Interview PH Huang – Chairman & CEO, JCP Works, Taiwan

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JCP is home to over five decades of generic medication production and is a cornerstone household brand for numerous products in Taiwan's domestic market, most notably with CNS medications

. The company's chairman and CEO, PH Huang details how they have gone about utilizing their post-IPO funds to enhance the company's commercial positioning, including the extension of their manufacturing capacities, while highlighting international expansion and diversifying into oncology as the two areas chartering JCP's next phase of development.

As an introduction for our readers, can you please provide an overview of yourself and the company?

My father found JCP in 1959, and I joined in 1972, originally coming from a background in industrial management. Upon joining the company, I started in the sales department and slowly climbed up the ladder, serving in various positions prior to my appointment as CEO in 1999.

During my time with JCP, we have been able to achieve multiple milestones, including the receipt of GMP accreditation in 1988, and then cGMP and PIC/S GMP several years thereafter. This culminated in our biggest milestone in 2013 when we initiated an initial public offering and listed on Taiwan's OTC exchange.

We are considered a niche player in the mid-tier generics market, specifically specializing in solid dosage forms in CNS. Given the longstanding nature of our history, we exhibit extensive expertise

in sugar-coated forms and have become the leading CNS drug developer and marketer in Taiwan, with an extensive portfolio comprised of both in-house and licensed products

What was the rationale behind your decision to become a publicly listed company?

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Although experiencing a continuing degree of success, if we had any hope of significantly expanding from a small-scale, family-owned company and attracting outside talent, eliciting capital from public markets was an absolute must—thus warranting our decision to file for an IPO.

The additional funds were used to buy up 15,000 sq ft of land in Yilan, located in the Northeastern part of Taiwan, where we plan on further expanding our manufacturing capacities.

What objectives are currently at the top of your agenda as CEO?

My first and foremost priority is ensuring the planning and completion of our new manufacturing plant within two and half years, which will ultimately triple our production capacity.

The new facility will still specialize in solid dosage forms, but with three focus areas. The first is extending our CNS drug pipeline. The second is targeting disease areas related to aging populations. And the last is oncology, an area where we have actually played in before. When we were initially obtaining GMP approval, the regulatory authorities had demanded we establish a dedicated production facility for our oncology products. But, due to the availability of production space at the time, we decided to license out our oncology portfolio.

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The second priority will then focus on leveraging these added manufacturing capabilities to increase our international presence and introduce our products into more overseas markets.

How will you go about re-establishing your presence in oncology, a highly competitive field dominated by a host of multinational players?

We have taken a more trial and error approach for this particular disease segment. We recently formed a joint-venture company with one of Taiwan’s leading oncologists and spearheaded the CMC of a new class II oncology therapy. We chose this route because if you invest in new drug development as a public company, earnings per share will automatically be diluted, validating spin-offs as a much better alternative.

Our JV partner is currently in charge of taking this candidate through phase II clinical studies, some of which will likely take place in the United States.

Given that the majority of your sales are currently attributed to the domestic market, what steps will you take to expand the company's international footprint? Which markets will you target?

We already have a number of export sales to small markets like Hong Kong and Macao. And given Taiwan's historical ties with Japan, one of our main targets is also exporting to the Japanese market.

President Tsai Ing-Wen has also be heading many trade delegations in Southeast Asia, so certainly this region will be a key area of interest for us as well.

And of course China is a prime destination, but currently on hold, given the degree of political tensions with Taiwan at the moment.

We see Taiwan eliciting widespread interest from both local and international companies alike. Why do you believe Taiwan to be such a key destination for pharmaceutical investments?

Comparing to some of the neighboring countries in the region, Taiwan has much cheaper costs for manufacturing. Second, we have the existing capabilities and expertise in solid dosage forms, which is especially appealing for those companies looking to capitalize on this growing segment. Third, particularly relevant for Japanese companies, Taiwan serves as a strategic gateway to China—an economy with massive, untapped market potential that is often the center of attention for pharma companies operating in the region.

President Tsai Ing-wen has identified the pharmaceutical and biotech sectors as strategic pillars for strengthening and sustaining the country's economic model. However, local pharmaceutical companies focused on innovative drug development seem to get most of the government's support and attention. How can the country benefit from allocating more resources to the generics industry?

