

Interview with Jan Egberts, CEO, OctoPlus N.V.

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Clearly the end of 2010 was an exciting time for you. As you entered the transition period as the new CEO of OctoPlus, you also participated in the equity raising. In your view, what makes OctoPlus stand out in the market?

There are two main components, one being the people and the other being the company's positioning. OctoPlus has a very skilled group of people which has developed a very unique technology that can address major unmet clinical needs in a market that is growing rapidly. Looking at the number of new medicines that come into the market, more injectables and fewer small molecules have been dominating recently. Very often, these injectables are for chronic diseases where controlled released approaches are the right way to address the disease.

The company has made it clear that, since its revised strategy in 2008, it no longer invests in own risk product development. Yet, when commenting on the 4m EUR equity raising, you showed the intention to use that money to co-invest along with clients in high value projects. Are we seeing another change in the way OctoPlus manages and owns its projects?

Although there are always shades of gray, I do not think so. What happened is that OctoPlus has been approached by a number of its existing and new clients, based on the skills and expertise of our scientists. The decision to co-invest in these projects is based on very simple calculation of their risk return. OctoPlus is not planning to engage in any clinical or late-stage development, so there is no major change here.

Your customers are global and until 2009 over 60% of OctoPlus' revenues came from North America. How do you see this balance evolving?

Until that year, almost 60% of revenues came from the licensing of the product we have been developing together with US-based Biolex. The manufacturing of that process came to a natural pause once Phase IIb trials began in 2010. Therefore, last year this turnover was significantly lower. In essence, because of the international nature of the companies OctoPlus works with, it is sometimes hard to ascribe the exact location where the revenues originate from. What matters is that OctoPlus is a global company.

Revenues declined and OctoPlus is not making a profit at the moment. When will we see the company turning into positive numbers?

Many of our investors ask this question and while we have not committed to any specific numbers, we are progressing nicely. OctoPlus is focused more on cashflows, rather than P&L statements. While the focus on decreasing costs will be less draconian than last year, OctoPlus will continue to decrease its cost base while growing top line revenue.

Locteron is obviously something the company can be proud of. If the product can be fully commercialized by Biolex, what position do you see it taking in the market?

Treating hepatitis C is being done via two approaches at the moment. One side is the antivirals, where a lot of new research is going on at the moment. The other side is the interferons. When you look at the scientific literature, most people expect the continuation of these two approaches. OctoPlus has been working towards an alternative to the current interferon, where we eliminate, or significantly reduce a lot of its side-effects. There are three main areas which we address. One very simple one is the frequency of injection. Due to the release profile of our product, we're able to offer dosage once every two weeks, rather than once a week.

The second and third benefits are more important. One side effect consists of what is referred to as flu-like symptoms. Half to two thirds of the time people are injected, they develop such symptoms. Because the treatment lasts for 48 weeks, many patients often give up at an early stage. The third component is the fact that people tend to develop manifest depression. Locteron is able to significantly reduce these symptoms.

Locteron achieves the same efficacy, and is additionally able to achieve reductions in side effects of 50 percent. These improvements have been achieved with OctoPlus' PolyActive Technology, which is a proprietary platform. The results have been very promising so far and the samples are large enough to achieve good p-values.

Locteron has been the biggest success you've achieved with the PolyActive Technology so far. How can you prevent OctoPlus from having all its eggs in one basket?

What we have done with Locteron is taking a compound interferon and formulating a sort of sponge. This allows a controlled release of the drug into the body, something that could also potentially be applied to other drugs in other areas.

The critical success factors to expand this pipeline will rely on a number of factors, the most important being that it concerns therapeutics with significant side effects that can be addressed. Another area of interest is where compounds have a significant half life. These are compounds that people put in development and which are not pursued because of their pharmacokinetic profile. I've been involved in projects that would require injections twice a day, something that will obviously not happen. Therefore, a controlled release profile is a very good alternative in such cases.

In 2008, OctoPlus raised its investment in clinical manufacturing infrastructure here in Leiden. How well is the current infrastructure in line with the growth ambitions you have in mind for the company?

We definitely have sufficient space. The key bottleneck is getting the right people. You need to be able to find people that can make the transition from the academic to the corporate world. To attract these people, it helps to be located here in the Leiden BioScience Park. This is for two reasons. First of all, there is cross-fertilization going on, which means that companies will easily hire staff from literally around the corner. Second, the Park has a larger voice and larger infrastructure than one individual company can manage.

Leiden is the bio-science hub in terms of people. For graduates deciding where to work and live, Leiden is a very easy alternative because of all the different options they find here. It is also very easy for staff here to switch between companies. The benefits for OctoPlus to be located here are thus mostly related to human resources. As a global company, OctoPlus works with global customers - therefore our location in that respect is less relevant.

Another component is the fact that these people have their own networks, which results in additional cross-over between companies. You need the right mix between people that come straight out of college with the knowledge fresh on their mind, together with people that have the more practical experience from corporate life.

OctoPlus works for multiple international customers where people get exposed to lots of different compounds and projects. This enables them to immediately see the results of their efforts, which is a very rewarding climate.

The Netherlands is quite reputable for its research qualities. As you attract your international customers, to what extent can you build on the Dutch national pride and reputation for good research?

The quality of research in the Netherlands is high, but the nation needs to work on the transition from the academic to the corporate world. You do not see this permanent revolving door you find in the USA.

We have heard some doom scenarios for manufacturing in Europe as well, due to severe competition from India and China. What future do you see for drug delivery companies in the West? First of all, I do not see OctoPlus as a drug delivery company, but rather as a speciality pharmaceutical company. I think you need to focus on what you are good at. Obviously, the West will not nurture the low cost leaders in the world.

The very simple and stable manufacturing processes will rather go to the Far East, while we focus on complex manufacturing and the quality, agility and flexibility of our research and work. In that sense, we can be very competitive. Moreover, the cost structure in the Netherlands is actually lower than in many other Western nations.

When creating the special report on the Dutch pharmaceutical and healthcare sectors, we have had difficulties finding so-called national champions such as Servier or sanofi-aventis in France. Here in the Netherlands, we have seen Crucell and Organon becoming part of large MNCs. Is there a shift out of the Netherlands?

Will there ever be a flagship company and is OctoPlus potentially on that way?

There is a lot of life sciences venture capital in the Netherlands, probably more than would be expected. However, I do not see the regulatory framework as very facilitating. There is also an outflow of people from the Netherlands. While India is currently experiencing a reverse brain drain, the same could and should happen here. The problem is that the Netherlands never really had the training grounds, needed to develop an industry.

It is not the case that the size of the domestic market should play a role. Such an argument would not be valid. There clearly have been other countries that were more successful in this sense, while having an equally small or even smaller domestic market. What is needed here is the critical mass of companies and spin-offs that can form successful clusters to nurture the industry from the inside.

People need to be positive and continue building a momentum, while keeping their eyes on the global scene. It is important to understand that you compete within a global arena and you can best do so by doing what you are good at.

You clearly have a lot of energy. What do you bring to the company that was missing before and what are the top priorities on your agenda?

I spent half of my life outside the Netherlands and was on the board of a number of companies. This has given me a lot of experience on the pharmaceutical side, which can help in companies where people have mostly worked in smaller organizations.

Coming to OctoPlus, I would like to continue what my predecessor started. This means growing top line revenue, controlling costs and building on what has been started. The future for OctoPlus is quite bright.

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