Pierre Banzet – CEO, Groupe SYNERLAB, France



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Pierre Banzet, CEO of French CDMO Groupe SYNERLAB, shares how the group has developed over the past three years and discloses his strategy for generating specialty production knowledge as well as expanding the company's footprint within Europe. Banzet also offers his assessment of key CDMO trends and the current condition of French pharma.

In 2016 you had a goal of doubling Groupe SYNERLAB's turnover by 2020, how have you progressed in reaching this target?

As of today, we are still on track with this ambition. For 2019, we are expecting to reach EUR 141 million (USD 162 million) in turnover, which represents a ten percent growth entirely organically. We have not made any acquisitions since entering the Spanish market in 2015, but we are constantly on the lookout for opportunities which fit into Groupe SYNERLAB's strategy. As of now, we are primarily interested in Europe; looking at the five largest markets and also Eastern countries.

What have been the primary investments made in Groupe SYNERLAB to develop the company's growth?

Synerlab has a facility in the south of France, LYOFAL. Initially, it was specialized in small batches, freeze-drying processes, primarily for cosmetics, food supplements and medical devices. We transformed this plant into a pharmaceutical production plant and have recently finalized the agreement to produce cytotoxics. Additionally, we have a development dry form specialized site in Orléans, Synerlab Développement. Here, we invested in new machinery to enhance our small batch and galenic batch development with low quantitates of API. This equipment allows Groupe SYNERLAB to predict the behaviour of formulas on an industrial scale and manufacture products more efficiently.

At the end of 2015, Groupe SYNERLAB announced the acquisition of its first ever production site outside of France: Laboratorios Alcala Farma in Spain. How strategic was this move?

This was indeed our first step out of France and into a new market. Even with our current focus being in Europe, we understand that customer relationship opportunities are limited by staying only in France. The company we acquired had a solid business model with the production of OTC products which was an area of interest for SYNERLAB. Moreover, the laboratory had a capacity to produce soft gelatin capsules, liquid sticks, and injectable products –areas in which Groupe SYNERLAB was not present, so this was very complementary to our existing capabilities. Acquiring Alcala Farma was a strategic decision that ultimately expanded the portfolio offering of SYNERLAB. Additionally, this plant has increased SYNERLAB’s team by over 250 employees.

Since buying the company, we have invested heavily into two main areas; soft gelatin capsules and lyophilization. There are only a few softgel players in the industry, and while we may not compete directly with the largest CDMOs in this area, offering customers an alternative partner solution creates marginal opportunities for SYNERLAB.

Alcala Farma originally had two lyophilization machines and by purchasing a third, we have more than doubled our capacity for this process. Continuing our investment into the facility, we have bought a machine to wash, sterilize, and fill vials for these products. With these added capabilities, we will launch production at the beginning of 2020.

What is Groupe SYNERLAB’s expansion strategy moving forward?

After structuring ourselves and creating a solid base in Europe, we see the US market as the next sensible step. Before that, Eastern Europe could propose an interesting opportunity for expansion and as a way to reach the Middle East.

As part of our strategy, we look to acquire existing CDMOs with the capabilities and know how that will facilitate a quicker and easier integration into the group. This has always been our approach; however, perhaps in the future, acquiring production sites directly from pharmaceutical companies might make more sense to increase our capabilities in specialty forms injectables.

How is Groupe SYNERLAB capturing shares of the growing CDMO sector, as pharmaceutical players outsource operations more and more?

Part of this growth is being driven by big pharma selling their manufacturing facilities to be managed by CDMOs. This is an important factor we must consider as we build client relationships within the industry. Clients want to reduce the number of CDMOs they work with to more easily carry out quality control actions. However, as pharma companies merge with one another, the volume of production and the number of facilities used will increase. The service providers are hence diversifying and creating various specialized plants. Contract manufacturers will not manage an entire portfolio in one facility, therefore quality contacts and auditing are becoming important activities in the client-provider relationship. Despite only working with a reduced number of CDMOs, there will be an increased number of plants to produce products for a single client.

