry and then a Doctor of Medicine (MD) in the US, after which I proceeded with my residency and fellowship in internal medicine, haematology and oncology. Subsequently, I started working in academia as a scientist-physician exploring the biological pathways in oncologic and hematologic malignancies. During this time, I was also involved in clinical development as a principal investigator.

When I reached my early-40s, however, I came to the realization that if I maintained my career in academia, my ability to help sick people in the world would always be limited by my bandwidth. As an oncologist, I might treat 2000 patients in my lifetime. As a professor, training fellows and graduate students might increase that number a little further but it soon became clear to me that the way to truly impact millions of people globally was to develop medicines. I had a perhaps

quixotic belief that I could develop medicines, which ultimately inspired me to make the bold move to join Eli Lilly in 2000.

My time at Lilly really helped me develop the ideas I had, hone my leadership and scientific skills, as well as successfully put medicines on the market. For instance, abemaciclib, Lilly's CDK4/6 inhibitor, came out of my research. I was also given the opportunity to work in different markets, including China. I retired from Lilly at the end of 2017. Interestingly, Everest Medicines and their investor, CBC Group, first approached me then to assume the CEO position. At that point, they were still in the middle of business negotiations for a couple of assets and the company had only hired two people. While I had gained a lot of experience with capital investment and partnerships during my time running large organizations at Lilly, I felt that moving from a senior executive role at Lilly Research Laboratories directly into a biotech CEO position was a step too far for me at that time.

Innovent Biologics, a Chinese biotech that started working with Lilly as early as 2012 (when Lilly Asia Ventures invested in the company), invited me to join as CSO. Through Lilly, I had been working with Innovent for seven years and founder, chairman and CEO Dr Michael Yu had been a good friend of mine since 2011, so that seemed like the right move for me at that time. My time at Innovent taught me an incredible amount about all aspects of biotech operations, and when I was approached again with the CEO position at Everest Medicines earlier this year, I felt ready for the role.

China's biopharma sector really opened up in 2016 with the regulatory reforms led by then-CFDA Director Bi Jingquan, who saw clearly that the innovation gap between China and developed markets could be minimized if the regulatory system evolved. As a company, Everest Medicine quickly saw that it was time to bring in global innovations and aim for simultaneous or near-simultaneous approvals in China and the rest of the world. Within a very short timeframe, Everest Medicines built a great portfolio of eight first-in-class and best-in-class assets that are really appropriate for the needs of the Chinese and other Asian markets as well as a world-class clinical development and regulatory engine with a team highly fluent in not only English and Chinese but with Chinese and global actors due to their extensive multinational pharma experience. I firmly believe that is the biotech model of the future in China and I was very excited to join Everest.

**What has been some highlights for you over the past few months with the company?**

It has certainly been an interesting time. Despite the fact that I joined the company during the peak of the COVID-19 epidemic in China, we have achieved a number of milestones in the past few months.

The most prominent is probably our extremely successful USD 310 million Series C fundraising round. That was very interesting to do in the context of social distancing and almost zero travel. I think I probably met only two investors in person during the fundraising but after the first couple of weeks, you get used to it. Certainly, the round was extremely successful – the largest biotech private round in China’s history thus far – and demonstrates the significant amount of interest in Everest, not only from Asia but also globally because investors all around the world were involved. They are all high-quality and savvy investors so we are pleased that they have joined our investment syndicate.

We also established a strategic partnership with the authorities in Jiashan county in Zhejiang province to establish manufacturing capabilities there over the next few years. The whole Yangtze River Delta is one of China’s economic and healthcare engines, and Jiashan not only borders Shanghai but is also close to other important cities like Suzhou and Hangzhou. Jiashan county has a 4000-year written history and the main city, Jiaxing, is also the birthplace of the Chinese Communist Party. From the policy, financial and lifestyle perspectives, the different government entities are very supportive of the innovation ecosystem and with the pharma industry being one of the most innovative industries globally, they have all been very helpful to us.

From the portfolio perspective, we have a number of milestones to showcase too. One of our US partners, Immunomedics, received accelerated approval from the US FDA for their metastatic triple negative breast cancer (mTNBC) product, Trodelvy™ (sacituzumab govitecan), in April 2020. Trodelvy™ is an antibody-drug conjugate (ADC) linking SN38, the active metabolite of irinotecan, to a humanized monoclonal antibody against the human trophoblast cell-surface antigen 2 (TROP-2). This is one of our lead assets and we are very bullish about it. So far, this is the only drug on the market targeting TROP-2, which is widely expressed in many types of cancers. We expect this to become a very robust drug in China as well as globally.

