

Novartis-AveXis deal could be game-changer for Chicago

By Crain's Editorial Board April 13, 2018

Chicago scored a major win April 9, but it barely registered with most local business leaders. The triumph was **Novartis' eye-popping \$8.7 billion buyout of a largely unknown startup called AveXis**. It was far and away the biggest acquisition yet of a Chicago-area biotech company, more than three times the size of **the next-largest deal—the 2015 sale of Lake Forest-based PharMEDium to AmerisourceBergen for \$2.58 billion**. Next was the \$1.7 billion acquisition of Evanston-based Naurex, a spinout from Northwestern University that developed a drug for treating severe depression, by pharmaceutical giant Allergan in 2015.

You might wonder how Novartis' decision to pay **an 88 percent premium**, or \$218 per share, to buy out a tiny Nasdaq-traded company will do anything more than enrich those shareholders savvy—or lucky—enough to have bought in at AveXis' IPO price of \$20 two years ago. The answer lies in the story behind AveXis' decision to locate here, because the underlying technology that attracted the Swiss pharma giant was originally developed two states away, in Ohio.

As Crain's tech reporter John Pletz and columnist Joe Cahill note, **AveXis is considered an early leader in gene therapy**, in which antibodies are used to correct a genetic mutation that's causing a disease. AveXis was built on research by the company's chief scientific officer, Dr. Brian Kaspar, a scientist at Nationwide Children's Hospital in Columbus.

Eventually, however, the startup recognized the need for seasoned executive talent to lead it from the laboratory to clinical trials, which might then produce a treatment that could be taken to market. Along the path, the company would need to win arduous approvals from the Food & Drug Administration and convince investors to purchase shares of a company with hope, but no revenue. In 2015, Kaspar and his partners found what they were looking for in Sean Nolan, a Chicago-area executive and veteran of Ovation and Abbott Laboratories. When Nolan came aboard, AveXis moved to Bannockburn.

By coming to the Chicago area, AveXis was well-positioned to tap into a deep well of local biotech talent, not only at the laboratory level but in the executive suite as well, thanks to the likes of pharma giants Abbott, AbbVie and Baxter International, health care startups run by serial entrepreneurs such as Glen Tullman and Eric Lefkofsky, and world-class researchers at Northwestern University and the University of Chicago. And yet, even with all this talent, Chicago has yet to produce a steady stream of biotech startup hits—or to get its due as a potential hub of such activity. The Novartis-AveXis deal, however, could change all that.

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As Bill Gantz of Northbrook biotech investment fund PathoCapital told Crain's: "Chicago has made real progress in the last 10 years. With Naurex and Sean (Nolan) doing multibillion-dollar deals, you've got to say something's happening. Anytime there is a successful exit in terms of valuation of a company, it creates interest in what's going on here, and individuals who have the ability to invest in further startups."

So far, that sustained interest and investment has been the missing ingredient in Chicago's biotech startup mix. Here's hoping the investors who so richly benefited from AveXis' payday will continue to see value in Chicago's biotech potential—and that others beyond Chicago will join them.