

Interview: Michel Fortin - President and CEO, Prevtect Microbia, Canada



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31.01.2018

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Michel Fortin, president and CEO of Prevtect Microbia, a global biotech player founded in Saint-Hyacinthe, outside of Montréal, analyzes the opportunities in the global animal health industry, and how Prevtect Microbia has positioned itself to seize those by developing technologies that are alternatives to the usage of antibiotics in animal feed.

Michel, can you please introduce Prevtect Microbia to our international readers?

Prevtect Microbia is a biotech company, founded in 2005 with the mission to develop technologies that will help move forward the animal health industry. The company's technologies increase the animal's performance and ensure better health. Prevtect Microbia develops technologies into biological products, of which we have three approved today. All three vaccines we market are approved in Canada, two in Europe, two in Russia and CIS countries and one in Brazil and the US, and we are expecting approvals in various Asian markets in the future. Our vaccines are for piglets and prevent very common diseases amongst these animals, post-weaning diarrhea and edema disease. Traditionally, those are being countered by the use of antibiotics.

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Today, Prevtect Microbia has both a technological and a business platform. We have the ability to develop top technology and we can bring it to market through our business channels. For the

distribution of our products today, we partner with Elanco (animal health division of Eli Lilly). Initially we distributed our vaccines in Canada ourselves, an experience that helped us understand their importance and acceptance in our home market.

Antibiotic resistance is more and more a concern for many countries. What are the ensuing opportunities this opens for Prevtex Microbia?

There is today an enormous amount of antibiotics used in the feed production for animals. This overuse is linked to antibiotic resistance which has major consequences in the human treatment with antibiotics. Prevtex Microbia's vaccines present an alternative in the maintenance of good health for piglets, while avoiding the negative side effects that the general use of antibiotics brings with it. The current situation and inclination of governments and health organizations to encourage the decrease of antibiotic use in animal feed is helpful in setting a market for the type of products we develop. Thus, we are today a successful company operating in that market segment incorporating alternatives to antibiotics in food animals.

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Moreover, we strongly believe that we can make an important difference in the use of antibiotics in the swine industry, worldwide. I believe in the pendulum effect when it comes to the use of antibiotics in animal feed. Today, we are at a point where antibiotics are commonly used to avoid health issues in animal raising all around the world. As with many trends, when this one is overstretched, the pendulum will fall back down, and you would hope for it to stop halfway. It does not however, and will go all the way up on the other side towards a total restraint of antibiotic use in animals. I believe this effect will be too strong, as we have already lost too much credibility from the consumer.

We are doing the right thing, not only in fighting antibiotic resistance, but in being a first mover in a field that will grow tremendously in the future.

As we see the global animal health industry being estimated to reach USD 33 billion by 2020, what other opportunities do you see for your business, in Canada and globally?

We are indeed expecting tremendous growth in the animal health market; industry experts expect a growth rate of five to eight percent per year. In order to profit from this growth, additional technologies will be necessary, as many larger companies have products reaching the end of their life cycle and patent protection, and are starting to push them out of their portfolio. While some product sales could be maintained, other products' sales will decrease, and therefore the main

path for growth will be innovation.

The opportunity this creates for innovators such as Prevtect Microbia comes from another trend in the animal health market. Some large pharmaceutical companies that had an animal health division have spun it off. The now independent animal health companies hence loose access to the important R&D allocations from the global revenues of said pharmaceutical companies, and their innovation power is reduced. The ball is now in the court of small and agile innovators that can act as technology providers for larger companies.

What is Prevtect Microbia's main differentiation point?

In the animal health space, there are companies that have a series of products on the market but operate regionally. Likewise, there are companies that have only one product that they distribute globally. However, it is rare to find a company that covers both dimensions, an expanded portfolio on a global scale, such as Prevtect Microbia. Our uniqueness is that we cover both dimensions and have, over the years, developed an expertise for obtaining market authorizations of multiple products, attaining a global reach.

What can and should be Canada's positioning when it comes to innovation in the life sciences industry?