**Going forward, what are the top priorities you have set for the company?**

Firstly, we need to guarantee the funding that allows us to continue to develop our wonderful portfolio. That is absolutely key and that is why we spent a lot of time and effort working on our Series C financing round. We wanted to get our story out there so that global investors and the

global community understand the power of our story.

Secondly, we need to deliver our portfolio. As a well-experienced drug developer across many therapeutic areas and geographic markets including Europe, the US, Japan, China, as well as other Asian markets, I believe my broad experience with innovative molecule development will support this. We need to deliver our innovative molecules to patients in China and the rest of Asia as quickly as we can to the highest quality levels expected.

Thirdly, we need to transition from an R&D company to a commercial-stage company. Our first product, Xerava™ (eravacycline), was approved in Singapore in April 2020 for the treatment of complicated intra-abdominal infections (cIAI). We expect that this will be our first approval in China as well; we are running our pivotal Phase 3 trial currently and expect to receive approval in the next year or two. Therefore, we need to build our commercial organization.

Finally, as mentioned, my background is in science, from deep basic science to the applied science of drug discovery and development. I truly love drug discovery and I think I have a propensity for identifying the right project at a very early stage, so I am very keen to develop Everest's early-stage portfolio. This is important because it creates a different value for the company. The value creation at proof-of-concept when you take a project out of discovery is radically different from the value creation of receiving a drug approval. In addition, if we have our own discovery organization and develop our own molecules, we retain global rights to them. Having that discovery engine and our own proprietary assets would fill out the company in a major manner.

Ultimately, in the next three to five years, I envision Everest becoming a fully-fledged biopharmaceutical company with discovery, development, manufacturing and commercialization capabilities, serving Chinese, Asian and hopefully global needs.

**As you have noted, the transition of Everest Medicines into a commercial-stage company will be an important milestone for the company. In terms of your portfolio and geographic reach, what can we expect from this transformation?**

The China market is very complex with a whole spectrum of commercial models you can use so as a company, you have to define your sweet spot. Our portfolio spans different therapeutic areas, including oncology, autoimmune diseases, cardio-renal diseases and infectious diseases but all of our assets can be seen as specialty products. In oncology, for instance, the number of hospitals you need to cover in China is typically lower than 500.

Another asset we have, etrasimod, is in Phase 3 trials for ulcerative colitis (UC). There are fewer than a hundred large centres in China in total catering to the bulk of UC patients.

We also have a potentially first-in-class treatment for IgA nephropathy (IgAN). IgAN is an orphan disease in the US and Europe but there are comparatively many more patients in China and Asia. However, it can still be considered a specialty area.

Even our antibiotic assets are focused on multi-drug resistant (MDR) Gram-negative infections; they would typically be used as last resorts. While I was with Lilly, for instance, I worked on the reformulation and relaunch of vancomycin, which has been off-patent for a while now but remains a very important antibiotic in China. While the drug sells very well, its usage is still very focused, primarily in ICUs in the higher-end, Class 3 hospitals, so even then only a limited salesforce is needed.

From our perspective, the commercialization of our portfolio would be relatively straightforward.

In terms of the region, during the first five or six years I spent at Lilly China, we were part of the Emerging Markets business unit so I gained a lot of exposure to the complexities of developing and commercial products across the region. While the regulatory regimes and market characteristics may differ across Asian countries, at the end of the day, these markets fit together well from a regional perspective. In addition, the socioeconomics in both Southeast Asia and North Asia are developing quickly and these markets will become more important in the future. Everest is in a great position with our assets; we have worked hard to obtain regional rights to our products variously across Southeast Asia, South Korea and/or Singapore, and we are excited about the opportunities in these markets. We have already hired an SVP and Head of International Business to manage our commercial operations out of China.

