Arnaud Gobet – President, Innothera, France



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Arnaud Gobet, president of Innothera, discusses how the company balances its unique and diverse offering of medical devices, hygiene and protection products and pharmaceuticals, Innothera's burgeoning international footprint and the condition of France's industrial environment.

In December you were recognized by Bruno Le Maire, France's Minister of the Economy and Finance, and awarded the officer's insignia in the Order of the Legion of Honor. What does this distinction mean to you?

This award is not only a recognition of myself but also of Innothera, a company that was created more than one century ago, that has a strong industrial presence in France with two manufacturing facilities and more than 600 employees. Bruno Le Maire is very open to supporting the French industrial environment through initiatives like the French Fab. This association is not only important in creating jobs within Paris but extends out to the deepest regions of France. The Minister has even confirmed to us that he will visit our facility in Vosges in the near future.

Have you already seen any day to day benefits from the arrival of the Macron administration and activities of the CSIS and French Fab?

As an industrial player, we can say there surely has not been any negative impacts from the arrival of Macron and daily operations are business as usual. In the long term, we see the suppression of the *impôt de solidarité sur la fortune* – ISF (solidarity tax on wealth) and flat taxes to be positive for French companies and their investments into the country. Other activities like the *Loi Pacte* are less applicable to the space we operate in within the market.

What have been the major achievements and changes for Innothera you would like to highlight since the last time we met you?

Our drug business which is almost exclusively positioned for exportation is doing well; 95 percent of our production is being sold outside of France – mostly in emerging nations. These countries have positive market dynamics which allow our sales to grow each year. Our most important market is Russia, but we also export to all of the CIS countries, North and sub-Saharan Africa, and all Eastern European countries. Additionally, over the past three years, we have improved our sales through strong developments in Ghana, Kenya, and Algeria. We have also positioned ourselves in difficult markets such as Iraq and Middle Eastern countries.

Despite Russia being in a difficult period, I must say that we haven’t been too affected with what is happening because we don’t work with the public hospitals. We operate exclusively on the private market where we have built a strong network over our nearly 20-year presence, and where we have established a full subsidiary with 180 employees. These factors have allowed us to sustain our business activities despite challenges. The CIS countries, including Russia, account for one-third of our entire sales and this is increasing each year.

How did Innothera perform last year and what are your expectations for the year to come?

Last year, our sales reached EUR 185 million (USD 211 million), a three percent increase approximately. This year we are optimistic in our evolution and are expecting to reach EUR 200 million (USD 228 million). This growth will be driven equally between our pharmaceutical and medical device portfolios. This will be a significant rise in our medical device activities.

Another advancement has been our entrance into the US market through a subsidiary in Dallas, Texas. Last year, our sales in the market increased by 30 percent, reaching EUR four million (USD 4.6 million). This is still a small figure compared to the market but represents an enormous

possibility for Innothera. We entered the US by acquiring Cleanis, our hygiene and protection arm, in 2016. This area has since begun to develop in France, but its main market continues to be the US. This year, we expect a 50 percent growth in this business activity.

How are you managing to balance the three diverse business segments in which you are operating?

Rather than focusing on the difference we chose to leverage the fundamentals that are common between the activities. Our commercial know-how translates as we are always working with healthcare professionals as clients. Our philosophy in delivering our value proposition to health stakeholders can be applied to all three of our business areas. Additionally, Innothera's commercial production capabilities are an important factor in the level of quality that we leverage in all of our products. Industrial leadership is at the core of the company's business model. Lastly, entering the US market was a decision that benefits Innothera on all sides of our operations. While diverse, the three business areas we have along with the way we work are complementary to our overarching portfolio.

What is the motivation for Innothera to remain in medical textiles, a less profitable area than pharmaceuticals, and how do you differentiate yourself?

Naturally, we have a strategy to produce high-quality products and reduce prices similar to many of our competitors. We believe there is room on the market for high-quality products which also answer to the needs of consumers. The complexity of compression stockings is that they are both a drug and a garment. This means the products not only need to be efficient in their purpose but also practical and comfortable to wear.

The reason we remain in the sector is that we have a 20-year history of manufacturing medical textiles; we have a factory with 300 employees and have developed strong know-how in the area. Furthermore, we have international activity in this business arm as well that we are planning to develop further.

What was the rationale behind the formation of the TTM (*technologies du textile medical*) group – an association regrouping France's key players in the medical textile

field, namely BSN-Radiante, Sigvaris, Thuasne and Innothera? What priorities exist for the organization?

When I came up with the idea for the TTM, there was a stress on the reimbursement condition of the government. I proposed to Sigvaris and Thuasne to create the association because all together we account for about 60 to 70 percent of the market in France. Our objective is to explain to the public authorities the industrial opportunity we represent in France. Altogether, we create 2,500 jobs – often in areas that are in very difficult economic conditions. Additionally, there is a particular French know-how for producing textiles that is globally acclaimed and on which we can develop our respective businesses.

What opportunity exists for establishing manufacturing production internationally, closer to Innothera's export markets and for a more economic value?

As of now, this is not being considered as an option for Innothera. Our focus is on producing high-quality products, not low-cost products. Having our production in France is beneficial for the European quality perception of medical technologies and the French reputation for clothing and fashion.

What strategic priorities do you have for the upcoming five years?

We are planning to further develop our pharmaceutical business in key regions such as Russia and other emerging countries. In regard to medical devices, we will be working to establish export activities for our Innothera's compression stockings in the markets where we already have a salesforce presence. Up to now, these products are only sold in France. Furthermore, we will continue growing our business in the US with Cleanis.

What final message would you like to deliver on behalf of Innothera?

We will remain dedicated to operating within the medical pathologies space will continuing to leverage ourselves through digitalization initiatives. In 2018, we set up Therinvest, a family investment fund that I chair, and through which we wish to support entrepreneurs with ambitious projects in the fields of health and new technologies in order to promote the growth of the French HealthTech. We are convinced that France has a remarkable potential for innovation in health, and

the Therinvest fund aims to support therapeutic and technological innovations that will improve the daily care of millions of patients, building on breakthrough and disruptive innovations such as artificial intelligence and big data.

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