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March vote could decide Nabi Biopharmaceuticals' future

Washington Business Journal - by [Vandana Sinha](#) Staff Reporter

For years, **Nabi Biopharmaceuticals** has been a painful thorn in the sides of its shareholders.

But in a matter of days, those holders are expected to endorse a licensing agreement that could help make the Rockville biotech their most lucrative investment ever.

A largely ignored company on Wall Street, where more than one analyst rarely tracks its stock, Nabi is just a step away from the largest, most significant partnership of its 40-year existence, one expected to provide as much as \$500 million in cash, worldwide legitimacy for its last remaining product and an improbable dose of good will from its most unsparing critics — the shareholders.

At the March 2 stockholder meeting, Nabi's owners will likely approve a deal with **GlaxoSmithKline PLC**, giving the behemoth pharmaceutical company first choice to exclusively license Nabi's NicVax vaccine, created to prevent people from smoking. It's a choice GlaxoSmithKline will likely make if the drug performs well in its two final-stage clinical trials in the next two years.

If NicVax does join GlaxoSmithKline's lineup, the British company will own commercial rights to the drug but will have to pay Nabi a minimum of \$88 million immediately, then up to \$209 million in payments and 15 percent of NicVax sales in royalties as it markets the drug in a worldwide smoking cessation market slated to easily top \$1 billion.

That sets Nabi up to be, at best, an acquisition target by GlaxoSmithKline at a potentially better price than the licensing deal allows and, at worst, a holding company that does nothing but collect millions of dollars each year in royalties so long as the trials prove NicVax a success.

It's a spectrum of opportunity that even has shareholders who had aggressively pushed for an outright sale of the company now grinning in approval. And it reflects a drastic reversal from 2005 when another key drug, StaphVax, failed third-phase trials, which caused Nabi to implode, its stock to tank by 72 percent and furious shareholders to oust many of the company's leaders.

Such an about-face has sparked a similar turnaround in some of Nabi's most active shareholders. In June 2007, when the shares had shed two-thirds of their value from two years prior, shareholder Robert Chapman was shipping off warning letters of the consequences if Nabi's executives at the time failed to execute. Late last year, Chapman apologized to current Nabi CEO Raafat Fahim for past treatment after the announcement of the pending GlaxoSmithKline partnership — a first for the vocal investor in his decades worth of stock dealings.

"Raafat Fahim has done a spectacular job finding the best partners at the best valuations for Nabi shareholders," said Chapman, managing partner of Chapman Capital LLC, whose Lamborghini now sports "Nicvax" license plates. "In my entire 20-plus years on Wall Street, I've never owned a stock with more upside than this one. Ever. The stars are aligning."

But they didn't always shine so brightly. Since 2006, Nabi has had three CEOs. Responding to shareholders' cost-cutting ultimatums, the company unloaded three major drugs, including a reformulated version of StaphVax sold last year to GlaxoSmithKline.

Nabi also sold its Florida headquarters and manufacturing campus and moved to smaller Rockville quarters in 2007, thinning down from 776 employees at the end of 2005 to a relatively scrawny 42 employees today.

Last November, NicVax was Nabi's only product when GlaxoSmithKline snapped it up in the licensing deal. That announcement lifted Nabi's stock price above \$5 for the first time in more than a year. Now analysts estimate NicVax's potential for stemming nicotine addiction places the stock value closer to \$10.

If NicVax passes its final trials, each testing 1,000 people nationwide, the price estimate could double once more, analysts say.

Unlike other smoking-cessation drugs, "the advantage of NicVax is that it does not enter the brain; it does not cross the blood barrier," said Jeffrey Cohen, senior research analyst with C.K. Cooper and Co., which last month initiated Nabi coverage. "Status quo is a pretty good scenario for the company."

Indeed, Nabi's past fire sales have put more than \$103.3 million worth of cash in the bank as of last October. Nabi declined to disclose its clinical costs but said it is still determining plans for the leftover bucks. By many counts, its decision will make the company's stockholders even giddier.

"Any return to shareholders could take the form of a special dividend, some sort of tender offer for shares or a share repurchase program," said Nabi spokesman Greg Fries. "The board is still looking at options and what might be done, if anything."



Raafat Fahim

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