Interview with Wolfgang Söhngen, CEO, Paion

19.10.2009

Tags: Paion

Why was the time right in 2000 to start Paion, and how did your background and experiences in the pharma industry, academia and consulting help you create the successful company we see today?

The reason for founding Paion in 2000 was more a question of timing of our own development. In 1997, I had founded Virtueality, a consulting company, and by 2000 we were consulting for Schering AG. By that time, the company had developed a large network, which enabled us to take on the opportunity to develop Desmoteplase as our first molecule, when Schering gave us this opportunity. Schering had initially decided to spin off the development of this project, but the arrangement was finally more of a license to Paion. After two to three years in the consultancy, building a network, we saw that we would be able to get engaged in something like this.

What have been the main challenges that you have overcome between then and now?

Financing is the most critical part of drug development, and to non-insiders, it always comes as a surprise when something goes wrong. However, people that know the industry realise that there is always a chance for delays, or setbacks.

Despite the often unpredictable nature of the drug development business, the biggest challenge for Paion has been finding financing regardless of the success of our developments. For example, when September 11th happened, Paion was in a very nice upswing and had a lot of interest, and for nearly two years after that moment it was very hard to do any financing. The same happened last year, when we had completed the acquisition of CeNeS: September 2008 brought the collapse of the financial markets. Felt like we had managed something very important in the acquisition, but were unable to bear the fruits of its success.

Partnership was the origins of Paion, through the license with Schering, and we see that it has continued to play a part in the company's development, through to the partnership you have with Lundbeck today. What do you think makes Paion the partner of choice for these companies?

Paion's core competences are not so much in technology, but more in development knowledge. This gave us the initial trust by Schering that we would be able to move their projects forward. In Paion's partnerships today, it is the company's ability to create and present data in a way that wins people over in business development and at management level. The financing aspect has helped Paion in this regard, because the company has practised intensive due diligence right from the start, so this has never been a difficult exercise for us to do.

Was the original vision for the company always to be a drug developer? What did you want to create in 2000?

The company has always had as a main focus the drive to be a drug developer; that has never changed. In this particular field, companies always have the hope that they will have the chance to participate in marketing and development efforts of their products. For Paion, this has been slightly delayed due to the results in 2007. Nevertheless, we have retained a co-promotion option for the German-speaking countries, so we still have that eventual aim, and again it will be a question of financing. Most people, especially in the biotech industry, forget that marketing is often more expensive than development.

Paion has proved itself as a successful developer over the years and today the pipeline is great: CNS 7056. M6G, and Desmoteplase being just a few examples. What do you believe is the potential of the drugs that the company currently has in development, and what do you have for the future?

CNS 7056 is a short-acting anaesthetic/ sedative, which is really our rising star in the portfolio. This was a large part of the reason for the acquisition of CeNeS. At the time the drug was a pre-clinical programme, and Paion has completed the first phase II trial within 18 months, which is a very quick turnaround. Added to this, we expect to establish a partnership in the near future. Essentially, Paion will then have gone through another cycle of its business model: identifying a new target, developing it to a certain degree and then partnering it out, in order to both accelerate the overall development, but also to get new revenues in order to look for new opportunities.

What is your vision for the future growth of Paion: will it be through acquisition or through organic growth?

Organic growth is probably too slow to meet with what's required. When Paion is able to make a strong partnering deal, the company will then have to revisit that part of the equation, as consolidation is going to be the major need of the industry. Right now, the industry is experiencing Darwinian times: the current focus of the company is to reach the time when we see the results of the Lundbeck trials on Desmoteplase.
The other aspect is to take the opportunity for further growth. However, Paion first has to deliver on the CeNeS acquisition, to show that the company has again been able to identify something that makes sense, improve it, and out-licence it.

Mr Schultz from Biotest was talking about his company's internationalisation strategy, part of which was to ensure that not all of the business's eggs were kept in one basket. Was that part of the strategy with the acquisition of CeNeS?

The acquisition did not come from a strategy of reaching out to different markets, but more to broaden Paion's pipeline. From being a one-product company, we wanted Paion to become a more diversified company with a broader de-risked portfolio. CeNeS' projects ideally complemented Paion's existing portfolio. The final decision was made easier by the fact that the decision makers at CeNeS accepted that future value could only come with reasonable terms leaving the new entity with sufficient cash, which made it easier to come to terms.

Financing is clearly an issue for any biotech company. The general trend seems to be that VCs are backing away from the biotech table, especially in Germany. What are Paion's future strategies to ensure continued investment?

One part of Paion's strategy is the partnering element, which substitutes funding to a certain degree. The other part is that from the start, Paion has been a global company: we had Asian investors when we started the company; at a time, Paion had a strong US investor base, and although this base has changed it is coming to play more of a role in financing today.

How do you think this places Paion in the context of other German biotech companies in terms of securing business growth?

Although there is an atmosphere of competition within the industry for the same finite resources, I feel that as a company, if Paion sticks to what it does best, there will be adequate space for us in the market: other German biotech companies have different business models, different backgrounds, and so have different aims and ambitions.

Given the international history behind the creation of Paion, do you see the company more as German company, or an international company that happens to be based in Germany?

I would say the latter. It’s good to be in Germany: the country has very good infrastructure and a lot of educated talent. Being based in Aachen, Paion has access to Aachen, Maastricht and Liège Universities, which means that the company has a solid base of well-trained people. That’s a good basis for an international company: we knew we had to act globally right from the start, and our positioning helps to achieve this.

Given the scale of the German biotech sector, do you find access to human resources a problem? What are Paion’s strategies for retaining the best and brightest in the industry?

Initially, it was a greater problem than it is today. Between 2000 and today, people have recognised that working at a large organisation does not make your job much safer than in a small company. At Paion, staff has much more freedom and potential to grow, not necessarily by rank. That’s something that people have to come to terms with: that you are not defined by your title, but by the scope of the task that you do. There are more and more people today who accept that challenge also in Germany.

Given your experience in the pharma industry, what do you envision for the future of the German pharma and biopharma sectors?

Germany has some serious things to work on in order to create a level playing field for German companies who are in competition wit those of other countries. It is up to the new government to address this situation, through measures such as tax credits, and looking at how investment money is being taxed. There are many areas where Germany is at a disadvantage internationally. On the other hand, German biotech is not as volatile as other countries. Although the situation for biotech companies is not by any means the worst, it is also not particularly great, especially since we don’t have a lot of venture capital in this country. This is a major problem that German biotech companies are facing, but at the moment a lot of US and foreign small cap investors see a lot of potential in German biotech: maybe now is a good time to be in Germany.

How is this situation going to affect Paion’s strategies going forward, in terms of where you will look for the next partnerships and investments?

I have a very simple saying– you have to dance with the girls that are on the dance floor. If you do that well, you will have fun, but if you are always thinking about the prettier girls outside, you won’t. Lamenting about the situation doesn’t help: you have to take it as it is, and try to make the best out of it. In these Darwinian times, it’s important to look for moderate but solid growth, rather than hoping for the hole in one. You don’t get those very often.

What is your five year plan for Paion? If we were to come back in five years and see you again, what would you like to have achieved in that time?

Hopefully by that time, Paion will have two products in the market: Desmoteplase and CNS 7056. We will have integrated forward into a marketing organisation, and may have been able to polish one or two more unrecognised diamonds. If I could say that in five years time, I would be very pleased.

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