### **How will Everest Medicines look to develop its discovery and early-stage development capabilities?**

We certainly want to support our current portfolio, which is already focused on oncology, immunology, cardio-renal diseases and infectious diseases. Based on my scientific background in oncology and haematology, as well as my experience leading the discovery organization at Lilly Oncology, I think it would make sense for us to start in oncology, where I possess the most direct basic science drug discovery experience. At the same time, I sat on Lilly's portfolio management committee for 15 years so I feel fairly conversant in other therapeutic areas, particularly diabetes,

where Lilly obviously has a significant leadership position and is also a huge area of medical need in China. We have put together a plan and will execute it over the next year or two. While discovery is obviously a slower process than in-licensing, I am confident that we can move forward quickly on this too.

**Eli Lilly is one of the Big Pharma companies that have focused on - and been very successful at - developing partnerships with Chinese biotechs. Having previously led their External Innovation operations in China, among other roles, what insights could you share with our global audience?**

While I was with Lilly, I was extremely involved in not just their deals with Innovent but also with Chi-Med, particularly on their asset, fruquintinib. One of the most fundamental aspects is being able to recognize potentially successful projects early on. You have to be willing to make a bet on a promising program based on the target. As drug discoverers and developers, we need to remember that the target is what delivers benefit to the patients, not the drug. The drug is simply the tool that helps us reach the target. Sometimes I think the industry forgets that.

Secondly, once that bet is made, you need to go all in. Lilly went all in with Chi-Med and with Innovent. We were extremely open in terms of helping them build the capabilities they need. We formed true partnerships with them instead of just transacting deals with them. When I worked on the first capital investment from Lilly Asia Ventures into Innovent in 2012, the biotech had fewer than 40 people. By the time we closed our major deal with Innovent in 2015, Innovent had more than tripled to 150 people. When I joined Innovent in 2017, they had nearly tripled again to just over 400 employees, and when I left, Innovent had 2200 employees. We supported them wholeheartedly through their growth journey to achieve their vision of developing biologics to global quality standards. It is not just about achieving a win-win deal but about building the kind of long-term relationships that drive true partnerships.

Many Chinese biotechs in-license assets from the US or Europe to bolster their portfolio and add credibility to the company. From my perspective, it is not a good idea to just go out and buy assets for the sake of buying assets. There are advantages to having late-stage assets that allow you to build a clinical team and accelerate your development timelines but you have to assess the quality of the assets carefully. Particularly during the early-2010s, the assets that MNCs allowed access to were the programs they had shelved. We can talk about the technical or strategic reasons MNCs have for shelving assets but - speaking as someone that worked in an MNC - most of the time, the

main reason is that the MNC did not believe in that asset. For many biotechs that in-licensed assets during that time, many did not turn out to be successful.

Conversely, the power of the Everest model is that our portfolio is innovative and robust. Out of our eight molecules, all eight have a fairly straightforward path to approval. Biotechs really need to be careful about the assets they acquire.

### **What are Everest Medicines' plans for a potential IPO?**

We worked hard on our Series C round because we wanted to have a good runway for an IPO. I am still concerned about COVID-19's ongoing impact on clinical development and investor sentiment so having that extremely successful financing round really helps us. From a time frame perspective, we hope to move forward on the IPO in the next 12-18 months.

In terms of location, we see benefits and detriments to both NASDAQ and HKEX but I have experience in terms of both and there are successful cases of Chinese biotechs IPOing on both so we are not particularly worried about either.

### **To begin wrapping up, you have been in China for a decade now, witnessing the revolutionary changes in China's biopharma landscape. What are your hopes for China's biopharma revolution moving forward?**

Like many observers have noted, we are at an inflection point. To me, innovation consists of two components: an invention, and the ability to exploit or leverage that invention. Invention by itself can be pretty meaningless, and if we are talking about disruptive innovation, the ability to exploit it becomes critical. What China has built over the past 20 years is that incredible capability to leverage inventions and to build the platforms necessary to innovate. Now it becomes an issue of invention. Once Chinese inventions and innovations explode onto the global market, China will shine. We are starting to see Chinese biopharma innovations that are really quite competitive with global assets, and the scientific and research capabilities here have expanded dramatically over the past two decades. The more the Chinese government continues to incentivize and reward innovation, the more disruptive innovation will emerge from China.

What I want to see out of China is five Genentech-like companies over the next ten years. We have spoken about other biotechs like Chi-Med, Innovent and so on. I do not see them as competitors but as my partners. The best thing that could happen over the next decade is for five or six of us to

become the next Genentechs. That would be the best thing for China – and for the rest of the world.

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