

# Interview: Pierre Laurin, President and CEO, ProMetic Life Sciences Inc. Canada

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*Mr. Pierre Laurin is a senior executive with 28 years of experience in the pharmaceutical and biotechnology industry. Involved in the development of ProMetic's platform technology since 1989, Mr. Laurin founded ProMetic Life Sciences Inc. in 1994. As Chairman until March, 2011 and President and CEO of the Corporation since its inception, he took the Corporation public on the Toronto Stock Exchange and has since raised over \$480 million through equity and debt financing and multinational funding. He shares with Pharmaboardroom the long journey his company has taken over the past 25 years to get to the verge of profitability with staggering revenue increases year on year. Furthermore he gives details on ProMetics goals over the next few years to capitalize on this upward trend including shifting interest to emerging markets in Asia and Latin America.*

## **What are the origins of ProMetic and what drew you to it initially?**

ProMetic started as a spinoff from the University of Cambridge in the UK 25 years ago. I was quite attracted by the potential of the company's technology at the time. The company has raised in excess of CDN \$480 million in the last 25 years, about half in equity and half in partnership. As a result of all the work and investments, the company has finally become cash flow positive and on the verge of profitability. Initially, the company had difficulty finding capital for its technology, which

had great potential. Therefore I brought my industry networking and funding capabilities to the company. Thus, Prometic's Canada-UK relationship was born, since raising money in Canada was somewhat easier than it was in the UK. ProMetic in Canada also invested in the manufacturing of components of affinity chromatography filters.

The company today is a fabric of partnerships and joint ventures. ProMetic did two joint ventures with the American Red Cross in 2000 and 2003, which created a unique powerhouse for protein recovery in plasma. Essentially, this platform allows for a highly efficient extraction and purification of proteins from human plasma in order to develop best-in-class therapeutics for patients lacking these proteins from early development stages to commercial stages in less than two years. The two joint ventures led to commercial success. However, in terms of risk factors, Hurricane Katrina of all unexpected events, affected ProMetic quite substantially in that the Red Cross was told to focus on disaster relief from thereon in and forgo any other commercial ventures. The group lost a valuable co-funding partner in this venture, which also led to the bankruptcy of one of our other partners with whom we were contemplating developing plasma-derived therapeutics. This affected ProMetic financially but also allowed ProMetic to internalize key employees, technologies and secure very valuable intellectual property rights.

ProMetic is a long established publicly traded biopharmaceutical company with globally recognized expertise in bioseparations, plasma-derived therapeutics and small-molecule drug development. ProMetic offers its state of the art technologies for large-scale purification of biologics, drug development, proteomics and the elimination of pathogens to a growing base of industry leaders and uses its own affinity technology that provides for highly efficient extraction and purification of therapeutic proteins from human plasma in order to develop best in class therapeutics. ProMetic has R&D and manufacturing facilities in the UK, US and Canada with partners worldwide. The company provides enabling solutions for others. ProMetic's technology is used in other companies' processes, which means adapting to cultures, languages, currency, or legislation. The company also has its own in-house development of therapeutics populated by scientists formerly from BioChem Pharma, after it was acquired by Shire.

**Quebec is known for its strong life sciences industry supported by a solid drive for innovation. What is the attractiveness of the biotech sector in Quebec in terms of creating a favorable environment in which companies can operate?**

Quebec used to have a very strong life sciences industry; unfortunately many of its best features have disappeared. Quebec was close to second place behind the US for life sciences, ahead of Germany and Japan for jobs and revenues. This was impressive for a population of only 8 million

people or so. Despite the industry being sustained somewhat artificially, it attracted a critical mass of services and talents. One of Canada's biggest dilemmas is that it is a social system next to the US, one of the most lucrative pharmaceutical markets worldwide. MDs and PhDs are trained in highly subsidized educational systems like McGill or the University of Montreal at a fraction of the cost to get the same tuition at the best American universities. The best Canadian minds and scientists can then move to the US for better-paid jobs once they complete their studies here.

The R&D tax credit initiative has helped to keep individuals and companies in Quebec. However, the price of medication is still much higher here than it is in the US. In some cases, medication will not even be launched in Canada because the price is prohibitive; Canadian prices ought not to affect American prices, which are not particularly sustainable at the moment either.

