Michael Quirmbach – CEO & President, CordenPharma

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The CEO & President of CDMO CordenPharma, Dr Michael Quirmbach, delves into the contract manufacturing industry, explaining the reasons behind the recent commercial success of his organization, including their partnership with Moderna, and his view on the new processes and technology shaping the industry.

What is CordenPharma's focus at the moment and how do you see your position in the industry?

Today, CordenPharma primarily focuses on contract manufacturing for the pharmaceutical and biotechnology industries, serving major markets such as the United States, Europe, Japan and India.

Our company is uniquely positioned because we offer manufacturing of both Active Pharmaceutical Ingredients (APIs) and Drug Products, which allows us to offer fully integrated supply solutions organized across our four technology platforms: Highly Potent & Oncology; Peptides, Lipids & Carbohydrates; Injectables; and Small Molecules.

At the moment we have eight sites: seven GMP sites across Europe and the US, and one non-GMP lab in Frankfurt, Germany. The majority of our footprint is in Europe (France, Belgium, Germany, Switzerland and Italy) plus two sites in the US, both based in Boulder, Colorado.

Can you elaborate on your current business model and its evolution over the years?

We acquire high-quality assets from big pharma companies and transform them into a Contract Development and Manufacturing Organization (CDMO) network of facilities. We have experienced steady growth over the past few years. In 2014, the group had sales of around EUR 245 million and last year we closed at EUR 500 million. The majority of this came through organic growth, by bringing new business to the sites, all driven by a strategy that defined our technology platforms and aligned our service offering with a global commercial team.

When we started our journey, we were heavily dependent on former big pharma legacy business at each individual site that rapidly declined, so we began focusing on the strengths that come from integrating the facilities into one CDMO with new assets. It has allowed us to celebrate 15 years of operations in 2021.

In your experience, taking into account the fact that big pharma companies are continuously looking to offload assets, how can a CDMO be commercially viable based on assets that seems not lucrative at first hand?

You are right in that there are plenty of assets available for sale by big pharma companies that want to offload them to make room in their portfolio, but we have developed a strategy to discern which assets are worth further development and add value to our portfolio, making it stronger. It requires a deep understanding of market demand, customer need, and opportunities that support both.

Back in the day, when we were a newly formed CDMO with an unrecognized brand, we thought of ways to build trust, and understood that we needed to begin with small projects to prove ourselves first, and then consistently deliver on our promises.

In order to accomplish that goal, we sought out Managing Directors at the manufacturing sites who understood their facilities were no longer merely cost centers, but rather profit centers that needed to be run as such. We see that as a unique characteristic of CordenPharma. Cost centers are usually limited to asking for more resources from their centralized corporate financing – but that model is untenable in the CDMO business. Profit centers are much more accountable, and therefore more cost-effective, fast and lean – this is why companies come to us. We transform a company’s obstacle into their strength, which leads to making it a big business.

You mentioned you have four different technology platforms. How are they performing and which ones are driving your growth?

The manufacture of specialized lipids, which falls under the Peptides, Lipids & Carbohydrates platform, has been a big growth driver recently because of their use as ingredients that allow effective encapsulation of mRNA in novel coronavirus vaccines, particularly in our long-term partnership with Moderna to produce their mRNA-1273 vaccine, which of course is getting plenty of attention.

Other segments that have grown due to the vaccine demand are peptides (also from the Peptides, Lipids & Carbohydrates platform) and our Injectables platform. The two platforms work together to form an integrated supply solution, which positions us well because we can make the peptide APIs, and then formulate them into fill & finish injectable Drug Products. This service really distinguishes us from competitors in that space, as we are the only CDMO with that capability.

Under the Injectable Platform, we also manufacture Propofol, which we acquired from AstraZeneca. Propofol has seen increased demand during the COVID-19 crisis because it is a critical medicine used to sedate patients who require ventilation.

Lastly, our Highly Potent & Oncology platform is also performing well, utilizing state-of-the-art high containment technology and processes to manufacture highly potent APIs and Drug Products. It continues to be relevant because oncology is the biggest growing sector in the pharma industry.

What investments do you require to be at the forefront of R&D- particularly the “D” which is what CDMOs are meant to excel on?

Today CordenPharma has only 2,000 employees, so if we want to stay on top, we must choose playing fields in which we can compete at the highest level. We are not a research company; we are a development manufacturing company. A CDMO does not really innovate. We leave that task of research to our excellent customers. What we do well is stay on top of manufacturing processes and technology, and be efficient in our scale-up operations. Our innovation group looks at trends in the market to prioritize investments, but we clearly understand we do not have the same resources as big pharmaceutical companies.

One area that interests me when looking at ways to improve the manufacturing process is the need to have more electronic records and depend less on paper. But of course, it is not easy to implement changes in this industry which has always taken a conservative approach.

We consider continuous manufacturing an important trend in the industry, and area of focus in our ongoing strategy.

What do you mean by continuous manufacturing?

I will start with API manufacturing as an example. Normally, when we put chemicals together, we run the reaction in batches, taking into account the requirements to handle hazardous chemistry or temperature-sensitive products that need advanced infrastructure. With continuous manufacturing, we take a much smaller amount of material and run the reaction constantly in a dynamic mode, which greatly increases safety and enhances quality.

The advantages of continuous manufacturing for customers are less deviation in production, higher yields, shorter time to market, and more profitable processes with lower costs for operation, equipment, and investment.

Another trend and area of opportunity in Drug Product manufacturing is 3D printing; it has big advantages, particularly if you focus on orphan drugs.

As a result of the undergoing pandemic, governments are starting to look at manufacturing closely, due to the shortage they have witnessed in very simple goods & services. Do you sense an increase in the demand for local manufacturing?

Yes. We started to see that even before the corona crisis. Clients have been giving priority to products made in their country, but localizing the whole process is not always viable – some APIs are simply not possible to be manufactured in Europe or the USA. Customers must be prepared to pay a premium. Be that as it may, whenever we can, we try to get raw materials from their local region, even if that drives the price slightly higher.

What was the mandate given to you by your shareholders in 2019 when you were promoted to CEO & President of CordenPharma?

Our mission is to serve customers, and by extension their patients, on time and at the highest level. We focus on growing our service offering by identifying and filling gaps to be a leading CDMO. We must remain profitable and maintain our track record of quality, which is key in this business – it is what our shareholders expect.

In terms of management, when I took over as CEO in August 2019, I knew that success starts with effective communication. I have formed a strong team of people, each with their own opinions, that brings value to the organization. Moreover, I have developed a sense of diplomacy at the corporate level, and have learned to encourage an atmosphere where people deal with different cultures, and how to moderate discussions constructively. My previous experience building the commercial team helped me with that.

Which customers is Corden Pharma looking for when mitigating to work with new biotechs that may hold uncertain futures, or large pharma organizations?

We have had a lot of success working with biotech companies, in part because we have a culture that allows us to be agile and flexible. It is important to understand that biotech companies need a partner that not only provides a service, but also guidance, since they have limited resources, and usually their strength lies in research. I personally find them to be great partners because they are driving true innovation in the industry.

We also enjoy working with big pharma of course, but that relationship is different because they know exactly what they want, and at what price, which usually makes the price discussions tougher.

In these volatile times, how do you see the future of our industry?

To me, the future of CDMOs looks bright, in part because pharma companies keep outsourcing manufacturing. I see that trend continuing. However, what keeps me awake at night right now is the urgency of keeping our employees safe during the pandemic, especially because the work they do is not only essential to their lives and our organization, but also critical in the production of medication with the potential to save lives.

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