

Austin's XBiotech has huge plans

IPO, major campus in works as it tests cure for cancer

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Preliminary Rendering

XBiotech USA Inc. might be one of the most ambitious companies in Austin that few have heard of.

The three-year-old biotech company, which employs about 80 people in about 47,000 square feet, has bought 48 acres near I-35 and Riverside Drive, where it envisions a campus with hundreds of thousands of manufacturing square feet and thousands of employees.

And it plans to fund its vision with an initial public offering.

The company is developing ways to harvest human antibodies, which people develop naturally to combat threats such as bacteria and viruses, for treating cancer and diabetes. Phase I and II clinical trials have been announced at MD Anderson Cancer Center in Houston and the University of Basel in Switzerland.

XBiotech recently hired a chief financial officer to lead the company through an IPO to raise capital, XBiotech CEO and founder **John Simard** said.

Simard declined to give a timetable for going public.

Previously, Simard was founder and CEO of CTL ImmunoTherapies Corp., a developer of therapeutic vaccines headquartered in Los Angeles, according to XBiotech's website.

He also founded AlleCure Corp. of Valencia, Calif., a developer of immune-modulating therapies. In 2001, Allecure and CTL ImmunoTherapies were merged with a third company to form MannKind Corp. (Nasdaq: MNKD) with a combined value of about \$1 billion, where Simard was corporate vice president.

Simard left the company in 2002 and later started XBiotech as a one-man band, he said. So far, he and about a dozen other investors have put about \$30 million into XBiotech.

Simard said the company's biggest impediment is accessing capital, but he wants nothing to do with venture capital firms.

He plans to break ground on XBiotech's campus with a 25,000-square-foot administrative building this year, although he has yet to file a site plan. Architectural design is being done in house, and an unnamed, out-of-town general contractor has been selected.

Simard indicated he has had little contact with state, city or Austin Chamber of Commerce staff, and said the company is not seeking economic incentives.

XBiotech is proposing a novel way to cultivate antibodies, developed based on hundreds of test subjects found to have unique genetics and natural immunities. The antibodies are grown by putting cells into a bath and agitating them.

Traditional processes involve expensive, high-tech equipment, but Simard thinks XBiotech can do it in a cheaper, low-tech way that will enable the company to produce affordable drugs.

Paul Lemmers, president and CEO at Mirna Therapeutics Inc., another Austin-based biotechnology company, said that even when a drug enters a third phase of expensive clinical trials, its chance of reaching the market is still a coin toss.

Producing new ways to make drugs is also strictly regulated and takes a massive effort to get approved, he said.

Antibody therapy is already being used to treat cancer, however, and its use is expected to increase, making XBiotech's drug manufacturing process a potential win, Lemmers said, adding that he is unfamiliar with the company.

Simard said his company has "no exit strategy" and plans to "quietly build value" while manufacturing its product in house rather than outsourcing that function to giant pharmaceutical companies.

His product and business plan would require mountains of paperwork and federal approval before generating significant profits.

In the past, XBiotech applied for two grants from the Cancer Prevention Research Institute of Texas, but was turned down, Simard said.

Bill Gimson, CPRIT executive director, could not be reached to comment on the company's applications.

When the company was started, Simard said he considered building it in Hong Kong, South Africa, Germany and Switzerland.

He chose Austin, he said, because it offers a low cost of doing business and has a good quality of life.

Courtesy of JB Goodwin