Regarding IP and patent law, why does a patent expire in 15-17 years? If a pharmaceutical company could have 50 years of exclusivity with an invention but capped at 35% margin for example, everybody would win. The pharmaceutical company would be protected because it would have that many more years to recoup their investment so the drug could be sold cheaper. Innovation would be striving because companies would be protected and there would be no rush to charge a ridiculous price because of a patent cliff after 17 years. The solution is there. It is quite remarkable that that amount of money is invested with such a high risk. That is a reality, and for Canada the quality of research at institutions and universities is remarkable. From an industry perspective, the critical mass is simply not big enough. Therefore you have to look globally, particularly through partnering. This is true everywhere.

The Quebec government is doing its best to find ways to create the right climate, despite some politicians trying to restrict the ability to work here based on an individual's proficiency in French. Ontario has gained much ground in that respect. While Quebec still has a reasonably critical mass, the province will succeed because of companies like ProMetic, which have existed long enough to obtain the funds to grow.

### **So many companies are closing their R&D centers though.**

It does happen; but it is a very cyclical process. It is the same in every industry. 80 percent of what large pharmaceutical companies have marketed over the past 10-15 years has been in-licensed. You have to find your role in this multi-stage process; a company creates a value for those who fund it and then the baton is passed to the next group. These large pharmaceutical companies have the wherewithal to market products, educate physicians, or deal with health policies, which a small company cannot do.

**One of the lead drug candidates for ProMetic is PBI1402. It addresses substantial unmet medical needs, particularly cancer-related anemia, addressing a worldwide market that exceeds \$15 billion. What is the potential of this product?**

To put the potential of this lead compound in perspective, Medicare costs in the US represent about 13 percent of the healthcare budget. \$342 billion was spent in healthcare by Medicare in 2010, of which 35 percent was related to chronic kidney disease, roughly \$170 billion. ProMetic's data for 1402 demonstrated to the Food and Drug Administration (FDA) that the product has amazing potential for kidney fibrosis, and does not exacerbate cancer the way erythropoietin does. ProMetic has created an analog of 1402 called PBI-4050, which is a more potent, once-a-day pill to treat chronic kidney disease. PBI-4050 will enter clinical trial stages this year, and we are fortunate to have some of the most influential and renown nephrologists join our Board of Directors and advisory committee for this product. If successful, PBI- 050 should significantly delay the need for dialysis. Given the annual \$75-100,000 cost per kidney patient, delaying the need for dialysis and protecting a new kidney would prove to be a huge societal objective. ProMetic is already in discussions with many different institutions in order to advance partnerships in relation to PBI-4050.

**ProMetic reported revenues to exceed \$11 million by the end of June, compared to \$7.4 million for the first half of 2012. What are your objectives for the end of the year, and how is the company positioned within the biotech landscape of the greater Montreal area?**

There are various reports speculating around \$29-30 million for 2013. These revenues are really driven by clients. ProMetic has a B2B model; it is merely selling enabling technologies used by multinationals in their own processes. This business depends on other companies' forecasts and performances. Revenue stream increases when companies need more products from ProMetic than for research purposes only. There is a geometric exponential curve in the company's growth as more and more of our clients are nearer commercialization stages. The challenge for this business has been to maintain state-of-the-art GMP readiness in its facilities with no revenue for the past 15 years. This is the cost of being able to qualify as a GMP supplier while there is no revenue to support it. ProMetic has now finally reached this goal and expect to reap significant financial rewards for many years to come as a result of its past investments.

**What makes ProMetic the partner of choice?**

In 2004, ProMetic was awarded the Bioseparation Technology Leadership Award by Frost & Sullivan. This was particularly surprising considering the company's gross revenue at that point was so small. This survey asked professionals in the field as to which companies deserved to be recognized. This company creates solutions for companies that have tried creating a product in-house. At the peak of the company's success in the future, ProMetic might have as many as 300 clients; essentially, when you fix a problem that nobody else could, suddenly clients want to work

with you much earlier in the development process. The company grows from this belief by clients that the value of ProMetic is applicable to companies of all sizes. It took about 15 years for ProMetic to deserve that recognition.