Canada is a country that holds tremendous potential for innovation. Furthermore, the provinces have an expertise in managing small companies and tax credits are supporting those efforts. In Québec for instance, entrepreneurship is very strong. This creates a whole ecosystem in which innovative companies from various industries can truly thrive.

Nonetheless, what is missing is a full financing chain in biotech. The chain in Canada is weak and links are missing, which makes it difficult for companies to finance themselves from the start until full mature cycle. Important amounts are allocated to fundamental research, and then again to grow existing portfolios. The financing steps in between however, are virtually inexistent.

When a biotech company starts out, it will attract smaller investors that will provide limited amounts of funding of five to six, but up to a maximum of ten million dollars. The challenges then begin when the company grows and requires more funding, the initial investors are not able to provide it, and the large funds that are not interested in investment projects under ten million require strict financial ratios, such as two years of positive EBITDA, for larger scale investments. The start-up companies that are still in the development phase prior to achieving positive EBITDA thus cannot access capital.

Coliprotec® F4 celebrates ten years of approval in Canada today. How has been the market acceptance for it?

When our first vaccine was launched in 2007, we had only three and a half employees, and since we decided to distribute it ourselves, we had to first limit its distribution to Québec. We have received important support from the Canadian Food Inspection Agency, which supported the acceptance of our dossier for the various territories. Our technology was developed following a demand from the association of pig producers in Québec, and the entry into the Québec market was facilitated by this, and we rapidly achieved 20 percent of market penetration. Biotech products are considered to have achieved maturity at about 25 percent market penetration.

Given this, we are very optimistic for the future development of the Coliprotec® family of vaccines in other markets. If we were to replicate this development in Germany for instance, where there is an annual consumption of 60 million pigs, while Canada accounts for 20 million annual pigs, we would surely have great success. The opportunities are there, but of course it ultimately comes down to convincing the veterinarian or producer to change their mindset and adopt our biological product instead of antibiotics. The latter are easy in their administration and comparably cheaper, although our vaccines' administration is not significantly more complicated, being through the piglets' water consumption, no injection is needed.

Coliprotec® F4 and Coliprotec® F4/F18 are approved in Russia, CIS countries as well as the European Union as of this year. What is your internationalization strategy?

There are three key markets globally of about 250 million pigs each, annually. The first and most interesting one is Europe. Then comes China with a production of 700 million pigs of which about 250 million are in the commercial market. However, China is not yet fully ready to replace cheap antibiotics with biological products, and there are not many early adopters. The rest of the world then represents about 250 million pigs as well, of which the USA covers a large part with 100 million pigs.

I personally am an advocate of the theory that in China, the aforementioned pendulum effect will come true one day. Because of its population size, the government is concerned about epidemic outbreaks. Therefore, the day will come that the government will decide to limit antibiotic use to humans only, and this transition may not be smoothly introduced as it might be in Europe. It could be an immediate decision, that will either never occur or revolutionize the market suddenly.

What can we expect from your portfolio moving forward?

We currently have four products in our technology pipeline. One is a biological feed additive that shows indications of enhanced growth of piglets, but that could be prescribed for healthy piglets. Then, we have one for a piglet disease called *Strep. suis* and a vaccine for poultry. Finally, we have developed a technology for food safety, antibodies for *E. coli* O157:H7, a product we consider the market is not ready for yet.

What today makes you proud as CEO of Prevtect Microbia?

We expect to reach positive EBITDA by the end of the year, we are financially sound as we recently obtained a sizeable funding of up to CAD 10 million (USD 8 million). This, as well as the fact that we now attracting interest from large pharma and industry players contributes to our pride. I consider it be a real achievement to be where we are today. In addition, we know we are doing the right thing for the world by trying to improve our food chain. We are grateful to be part of that value creation, by presenting an alternative. Fifty years from now, there will be considerably more people to feed on Earth, and we present a solution for efficiency, paired with good treatment of animals to secure their good health. Surely our shareholders profit from our success, but so does the world.

Finally, we are very proud of the fact that we are a small biotech company owning technologies which originated from Saint-Hyacinthe Veterinary University, but have succeeded in establishing a global reach within 12 years.

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