Actually, this has been a recurring issue for companies like JCP. Even under the administration of former president Ma Ying-jeou, the government has directed the majority of their attention to pharmaceutical companies focused on innovative drug development.

From a practical standpoint, increasing funding to the generic sector will subsequently increase R&D, notably for the development of new dosages and combinations, and, in turn, production output, while ultimately augmenting revenue streams to Taiwan. New drug development, on the other hand, is an inherently high-risk area, with only maybe a handful of candidates out of thousands with the ability to successfully emerge from the development pipeline and actually elicit a return.

However, compared to her predecessor, President Tsai Ing-wen has been more receptive of our concerns and has begun undertaking new initiatives that favor the domestic, generics industry, including broadening the definition of generic classifications under Taiwan's Pharmaceutical Act.

How would you evaluate the competitive landscape for generic players in Taiwan? And what qualities do you believe differentiate JCP from your peers?

Many generic players in Taiwan generally have a diversified portfolio of products and are also making in-road to new dosage form development. Compared to other players, JCP's product portfolio is more niche-oriented by focusing on products with challenges in formulation and fewer competitors. Aside from common generics, JCP has dedicated a significant amount of resource to the development and production of new dosage form such as controlled release forms and fixed-dose combination drugs—the latter of which has much less competition given the added level of difficulty in the development process.

In terms of our portfolio, we will continue our efforts in developing our line of CNS products, particularly in light of the nation's rapidly aging population. Indications for dementia and insomnia, for instance, are still quite prevalent among the elderly.

At the moment, we're negotiating with a foreign company to license in a new insomnia drug that is currently undergoing phase II trials.

And of course our efforts moving forward will increase our focus on licensing in and developing new drugs, particularly in the oncology space, to enhance our offering and maintain a competitive advantage in the market.

To supplement these activities and adding to our value proposition, we also offer contract development and manufacturing services, constituting five percent of our revenues, which want to see increasing as we open our new manufacturing capacity. Sales and marketing companies will seek us for license and registration services, and also simultaneously commission us to manufacture their products.

Generics already occupy 75 percent of the market by volume. Do you believe there are still ample growth opportunities, especially with increasing competitive pressures from multinationals?

For JCP, we certainly have strong potential to become one of the top 20 players in country. The major market segment in Taiwan is hospitals, where our products are still relatively underpenetrated, giving us a lot of room for further growth.

Of course the multinationals are very dominant in the space, but they primarily focus on novel or innovative therapies. Especially given the cost implications, hospitals will always require the more essential drugs, specifically from reputable manufacturers such as JCP. Furthermore, these drugs are commonly at lower price points, which the multinational companies don't always have the interest or luxury of affording given their substantial R&D costs.

Spanning the medical community, many doctors in Taiwan have a more favorable bias towards innovative drugs. This is especially due the large-scale marketing and awareness campaigns that multinationals pursue. On the other hand, however, the national health insurance (NHI) system has certain budget limitations when it comes to reimbursement, which steadily become evermore constraining as Taiwan's public population gets older and requires more complex and expensive treatments. Therefore, many hospitals will choose the cheaper alternative (i.e. generics) over originator products. So there is certainly a confluence of factors working both sides.

As Chairman and CEO of JCP, what will you have hoped to achieve in the next three to five years?

There are two facets to my strategic priorities.

The first is regarding revenues. Our annual sales turnover as of 2016 amounted to USD 12.5 million; we hope to grow this figure to roughly USD 33 million or TWD 1 billion within the next five years.

Second, in order to truly have a global presence, we hope to establish more partnerships with international companies through licensing, co-development, and joint ventures.

Spanning your extensive career both within JCP and the overall pharmaceutical industry, what would you pinpoint as your greatest milestones?

After inheriting the company from my father, I invested countless hours, time, and energy in building up and growing JCP over the years. Having that dedication then culminate in our initial

pubic offering has perhaps been one of the most rewarding experiences of my career so far.

Additionally, during my tenure as President of the Taiwan Pharmaceutical Manufacturing Association (TPMA), I am very proud to have helped facilitate the widespread implementation of PIC/S GMP in Taiwan’s pharmaceutical manufacturing sector, effectively enhancing the country’s industrial footprint and overall appeal.

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