**ProMetic was originally founded in the UK. What advantages has keeping much of the business in the UK provided?**

There is a tax scheme in the UK to encourage British citizens to invest on the Isle of Man. ProMetic has a GMP facility on the Isle, where the government there has been extremely supportive. There is also a 40 percent investment support program, mainly due to the fact that this island needs job creation in businesses other than accounting firms. It needs to diversify. ProMetic is exporting chemicals from the Isle of Man, for example. The Isle of Man has provided the company with great deal of support for research and development. Because investments on the Isle of Man require staying for at least five to ten years, this partnership is beneficial for ProMetic since GMP is long-term.

**Are such investments on the Isle of Man becoming a bigger trend for UK-based companies?**

There have certainly been more initiatives to promote the area. The Isle of Man is close to Manchester and Liverpool, and attracting talent on the Isle has never been an issue for ProMetic. It is a great place to do business. Furthermore, the Isle of Man will soon be formalizing a double taxation treaty with Canada. ProMetic is in an excellent position to compare being based in the UK, US and Canada. However, I would say that for equal talent it is more cost-effective to do business in Canada. Talent-cost and corporate tax is lower.

The US and China will become the most lucrative domestic markets very soon. Inflation is so important there, and the gap between supply and demand is so insane that price of mitigation is going up. Many products sell at a higher price in China than the US.

**What do you hope to achieve by investing in the emerging markets of Asia and Latin America?**

ProMetic enables pharmaceutical and biopharmaceutical companies to make better and purer products with higher quality at a lower cost. The company's technology recovers the most valuable therapeutic proteins in any biologic solutions. This yield-economics advantage is seen as marginal for US-based companies because American companies can afford to charge high prices. Companies in China or India need those margins because they are competing strongly against other biosimilars. ProMetic's custom goods structure matters, and therefore its technology matters. Excluding South Korea and Japan, Asia represent over 50 percent of the market for approximately seven percent of drug consumption. ProMetic's technology support is therefore very important. The company's business model is slightly different in its focus on tech transfer, which allows for

local manufacturing while still maintaining the highest quality. This process works very well in China; by manufacturing locally, companies can be the lowest cost producer with the highest quality. ProMetic is partnered with the China National Biotechnology Group (CNBG), which has implemented ProMetic's platform technology to manufacture seven products extracted from plasma. They have exclusivity for China. We enjoy a partnership with Hepalink, the world's largest heparin producer based in Shenzhen and with Hematech in Taipei, Taiwan which demonstrates Taiwan's platform to be able to manufacture locally using an advantageous cost-structure, but to export internationally as well.

**You have successfully managed the closing of over 45 licensing and joint venture agreements with multinationals. What business development advice might you give to someone starting up a company similar to ProMetic?**

Understand and support your partner's needs and objectives from the start. Additionally, you cannot necessarily afford to be selective at the start. As you mature you become more selective with whom you should partner as opposed to taking the first partnership opportunity that is offered. It is a learning process.

**If we were to return to Canada in another three to four years, what are your expectations for ProMetic at that point?**

ProMetic will probably be one of the largest companies in Canada as defined by the market here. Many compounds will cross over from development to commercialization, which will increase sales dramatically. I am not sure if ProMetic will be acquired by big pharma at that point, or if it is in ProMetic's best interest but one could logically expect to be a target when such value is created. It is the typical end-game for too many companies. ProMetic will most likely diversify and separate into various individual platforms, and continue with its partnerships in Asia. I am confident that ProMetic's plant here in Laval could supply the world for many diseases. The future is bright for the company. The process has been tough. Many companies have only used a drug discovery model, relying on a willingness of the market to fund. Because ProMetic had used a hybrid business model, the company has raised much more capital.

**What keeps you motivated to come to the office every day?**

So much is riding on ProMetic. I do this like any parent would for his or her family. You have a sense of responsibility to the company the stakeholders and all the patients in dire needs of medication not yet commercially available. There are so many people who have contributed to ProMetic. I hope that whoever takes over eventually will carry on that mission.

**Would you miss ProMetic if it was acquired?**

Having witnessed the recent acquisition of Austrian company AOP Orphan by Elan, the opinion of the former and current owners was that it was important to continue working on the company's goals regardless of ownership. However, very often in acquisition there is disguised intention. A company acquires, waits a few years, then starts unfolding a scheme to take the company in a different direction. ProMetic is not interested in R&D here, and I do not have time to get involved with local politics. It is the same everywhere; everyone wants to attract business. Ultimately whatever you do, you are competing with the entire industry. The only way to achieve this is to perform. If you do not have an environment that is conducive to good ethics, you will never be successful in attracting business.

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