Ignacio Urbelz – Chairman & CEO, ADL Biopharma



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ADL Biopharma is a Spanish CDMO and, according to its CEO, owner of Europe's largest fermenter. Ignacio Urbelz, CEO, reveals how, after a tumultuous time that saw the company go bankrupt in 2013 and change ownership in 2020, the organization has reorganized with the intention of returning to its 1990s glory. Urbelz reveals how ADL has managed to turn a profit already in 2021.

Can you begin by introducing your background and how you ended up working in the CDMO space?

I have always enjoyed managing businesses and my passions are setting strategy and working with people. At Exxon, I began in the human resources department and learned the most important management lesson: people are always the key. Throughout my career, I have developed my skills in working with and managing people and today I owe the successes of my projects to the different teams I have worked with.

I believe Kartesia were seeking this ability when they hired me, and, although I did not possess experience in this sector, the results so far show they were right and I was able to motivate and manage and lead the team through turbulent and difficult times.

Does Kartesia have a healthcare portfolio beyond ADL?

This is Kartesia's first investment in the precision fermentation space, although they are invested in other CMOs and have a long-standing track record in healthcare. Some of their healthcare names include ActiMed, Envisage Dental, Nu-Med, Optimapharm, Vitaldent, etc.

They entered via a growth financing to fund the ramp-up of new contracts in 2019, but eventually took over ADL Biopharma in 2021 when the company required a new money injection.

Can you tell us about ADL Biopharma and the structure of its business?

ADL Biopharma, back then known as Antibióticos, started in Spain in the 1950s and was created to be autonomous in the production of antibiotics. The company grew internationally and was successful until the mid-1990s. However, it then lost ground to Asian companies that began to produce penicillin and the owners stopped reinvesting the required funds into the company. In 2013, Antibióticos went bankrupt and was acquired by Black Total Capital, and then by Kartesia at the end of 2020.

Currently, the company has three distinct businesses: pharma, biotech and pilot plant. In pharma, we are a CMO for antibiotics focused on sterile APIs for animal health. In biotech, we are the leading CDMO in Europe by size of fermenter with a market that is showing lots of interest in using a more sustainable in the long run. As a result, all customers and manufacturers are aiming to shift their production process. Our pilot plant, the third and most recent of our businesses scales customers' processes from the lab into an industrial size. The customer brings a process that works at the scale of a lab in a few millimetres and ADL scales this process to produce 225 cubic meter fermenters.

Can you explain industrial fermentation for our readers?

Industrial fermentation is essentially the domestication of microorganisms, where bacteria or other microorganisms are used to produce specific molecules. The microorganism is put into a large fermenter for it to grow and develop. Subsequently, the pH, feed, temperature, and different parameters are changed to stop the microorganism from growing and to begin producing the required molecule. The product is then purified, and the specific molecule needs to be separated from the rest of the biomass in the fermenter. This requires significant knowledge per molecule and

per client and almost a different factory for each client as the specific purification steps are very different per processes.

A partner is critical in industrial fermentation as the process is very technical. The partner must be able to apply the development, understanding, and knowledge that has been developed after almost 70 years in operation. If one fermenter fails, it is a notable loss of money. Therefore, key people at the operator level are required for monitoring the different parameters and making decisions on the spot.

What makes ADL Biopharma competitive?

The first of ADL Biopharma's advantages is our pharma background, which guarantees the highest level of quality and reliability in all our processes. The second advantage is the actual size of ADL Biopharma's fermenters, which is quite unique in Europe and offers additional efficiency and cost savings.

Can you tell us about the restructuring process under Kartesia and the results of this change?

2021 has been a challenging year. We started with some difficult decisions which involved letting go of a certain percentage of our people and reorienting the strategy to focus on the aforementioned businesses. All in all, and thanks to the commitment of both employees and our shareholder, we are happy with the results achieved thus far. The company is making money already and we have reset the relationships with key customers, to create longer and balanced partnerships where we all win.

We approved some values to guide our decisions and became more transparent with monthly meetings with middle management and quarterly meetings with all employees to explain the challenges of the coming months and the results. We have even organisedvspecific sessions to our employees to understand the profit and loss account and explain certain concepts to all employees. We are all in the same boat!

Additionally, the strategy of the company has also been reoriented. The focus of pharma is now clear on the sterile business as these display stronger margins and look to be the future of the company. Our biotech business is concentrating on the cosmetic and specialised food ingredients

industry. In turn, we have reconverted our R&D teams to help scale up our customer’s processes.

Thus far, the company turned a profit in 2021 and is on track to regain the confidence from financial institutions, shareholders, and other stakeholders in the business as ADL Biopharma will continue to require investments to continue executing on its strategic plan.

Post-COVID, a lot has been written about the importance of bringing API manufacturing back to Europe to head off future supply chain issues. How realistic is this, given the low costs at which APIs can be produced in geographies like China and India?

Manufacturing APIs in China or India offers significant cost advantages. There are huge facilities devoted to each process and it is difficult to compete with the economies of scale.

Secondly, Europe has stopped producing its own penicillin and developing the strains which is key in the market. As a result, producers in Asia have the most productive and effective strains.

Countries and customers will have to decide on the importance of quality, safety, and controlling one’s own production. It is not realistic to expect the same cost in Europe than in Asia in regard to salaries, energy costs, and other inputs and trade-offs will have to be made. It is important to remark that there are niche segments for rare diseases or other ones that are coming back.

What is the position of ADL’s clients concerning raising costs to create a better ecosystem locally?

Currently, clients do not appear to be ready for that. However, there is a chance that in the future clients will be willing to pay extra for controlling the production and increasing the product’s safety by producing in Europe.

What is Kartesia’s plan for ADL Biopharma?

Kartesia is not a short-term investor although at a certain point they will exit the company. However, nowadays they understand the medium to long term potential of the company in this market and are signalling that they are prepared to commit to investing in the changes needed to fund the future growth and transform the business.

A key factor for ADL is growth and the company’s sales grew by 62 percent between 2020 to 2021. For 2022, the plan is to continue growing between the rates of 30 and 40 percent.

How have your previous experiences been helpful in this industry and for a CDMO?

I am a result of this mix of experiences and it is not possible to exactly track my specific learnings and their application to this industry. However, I have learned that people are key to a successful business and I keep telling everyone about it.

At Hewlett Packard, I learned the importance of trust and being a value-based company. One of the first steps at ADL Biopharma was redefining its values and ensuring all layers of the business aligned with these values.

Similarly, values were important at Pascual. This company cared about their legacy and leaving a better world for the coming generations. This highlights the importance of aiming for the long-run, being sustainable, and taking into account the interests of a range of stakeholders. This is also very important in this industry where all business practices must be for the benefit of the customer but we cannot forget employees and the society we are part of.

How do you personally stay motivated and positive in these challenging times?

I am passionate about this project. There is work to be done and I have an incredible team that keeps me motivated. While there are many challenges and bad days, I feel the support of the board and shareholders which makes it easier to manage these tough times. Furthermore, the support of my family gives me the base to stand on which is particularly important to me.

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