Interview: Juerg Burger – Managing Director, CordenPharma Switzerland

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The managing director of

CordenPharma Switzerland elaborates on the role the Swiss facility plays within CordenPharma. He furthermore highlights how the company is tailoring their service offering to cater to the needs of multi-national companies, mid-sized companies as well as start-ups.

You worked in various positions in Lonza for 27 years before joining CordenPharma. What motivated you to join the company?

CordenPharma is entirely different from Lonza. The company is made up of multiple facilities across Europe and the US, each their own legal entity, which together form an integrated network across the globe. Within this setting, entrepreneurial spirit is leading the way. Therefore, when the proposal to join CordenPharma was brought to me, the aspect of applying my accumulated experiences and skills to CordenPharma Switzerland's journey was a compelling opportunity for me. Moreover, this structure gave me more responsibility and increased freedom of decision across various segments. The way CordenPharma is organized really makes this like my baby, in the sense of both the challenge and reward associated with its care and growth. The corporate organization CordenPharma International only consists of about 25 people including the President, Vice President of Operations, the Director of Global QA/QC/RA/HSE Compliance, the Finance Director and a global Marketing & Sales Team. The parent entity International Chemical Investors Group (ICIG) supports the facilities with various business services such as IT, SAP and Finance.

Other than that, we have full responsibility for our business at the site level.

CordenPharma Switzerland aerial shot

CordenPharma has rapidly expanded and today can be found across the globe. Could you please define what the company is today?

CordenPharma belongs to the ICIG group, which was founded in 2006 with the vision to build a global industrial conglomerate covering non-GMP chemical production (WeylChem), and pharmaceutical cGMP manufacturing (among other businesses) – the latter being covered under the CordenPharma umbrella. The ICIG group is a privately-owned industrial holding with a declared vision to grow the company. Unlike the 'typical' private equity investor, ICIG do not plan to remediate acquisitions with the exit strategy to sell them off again; instead, ICIG clearly communicates a strong commitment to establish long-term growth with high visibility in the market. The company has rapidly expanded by acquiring sites from pharmaceutical companies deemed not of strategic importance to their former owners anymore, using these as pillars to carry the company, and over time developing them to form a real Contract Development and Manufacturing Organization (CDMO). We have grown dramatically since I have started. Three years ago, we had to fight for each new project; today, supported by our strong global Marketing & Sales organization established in 2015, we are running on much higher capacity utilization and are in expansion mode! Globally, we have generated some EUR 345 Million (2015) in turnover –ten percent of which was here in Switzerland—and the target set by our investors is to reach EUR one Billion (USD 1.07 billion) by 2020 – I am confident that we will achieve that!

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What is the role the Swiss affiliate plays within the group?

CordenPharma Switzerland plays two different roles. On one hand, we are a small molecule development site within our Small Molecule Technology Platform and are currently building up critical mass in development capacity. Secondly, we are part of the Peptides, Oligonucleotides, Lipids & Carbohydrates Technology Platform, which supplies peptides, phospholipids and carbohydrates, (which can be further formulated into injectables under our Injectables Platform) to our customers. Most of these molecules' application calls for small-scale quantities—for complex carbohydrates we are talking about up to 100kg (220 lbs) at peak sales. We are really a dedicated facility for the manufacturing of niche products – for example synthetic phospholipids which later go into liposome formulations, or products needed for novel technologies. As such, we function as an entrance gate for some projects at an early stage – which then, after being successfully

developed and thereby exceeding our capacities, are transferred within our integrated network of facilities with the available larger scale capacity.

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What would you say is the revenue driver of your business today?

Innovation today is really coming within the area of what we call Bio-Organics, where classical small molecules are more or less historical and competition in this segment is tight. What's more, the pharmaceutical industry is developing more niche indications and segments such as orphan drugs, and trends such as personalized medicine, which really drive our business, the latter raising the demand in small quantity needs each year. Nonetheless, we face the challenge that this site only derives one third of annual sales out of the commercial business, while the other two thirds are still project-based, which is resource intensive. For instance, project-based business means that a customer needing process optimization or root scouting asks us to first provide material for clinical trials tests. However, at that time the customer does not know the future prospects of this project, so there is not only a risk for our customer but also for us. The solution is to find the right balance in how much effort to invest at that point in time into process optimization.

