Interview: Yung Fa Chen PhD – President & CEO, Scinopharm, Taiwan



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Yung Fa Chen, ScinoPharm's President and CEO, documents his strategy to drive the Taiwan-based global success story to new heights, having established itself as an indisputable leader in the API field, providing its international partners with complex, difficult-to-make products. Yung Fa Chen notably explains how he wants to further leverage the company's unrivalled expertise in the R&D and manufacturing of high-barrier APIs to vertically integrate its offering and make a success of ScinoPharm's entry in the injectable product field

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Having initially joined the company in 1998, you were appointed President and CEO of ScinoPharm in August 2014. What is the growth strategy you have been implementing since the beginning of your tenure?

The outline of ScinoPharm's current growth strategy was already partially set up prior to my appointment as new CEO of the company. In the grand scheme of things, our new strategy revolves around two main pillars: first, accelerating ScinoPharm's downstream, vertical integration; and, second, fully leveraging our China-based subsidiary, SciAnda (Changshu) Pharmaceuticals. My first and foremost responsibility was then to refine this strategy and adapt it to the evolving reality of the global competitive landscape and the relative instability affecting some of our key markets. Before looking at the expansion of our service offering, the price erosion in our core business left us with no choice: we had to urgently become more competitive. Following more than 19 years of

continuous focus in high barrier market niches, we indeed critically needed to work on the company's cost-efficiency performance. This improvement of our competitiveness would then allow us to maintain our market share in our historical business segment, while – by working on our profitability – generating the resources needed to venture in new market niches. Finally, the US FDA approval of our manufacturing site in Jiangsu (China) also greatly contributed to making us more competitive and help us consolidate our market share in the specialty generic and CRAM service fields.

As part of this cost-efficiency effort, we have already achieved great progress in the optimization of our processes. We notably improved our product mix with a heavier weighting of more profitable oncology products, combined with a tighter cost control and enhanced management efficiency. This strategy immediately started to bear fruit: as from 2015 and 2016, ScinoPharm stabilized our market share in strategic oncology products with increase in after-tax net profits for two consecutive years.

In the meantime, what are the new growth drivers that you are considering?

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An important aspect of our new growth drivers relates to our "double A" strategy (API+ANDA), as we are teaming up with pharmaceutical companies to jointly apply for ANDA in US/EU and export final drug products globally. ScinoPharm continues to pursue strategic alliances in order to enhance our position as a developer and manufacturer of innovative drug products with high added value. Currently, two ANDA submissions have been filed: an oncology injectable drug jointly developed with US-based SAGENT Pharmaceuticals, and ScinoPharm-developed Fondaparinux. Product partnerships based on co-development and profit-sharing models have been established for eleven products. Furthermore, ScinoPharm is currently negotiating with major international companies for exclusive distribution rights in Europe and the US for developing drug products indicated for cancer, multiple sclerosis, osteoporosis, diabetes mellitus, etc.

Another extremely important pillar of our growth strategy relies on the development of our injectable manufacturing business, a field where there is a high demand. On this side, 2017 is set to be a pretty busy year for us, as our injectable plant, which is designed for the production of high potent drugs with sophisticated technology and require flexibility in batch sizes, is slated to be operational this year. The injectable plant is being positioned to prepare its first registration batch this year, file ANDA submission by the end of 2018, and expect a USFDA on-site inspection in 2019.

The third pillar of ScinoPharm's new growth strategy relates to the expansion of our contract manufacturing business, especially in partnership with new drug development companies. As a matter of fact, six of our partners' products are currently undergoing phase III clinical trials. In addition to the company's major process research and development work force in Taiwan, it also

has established a satellite process research facility in Changshu, Jiangsu, China, which will address the increasing number of multinational companies shifting their drug development research and clinical trails to China.

As we are already the leader in providing oncology APIs to the most advanced markets worldwide, we will then extend our service portfolio to provide contract manufacturing of finished dosage form of injectable products. As a result, we expect that the share of our revenues coming from contract manufacturing will increase from less than 10 percent now to around 30 percent over the next two years.

How does ScinoPharm's experience in the API field make you an attractive partner for the contract manufacturing of finished injectable products?

Our plan was not to build a large-scale manufacturing plant for easy-to-produce injectable products, as we will continue focusing on high-barrier products. In this endeavor, our experience as a developer and manufacturer of complex APIs will be critical to our efforts in the contract manufacturing of finished injectable products.

Let me give you an example: we have recently developed a complex, peptide-based API for an innovative oncology product, which is now undergoing a phase III clinical trial. Given the problems they faced when finding a qualified producer for the manufacturing of such a complex product, this customer decided to leverage our injectable plant and contracted us as the manufacturer of the finished product too.

How would you summarize the transformation that ScinoPharm has been experiencing over the past two years?

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Over the past two years, ScinoPharm has been vertically expanding its offering to now encompass the manufacturing of finished injectable products, while we are ready to increase our contract manufacturing activities and have been tremendously improving the competitiveness of our organization. Overall, ScinoPharm can be considered an API leader that is transforming itself into a full-scope specialty pharma, fully leveraging its core competencies in R&D and cGMP manufacturing of high-entry barrier APIs.

In the long-term, we do not exclude the opportunity to acquire critical, additional resources through merger and acquisitions. Looking at oral products, we will proceed step by step and carefully select some early stage breakthrough projects with very promising potential, which we could contribute to bring to the market.

As the company is transforming itself, what are the main challenges that you will have to overcome to make a success of this transition phase?

Without any doubt: building the company's new strategies and ensuring they are shared and

adopted by all our employees. Some members of our staff have been with the company for more than 15 years already – a time when ScinoPharm was only focused on APIs. Although our API expertise will remain at the core of our expanding scope of services, we now need to rapidly develop our capacity in new and diverse fields, and my mission is to support our senior management in this endeavor.

ScinoPharm is by no means abandoning the R&D and manufacturing of complex APIs; to the contrary, we aim at generating a heightened value from our expertise in this field while vertically-integrating our activities. Historically, ScinoPharm's focus on high-barrier and difficult-to-make products has been primarily driven by the higher margins that these products offer. On the other hand, this challenging approach has always been a great way to keep our employees motivated and fully committed to our development vision: becoming a leader in the development of complex products rather than in more basic product categories where price competition is the main differentiator.

At the end of day, ScinoPharm has always been a technically driven company focused on high-barrier specialty pharma products, and this approach will remain at the core of our long-term development vision.

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