Denis Delval – CEO, LFB, France



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Denis Delval, CEO of iconic French pharma firm LFB since December 2017, discusses his key priorities to build the new LFB.

During his two terms at the helm, your predecessor profoundly transformed LFB by changing the status of the firm from a GIP to that of a public limited company while simultaneously overseeing the diversification into biotechnologies and foreign expansion. What are your strategic ambitions and vision for this iconic French entity?

My task is very much to propel LFB to a level where we are consistently registering strong growth in what we define as core business areas. On my appointment as CEO in December 2017, it was immediately apparent to me that I was taking over the reins of an entity that was facing a variety of short-term and mid-term challenges and that we must streamline the business model by playing to our strengths and refocusing on the core activities that we perform best.

At present, LFB is quite a sprawling entity vested with considerable knowledge and technology and actively participating in a wide range of disparate activities, such as CDMO activities, international tech transfer and much more besides. A series of diversifications have ultimately resulted in a situation in which we are spreading our resources and are not as competitive as we should be in the segments that the company can be successful.

My vision is that we should be strong enough to assume a leadership position in any space that we seek to participate in. That means it is time to restructure our organization around what we define to be the priority areas where we can truly be competitive as world-beaters. This is a proven strategy in the biopharma space at the moment. We are mirroring many of our peers in doubling down on core bread and butter tasks while spinning off and divesting non-core assets and activities.

Which specific functions, then, have you identified as a priority, core areas for the LFB of the future?

Firstly, we want to maintain a strong footprint in our domestic market and assert ourselves internationally in a handful of selected countries where we know we can be competitive. Secondly, we seek to focus our energies on pharma and essentially the 3 therapeutic areas in which we have already established a significant foothold in immunology, haematology and emergency medicine.

The 15 products that we are bringing to the market are plasma-derived proteins or recombinant proteins and we intent upon assuming dominant, leadership positions in the aforementioned 3 therapeutic areas at least in France.

How would you describe LFB’s portfolio at the moment?

LFB specializes in biological medications and is one of the few laboratories in the world to master a wide range of bio-production skills: developing and manufacturing plasma-derived medicinal products or recombinant proteins.

In the area of immunology, we offer therapeutic solutions for managing patients with primary immunodeficiency, inflammatory and autoimmune diseases including immune-mediated neuropathies, and acquired disorders such as secondary immunodeficiency. The haematology portfolio provides therapeutic solutions for overcoming rare coagulation disorders that are often of genetic origin. Finally, in the intensive care domain, we are notable for supplying medicinal products to treat patients in a critical condition due to severe deficiencies in essential plasma proteins like hypovolemia, severe haemorrhage, thrombosis or complications in a context of pregnancy or child delivery.

Right now, LFB possesses some 15 products; most of them are administered within a hospital setting. We are also on the cusp of launching a further two recombinant products. The first one is already registered in the US. For the second one, we will be making our submission to the FDA in 2019 with a view to actually going to market in 2020.

The big news is that having been awarded EMA marketing authorisation for Kymriah, Novartis has selected your CDMO subsidiary, CELL*for*CURE, as their CAR-T therapy manufacturing partner in Europe. How significant is this development both to LFB and to France as a nation?

CELL*for*CURE an industrial platform located in Les Ulis, near Paris. This site is the first and largest in Europe for the production of cell and gene therapy drugs.

This is clearly a momentous occasion and positive signal for us that France has been chosen as the host country for Kymriah (tisagenlecleucel) manufacturing. This is a big vote of confidence and emblematic of our manufacturing bases' ability to scale the value chain.

Aside from the possible divestment of the CDMO operations, what kind of additional structural and organizational changes are you envisaging?

Well, until recently, we have been reinvesting as much as 16 percent of our revenue back into R&D, but when you consider our positioning relative to our competitors that may no longer be appropriate for the next phase of growing the company.

We are essentially competing in a market with 6 competitors of different shapes and sizes: two big pharma players in CSL Behring and Shire, two midcaps in Octapharma and Kedrion and one pure-play actor in Grifols. Then we have 15 products that are not facing patent expiry patterns nor biosimilar threats and we are looking to consolidate and reinforce our presence in a selection of high potential markets where we have already gained a first foothold.