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How sustainable is it, when two thirds of your business are project based?

This results in high volatility for our site, hence why one of our declared targets is to get to a higher commercial base load. This will undoubtedly come with time, if we continue selecting the right projects. Additionally, we have defined a strategy which outlines and defines the kind of strategic partners and projects we ideally want, while still being flexible to meet the demands of the current market. Nonetheless, one must not forget that we also have group ambitions and goals to strive for, and that means that sometimes we accept projects that are more beneficial for CordenPharma as a whole. It is an interesting challenge to balance the different interests which result from having distinct P&L responsibility for a facility which is simultaneously part of an integrated CDMO.

How do you balance these two sides of interests?

Although I have significant freedom in decision making, I still have a superior within the organization, so some decisions are considered from a different perspective. Personally, I simply try to wear both hats on my head. I worked for almost three decades in a large organization, so having this experience allows me to see both perspectives, and understand the interests and arguments of both sides to achieve a healthy mix of both. Nonetheless, the bottom line is that we are a Full-

Service end-to-end CDMO, which requires a high level of responsibility from each facility to play their part. What's more, I am convinced that in the future we will see a further alignment of the facilities and leadership, so heading step-by-step away from completely independent P&L responsibility.

What are some of the synergies created within the different facilities?

We are a genuine one-stop-shop! Any first-time customer can turn out to stay decades with us. It may start out with a customer needing a small molecule peptide, which at a later stage could turn into a formulation or fill & finish, so as the customers' needs change and grow, we respond by transferring the API to CordenPharma Brussels in Belgium or CordenPharma Colorado in the US, or to our facilities which handle Drug Product development and manufacturing – CordenPharma Latina and CordenPharma Caponago in Italy, or CordenPharma Planksadt in Germany. While the customer grows, we are able to flexibly meet changing needs through the different assigned roles of the facilities across the globe, taking care of every aspect in between such as logistics! We are fully prepared to satisfy any customer need that may arise during this process, which gives our customers and us a genuine mutual commercial benefit.

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We talked earlier about the impact of project based business. What would the ideal project look like?

The perfect project for us is of course in a late-phase, with commercially repetitive supply and a steady stream of annual sales revenue…

…and why are you the right partner for these projects?

We offer flexibility in terms of capacity, utmost responsiveness, especially in the transparency of treating and handling projects. We create an open culture with our customers and share any relevant information, as we believe that being on the same page is crucial. Moreover, a key differentiator is our project management expertise, which is only rarely matched by some of the really large companies, which also lack the flexible independence which we provide. We ensure the highest level of operation by regularly surveying our existing customers and self-auditing based on the results. When asked, our customers often respond by naming technical knowledge and the ability to solve technical challenges in a speedy and competent way as a key strength. That is due to the variety of customers we serve, which include large multi-national companies, medium-sized companies and start-ups. The service expectation of these groups could not be more different;

start-ups, for instance, often have questions regarding project management, need regulatory and compliance support and require access to a technical expert; large multi-national companies, in contrast, are typically seeking a service provider offering high quality services for the lowest price possible. Overall, I am confident that we really differentiate ourselves by being a full-service partner which tailors solutions to the individual needs of our clients.

What are the most important goals set for the next five years?

We have plans to expand internally and have already secured the space. The vision is to expand our expert personnel employment at this site by 30% within the next four or five years. Another target is to secure more routine commercial manufacturing contracts, thus having a higher baseload with a more reasonable proportion of the revenue being project-based business. On the level of CordenPharma as a whole, I would like to see the continued strategic advancement and growth of our capabilities and services as a Full-Service CDMO.

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