As a company, we need to grow to remain competitive. Price discussions are becoming more important, clients are increasing their demands, and regulations have become more stringent. For example, serialization is a costly project that will be perpetually complicated moving forward. Remaining compliant with the regulation will be a repeated cost each year as more IT and software capabilities are necessary. Without a big enough scale and resource pool, small players will find serialization very difficult to manage, and there will be a ‘natural selection’.

Do you see an opportunity in the biotech sector and biomanufacturing for Groupe SYNERLAB?

Absolutely there is potential in the biotech sector, however, it is still a very new concept. In Europe, there is indeed a lack of manufacturing capabilities for biologic products, similar to lyophilization. At the moment, the only way to enter into this area would be to build a facility from scratch which

is both a high cost and high-risk investment. While this proposes an interesting opportunity, I do not see biomanufacturing as a possibility for the near future for SYNERLAB simply because we still are a medium-sized CDMO player. Being pragmatic, we do not have the expertise or financial capital for investment here, but we remain watchful in case of opportunity.

What is the rationale of keeping such a strong production presence in France?

We indeed have five sites across the country. There is a high level of talent and a strong environment for pharmaceutics and chemistry. Furthermore, markets like eastern Europe are increasing in operational costs to reach a similar level to the rest of the region. Not to mention the management challenges that arise from the geographic distance of international facilities. The same can be said for Asia.

Also, I believe it is important to be close to your customers. There needs to be a local presence in the market for which manufacturing is being done. Being a CDMO for the European market requires a European presence, a facility in the US is necessary to serve the American market, and so on. Furthermore, SYNERLAB is a French company and we hold a social responsibility to invest in the country.

What is your assessment of the current French industrial and pharmaceutical environment?

Generally speaking, many players in the French pharmaceutical industry operate within the generic space. Due to the healthcare system and reimbursement mechanism, prices are set very low making margins slim. Meanwhile, tighter constraints in regulation come from both the European and national level, all the while products prices stay the same or decrease. This creates a risk in the ecosystem in which pharmaceutical players, especially for generics and mature products, cannot continue to produce because costs are too high. This is a real challenge for CDMOs and their clients because without taking into consideration the related cost in the final price (defined by the authorities), some product will no more be sustainable.

Ultimately, these events will impact the healthcare sovereignty of not only France but all of Europe. If we speak about serialization, for example, it dramatically increases the cost of the product and it should be taken into consideration with an increase in the final price, especially for generics and mature products otherwise some medicine could disappear. The EU needs to understand the

balance between the costs of investment to operate in the market compared to the value addition of these regulations in the context of resources available to the industry.

What changes would you like to see for the generic sector in France?

There needs to be an adjustment in regulation to allow generic players to manufacture and stockpile drugs before the expiration of a patent. At the European level, there is an SPC waiver to bring about this change. Groupe SYNERLAB is not only involved in these conversations on the company level but also playing an attractive role in the ecosystem to ensure that the voices of generic stakeholders are heard. For example, we are collaborating with GEMME, the French generics association, and Medicines for Europe who are both fighting for this waiver.

Looking forward, what are your strategic priorities for Groupe SYNERLAB over the next three to five years?

I believe it is crucial to have dedicated facilities with a specialized team to focus on certain pharmaceutical product areas. This will not only make SYNERLAB more attractive to clients, but also for recruiting top-notch employees. Hiring and retaining talent is key to our operation but is an increasingly challenging endeavour in France.

Groupe SYNERLAB has one of the most renowned plants in France and Europe for multidose sterile forms, but we need to retain our advantage and invest in our plants. This being said, we will also further develop our portfolio offering through strategic acquisitions. Specifically, I would like to have a facility dedicated to injectable and other high-value forms. Above all, we will continually keep vigilant for the best opportunities and take advantage of them as they arrive.

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