Logically, therefore, our priority will not be so much on developing a new product to bring to market, but focusing on the extension of indications for existing products. In short, the real challenge is not to have a new product out within a decade, but rather to surmount capacity and production challenges so as to deliver to our full potential with the product we have already marketed to fulfil patients' needs.

Meanwhile, we are intent on growing our sustainability and capacity and are in the midst of building a state-of-the-art 36,000+ meters squared, a brand new facility near Arras in Northern France that will be able to manufacture products on a global scale and thus form a centrepiece of our worldwide supply chain. This industrial investment plan has been implemented involving an initial EUR 62 million tranche. The fact that this is happening in France ties in with our ambition to be a standard-bearer and role model for fashioning a new French industrial base in life sciences. LFB expects to create up to 250 jobs by 2024 in this new plant.

You mentioned that you will be reevaluating LFB's geographic spread to concentrate upon a handful of choice power-markets. After the establishment of strategic partnerships with Yabao (in China), Hemobras (in Brazil) and the opening of a subsidiary in the US, where do you take LFB's internationalization strategy next?

Outside France, LFB has decided on a targeted strategy, focusing on specific markets with key products. LFB will target its business activities towards markets with key advantages (USA, Germany, UK, Spain, Italy, Belgium, Turkey and Mexico) and focus development on key drugs which will benefit from this targeted strategy.

LFB enjoys the rare distinction of being a state-owned pharma entity. What are the implications of this status in terms of your additional public social responsibility? And what are the benefits and drawbacks when it comes to managing the business on a day-to-day basis and ensuring competitiveness?

Concretely it means that the Ministry of Health and the Ministry of Finance representatives are actually sitting on our board.

Having the French State as a shareholder affords us a certain amount of room to manoeuvre with respect to timeframes and the execution of long-term strategies. Being able to rely upon the support of the State when you are going through a period of great transformation and change management can most definitely be an asset because that will reassure other stakeholders such as the banks. Private companies don't always have that luxury and as a consequence can be victims of short-term decisions.

In all other respects, however, we are a classic bio-pharma company that is exposed to market forces and needs to demonstrate a good return on investment.

Nor do I see us as especially having any additional social responsibility because any entity that deals in licensed drugs has an obligation to bring its therapies to market because any failure of supply would put the patients at risk. Yes, we obviously do have a responsibility to ensure the security of supply of our products to the best of our abilities, but exactly the same would apply to any private pharma company acting in the field of major therapeutic interest drugs.

How does it feel to be a CEO with a classic pharma background to be appointed to head up LFB?

I think that my appointment is actually very much in line with the new demeanour and strategic orientation of the new government.

Quite a number of companies having the State as their majority shareholder have been moving in the same direction and appointed top management with track records in the private sector. Air France is a case in point. The logic is to bring executives in who can replicate the business processes of high-performance multinationals as a way of helping catapult these companies to the next level.

One of my initial priorities at LFB has actually been to staff my team with experienced executives and put in place values that our staff can all agree upon. This is, of course, standard practice in most MNCs, but I found it to be wholly absent in LFB. My feeling is that it is very important to have a shared mission and sense of purpose if we are to be able to properly mobilize our employees and bring LFB to the next level.

How do you define the mission of LFB?

Quite simply, our objective is to bring lifesaving drugs to patients with unmet medical needs. Beyond that we seek growth, profitability and sustainability, while all the time being a great place to work that operates ethically and with tremendous team spirit.

What impact has the French government had on reinvigorating the life sciences industry?

I think many businessmen have been rather impressed by the clear strategic direction emanating from the new Presidency. Already the new administration has enacted a plethora of changes to the labour code and tax regime with a view to reducing the burden on companies and to drawing in new tranches of investment. I believe these steps are indeed serving to nurture a more business-friendly operating environment and to conjure a much more attractive picture of France abroad. The very strident pro-innovation and pro-technology orientation of the Edouard Phillipe government has also created a strong sense of optimism within the life sciences industry at large.

However, a transformation of this magnitude cannot happen overnight and there is a need to properly manage expectations. This means that the path ahead can be bumpy and that we should expect obstacles along the way, but with the engagement of all the people at LFB we will overcome these hurdles. In conclusion, my ambition is to double our turnover over the next 10 years.

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