KT&G Life Sciences – James Jun, CEO – South Korea



21.01.2015

Tags: R&D

James Jun, CEO of KT&G Life Sciences, discusses his company's new entry into the Korean pharma market and the role that the KT&G brand can play in accelerating its drug development process.

How did KT&G Life Sciences begin, and what was the reasoning behind starting this company in the first place?

KT&G Life Sciences was established in December 2012. As you know, KT&G is an organization that manufactures and sells tobacco and ginseng. Fundamentally, one of the important corporate value of KT&G is the pursuit of coexistence. In some sense, this means coexistence with businesses and social duty but there is also an aspect of returning profits to society. There is no argument that tobacco has a detrimental effect on human health. However because this is an item of personal preference, it is impossible stop manufacturing it. KT&G Life Sciences started with a grand ambition to devote ourselves to public health by developing and selling new innovative drugs for unmet medical needs like rare diseases.

What have been some of the real highlights since the company's founding?

There are not too many things to say because I just joined this company about ten months ago. There were several projects ongoing before I joined KT&G Life Sciences. However, I stopped all of these ongoing projects and started two new and very interesting projects from scratch. The first project is mainly focused on accelerating biogenesis in mitochondria, which targets a rare disorder known as MELAS Syndrome. Our other project focuses on studying Type-2 diabetes. I believe these

two products have very new mechanisms for which the global market is demanding.

Did you feel that you needed to change the strategy because the company was biting off more than it could chew? Or was it a case of simplifying structure to become more competitive?

KT&G Life Sciences employs less than 30 individuals, half of whom are in the R&D sector. There was a great deal of pressure under those various projects that were all happening simultaneously. Therefore we need to employ a more selective and concentrated strategy. We resolutely arranged projects that were not pressed for time or particularly prominent.

Where in the clinical development stage are these two products?

At the end of 2015, we will enter human trials.

It must have been quite difficult to start a new company in already developed industry. However, how has being part of the KT&G brand helped to accelerate the process?

Even though the parent company KT&G is a major organization, KT&G Life Sciences is a kinds of venture company, which means we manage the company like any other venture company does in the venture ecosystem. We take funding from outside. Although we belong to KT&G, the holding company owns 60 percent of the company’s shares, 20 percent belong to institutional investors, and ten percent goes to employees. If the project turns out to be successful, KT&G Life Sciences will go for an IPO, at which point we will consider receiving funding from the outside. Because we are different from old originator companies, KT&G Life Sciences will manage itself as a venture company.

Compared to other startups in Korea, clearly KT&G Life Sciences has an advantage over new biotech?

Because KT&G is the parent company, they basically provide us funding from the beginning. When it comes to “venture”, these sorts of companies start getting investment from various venture capital with the technology they have. We started with capital that was already there thanks for KT&G. When the project turns out to be successful, we will get funding from outside, but when it does not work well, the parent company will help us. We do have slope that we can step on at least, which differentiates us to other venture companies. The cash flow is very stable.

Many chaebols are investing in life sciences, for example Samsung invested $2 billion in biosimilar projects. How important is it for large Korean conglomerates to help pursue

the Korean government's Pharma 2020 Vision?

Samsung and LG are chaebols, but in terms of sales, KT&G is not in the same category. We are simply a big company. In the case of Samsung, they are focusing in non-risk areas like biosimilars, medical devices or contract manufacturing. Biosimilars already exist in the marketplace, and they only need to make the same products. So from their perspective, there are no risks.

Of course, chaebols like Samsung and LG are focused on life sciences, investing large amounts of money. There are a few new drugs that are coming out of the Korean pipeline but there are no Korean drugs being produced that we can call global blockbusters.

Nevertheless, Korea is trying to produce global blockbusters, and everyone is aware of their difficulty. Firstly, Korea lacks human resources who are experts at developing new drugs with sufficient experience. We do not have guides regarding processes that simply require know-how. Second of all, if we are targeting the international market, it needs significant volume of clinical trials. However there are not many companies who can cover it in terms of budget.

The success rate is significantly low. In fact it is so low that we say we hit the jackpot if one out of ten thousands of developing products turns out to be successful. There are not many CEOs or Chairmen who stick to projects throughout the entire process.

Korea might lack experience or resources, but today the best of young Korean talent pursues a career in the medical or pharmaceutical industries. Could this renewed interest in life sciences among Korea's youth help make Korea more competitive in the future?

This is indeed an interesting point. The IT and automobile industries are valued at about $400 billion. The pharmaceutical industry, including bio, is worth about $1 trillion. Basically, it is enormous market, which brings to it many young scientists.

In terms of research and development, there are many intelligent people who work in the research sector. However, the development sector lacks human resources. There is an assumption that Korea would be engaged in many high-quality projects given the numerous intelligent people working in the research sector. But it turns out that is not true because of a shortage of information offered by the country's development sector.

However, this issue is slowly being solved with accumulated experiences. I anticipate seeing at least one global blockbuster drug in Korea by 2020.

Could that blockbuster be developed by KT&G Life Sciences?

We hope so!

What is your general strategy for marketing this company overseas?

We keep all doors open. In terms of investors and development, we can always merge for example. Everything is possible.

What are you expecting to gain from your current projects in terms of their position in the Korean marketplace? What added value will they bring domestically or internationally?

That is a very good question. KT&G Life Sciences looks for high unmet medical needs. For instance, the percentage of patients being controlled by antidiabetics in the market is less than 50 percent. We want to increase that rate with our diabetes drug.

In terms of how you position yourself worldwide, what makes KT&G Life Science the strategic partner of choice? Why should investors invest in KT&G?

It depends on how promising the project is. Furthermore, such investors would see our parent company, KT&G, which means they would see financial stability in KT&G Life Sciences. Thus, promising projects combined with a financially stable company results in an excellent package!

Where can we expect to find KT&G Life Sciences in the next five years?

We would like to get orphan designation in the United States for our MELAS Syndrome product. After receiving this designation, it is our objective to release the product in the international market by 2020.

I have developed a new drug in domestic market. While I would not call it innovative new drug, if I could make new drugs that can help patients, I could not be happier; it just takes time.

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