

# Interview: Jozsef Repasi - Managing Director, Soneas, Hungary

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*Soneas MD Jozsef Repasi discusses the shift back towards Central and Eastern Europe for contract manufacturing services, the company's growth since separating from Ubichem, and his ambitions for Soneas to become a fully integrated, end-to-end service provider.*

**As an introduction for our readers, can you please shed some insight into your background and describe how you ultimately ended up with Soneas?**

After graduating and subsequently working 24 years in pharmaceuticals, including with various academic institutions and research organizations, I started to work as a consultant for Ubichem, a UK-based trading company at that time. Following the collapse of the communist regime, we decided to set up a subsidiary in Hungary in 1996, which was a rather turbulent period in the industry.

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This was also during the early beginnings of privatization. We had a very good talent base here and the pharmaceutical sector had already been quite developed under the former system—collectively creating an ideal platform to start a new company focusing on chemistry.

We started as a relatively small company with only three colleagues. We've grown quite significantly over the years, now with approximately 160 people on staff. Building up our network of clients was probably one of the biggest challenges initially, but having been affiliated with a well-established English trading company definitely helped. Ubichem was actually founded in the early 1970s and had a very good network of customers in the chemicals and pharma industry, so we did not need to start from scratch. But this was their first non-trading entity.

In 2002, we bought a small pilot plant and started to focus strictly on pharmaceutical intermediates, and subsequently began API production in 2004. Before that we were only active in development services for chemical companies, but we did not do any manufacturing.

Ubichem did not have sufficient financial resources to support the growth of the company and therefore sold its shares in the Hungarian subsidiary in 2011, after which point, the majority of our company was bought out by a private Hungarian investor. Almost immediately, we began focusing on growth strategies, creating Ubichem Pharma Manufacturing the following year to effectively complement our research arm. Then, we took over an existing intermediate manufacturing facility originally owned by Chinoin, which had a relatively big manufacturing capacity, with roughly 200,000 liter reactor capacity and 70 employees already on staff.

We started to build up our product portfolio and implement a major renovation program. Until 2014, there were two Ubichems that existed, so in an effort to distinguish ourselves from the legacy company, we launched a rebranding campaign and changed our name to Soneas.

### **What aspect of the development lifecycle is the company primarily active in?**

Currently, our services mainly focus on early stage development services, encompassing chemistry development services, pre-clinical activities and small-scale production of APIs. That being said, however, we also offer large-scale manufacturing for intermediates. Our current facility allows us to carry out cGMP manufacturing of APIs, but only limited volumes—up to 50 to 100kg—so we can cover companies' needs up to phase I or even phase II clinical trials, after which point we would need to transfer the technology to a third party or back to our clients. At the large-scale manufacturing site, we're only producing intermediates, but we're able to do so in commercial quantities.

### **How have you gone about adapting the company's service offering in line with industry trends?**

Over the last two to three years, Central and Eastern Europe has become increasingly attractive as a source for these chemicals. Starting from 2006, we began witnessing a big exodus, with a large part of this industry leaving Europe for India or China. But, now we see the opposite; more and more clients are coming back. The prices in China are increasing fairly rapidly, leaving European companies in a more competitive spotlight.

For European companies, having a service provider based in this region makes all the differences. From a cultural standpoint, we exhibit many similarities and share common business practices. Logistically speaking, it's also quite convenient—particularly from a time zone perspective. And in terms of costs, Hungary is much lower compared to Western European countries such as France or Switzerland—a competitive advantage that I believe we can maintain for quite some time moving forward.

We are not only competing in terms of price, but also technologies. We've tried to create our own unique selling points by collaborating with well-known international companies such as the Swiss American company XiMo, which was founded by a Nobel Laureate named Richard Schrock. His research team is located at the Massachusetts Institute of Technology, with a small R&D company also based here in Hungary. Soneas has been chosen as their manufacturing partner for industrializing the company's technologies, which we will soon in-license to develop our own product portfolio. This will allow us to produce some materials in a much more cost-efficient manner.

**Spanning the composition of your client portfolio, how much interest are you receiving from companies abroad versus locally?**

In terms of client composition, we are working almost exclusively for foreign companies, with the exception of Sanofi, to whom we supply several key intermediate products. Approximately 50 percent of our business is generated from European clients, 40 percent from the US, and 10 percent from Israeli and Japanese companies.

We started to work in the Israeli and Japanese market a couple of years ago. We noticed that the companies there had been looking to diminish their dependence on Chinese and Indian manufacturers—leading them to seek more reliable and reasonably priced alternatives in Eastern European countries. This trend also applied to companies in the US, where we are steadily growing our customer base, primarily through the supply of intermediates.

**In your experience working with international partners, how have Hungarian manufacturers been perceived?**

Given the country's longstanding tradition in pharmaceuticals and chemicals, Hungarian manufacturers have always had a reputable presence. Even during the former communist regime, Hungarian pharmaceutical products were sold worldwide. In the meantime, the majority of the industry has been privatized, and most local manufacturers now belong to multinational companies, but they're still well recognized.

Furthermore, there are a number of Nobel Laureates from Hungary, specifically in the field of chemistry.

But of course, as an unrecognized company, you're always going to have to first demonstrate your capabilities and the added-value benefits of your services compared to those of your competitors.

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**What qualities are companies looking for in a contract manufacturing partner? And how does Soneas embody those qualities?**

So far, we've provided contract manufacturing services specifically targeted at early development. In that stage, customers are always working under extreme time pressure. I believe we are providing very flexible services. We're really trying to focus on the needs of the customers and stay ahead of the curve. A good part of our clients are small biotech companies or virtual pharmaceutical companies, many of whom have very little experience when it comes to API manufacturing. We help facilitate development attentively and proactive—always anticipating the next stage of the process and adapting to corresponding demands.

**Do you see any synergies in having both research and manufacturing housed under one roof?**

Definitely. At the moment, I'm working on a possible expansion of our capabilities—specifically in terms of large-scale API manufacturing. My hope is to eventually create a fully integrated service provider here in Central Europe that can not only provide R&D services and small-scale API manufacturing, but full life cycle support—from R&D all the way to commercial scale manufacturing. And we plan on pursuing inorganic channels to get there. There are many existing companies within CEE that possess good reputations and FDA approved facilities—several prime candidates that we can combine our resources with to significantly augment our current capabilities.

**Given your extensive background in research and chemistry, has it been a challenge to also factor in the daily responsibilities of running a business?**

I've always loved chemistry, so the research side has always resonated with me. But alongside this passion, I've always enjoyed the process of building up a business. My hope, however, is to bring the company to a point where I can focus less on daily management and more on strategic growth and R&D. My underlying aspiration behind the upcoming changes is to create a fairly unique organization in CEE—where we don't particularly see any real competitors at the moment—unparalleled in both the breadth of our service offering and R&D capacity.

**In the last 20 years you've built this company from the ground up, now with a very prominent future looming in the horizon. Looking back, would you have done anything differently?**

I haven't always made the right decisions. But, at the end of the day, I've always achieved the objectives that I set for myself—both in my private and professional life. For Soneas, those milestones were creating a research team, establishing a pilot plant, accommodating on large-scale manufacturing, and now the next five-year horizon entails becoming the preferred international, end-to-end service provider.

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