

Interview: Aldo Braca President & CEO, BSP Pharmaceuticals, Italy



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Mr. Aldo Braca discusses the competitive CDMO landscape in Italy, the importance of nurturing a community of employees, and the optimistic growth trend for the company powered by investment and innovation.

This year, BSP celebrated its ten-year anniversary, congratulations! What were the key objectives that you have accomplished since the company's inception in 2006?

Since the very beginning, our key objective was to be a CDMO which specializes in a particular segment. It was never our aim to be a generalist as a CDMO, but we wanted to carve out a specific segment of the market for ourselves. The big pharma companies used to focus primarily on cardiovascular. This time however is coming to an end, with the trend shifting towards oncology.

Our key achievements over the past ten years are that we have developed high-level technology, we have put together a strong team that is committed and we have an excellent relationship with the community here in Latina. Our company is growing at the rate of 15-20 percent per year. We are very comfortable with our stance given that we are meeting the long-term objectives that we have set ourselves from the start.

The BSP industrial building covers 30,000 m², making it one of the most important CDMOs in the world today. Furthermore, you invested 38.2 million Euros in the expansion of the Latina plant in cooperation with Invitalia and the Lazio Region. Can you elaborate on the rationale behind this investment?

A few years ago, the Italian government recognized the level of innovation that we bring to the region as a company and this has opened doors for us. Invitalia is the National Agency for inward investment and economic development, owned by the Italian Ministry of Economy and they help to finance innovation of Italian companies. More than that, they do not necessarily just help with the

financing itself but they aid in gaining access to financing. With this financial aid we were able to invest in the plant to expand our current scope and also build facilities dedicated to immuno-oncology. We do also look forward to their positive assistance in our future investments.

The difference between BSP and other companies lies in our shareholding configuration. We do not have any private investors, but rather strategic ones. We are confident in our business, especially given that the government and many investors have shown faith in us. We are globally recognized as a high-technology, innovative industry that is fast-growing and therefore we gain a level of priority with that.

You have obviously bet on Italian manufacturing and export potential. What do you believe are the factors that make Italy so strong on both counts, especially given a tendency to delocalization over the past decades?

The global pharmaceutical industry was born in Italy. Farmitalia Carlo Erba and Lepetit were among the first pioneering companies about eighty years ago. Unfortunately, they did not receive much backing from the government, so they did not flourish to their potential. Nonetheless, these two companies planted the initial seeds for many Italian companies to grow to what they are today. Looking at the history of large-scale global players today, such as Pfizer and Roche, they have been linked, in some way or another, to these two foundational Italian companies.

This is very telling in terms of the impact that these two companies have. This means that once a system is created around the pharmaceutical industry which works and can supply technology, it will live on, and that is evident today. BSP alone is a testament to the richness and dynamism of the Italian pharmaceutical industry. For example, we can develop technology in a much quicker turnaround than some of our competitors in the USA. While technology is important, you also have to have great people to run this technology. We are truly lucky in Italy to have an immense amount of expertise among our employees.

In terms of the CDMO competitive landscape, staying ahead of the curve is important in order to stay a viable player in the market. What does innovation mean to BSP?

For companies like ours, innovation sometimes means a choice between protecting the environment and protecting employees. To this day, no company has successfully done both. It seems to be a choice between these two. What we have done is that we have shown to the world it is feasible to protect both the environment and the people, regardless of the cost, and it has become our strong suit. I think that this focus on the environment and the employees has been our key differentiator versus our competition. Placing emphasis on the environment and employees is a core part of our corporate identity.

As well, although it may seem unorthodox, we do not have a sales force. We have a large client portfolio and these clients network amongst each other. For us, client satisfaction is our number one priority and we need to meet and exceed their expectations. To do so, we must minimize the risk for them because, in fact, it is not the cost that is the main issue for them but the risk of supply. For them, what is fundamental is that once they provide medication to a patient, they have the supply to provide the next one when the need arises.

Another way we have ensured that we are providing trust for our patients is to elevate the level of our people. Our employees feel empowered and safe working with us, and we are confident that we are also providing for them. For example, we know of cases where our employees come from double-income households and they are now capable of living on a single income. We also have programs that support children of our employees to help provide for their education from elementary school to university. Building a community is of paramount importance to us and that begins with

fostering a nurturing relationship with our people. Even a single employee leaving a position would be relevant for us because we really believe in our pool of talent.

Given the importance of a strong community, what strategies do you use to attract talent, as well as keep them?

In terms of maintaining talent, we try to cater closely to their needs. As much as possible, we try to understand individual cases so we are able to assist them well. In terms of attracting talent, we rely on our partnerships with universities in Rome and Naples because we place a high value on education. Every academic year, we try to gather the best pool of talents from academia and we ask them to participate in a temporary work program. Once we have gauged their capabilities we are oftentimes able to offer them a permanent position in our firm.

As a big investor and employer in this region, how do you interact with Key Opinion Leaders at both the regional and national levels?

Although the level of interaction is rather detached nationally, the region of Lazio itself strongly recognizes the fact that our plant is very important and that we have a positive impact in the community. Regionally, they are still supportive, but as we grow as a company, we are no longer classified as a small business, which therefore puts a limitation on the level of subsidies we receive.

In terms of your business model, 100 percent of your production is exported and your clients are international. In the area of CDMOs on a global level, dedicated specifically to anti-cancer drugs, what makes you the partner of choice for many companies?

There is a revolution today in terms of conjugation processes of anti-cancer drugs and major companies are rethinking their strategies. They are looking at companies like us who have streamlined this integration, especially "most in one site". It is a strong value proposition for us as a company because we solve one of the major challenges of the conjugation process.

In Europe we currently have a couple of competitors. For the US market, we do not know of any other company with the same capabilities we offer, so we see plenty of potential there. Within the competitive landscapes of these different markets, we are also targeting a very specific niche of exclusively anti-cancer products and therefore this is how we differentiate ourselves.

BSP Pharmaceuticals is seen by the international oncology community as one of the most important centers of excellence in the world, where the new ideas of anti-cancer therapeutic agents can materialize. What is your overarching vision for the next three to five years for the company?

The capacity we have at the moment is sufficient and is serving us well in terms of establishing ourselves in the market. We are actually in excess today. Today, we are one of the largest sites for cytotoxic production.

For immunotherapy, our strategy for the future is to retain our current clients, who are also looking into immunotherapy production. Having a strong relationship with them is key because it gives us the confidence that they will be attracted to our streamlined capabilities. As well, the fact that immunotherapy is used in other treatments outside of oncology provides us with a great opportunity to continue to move in a very high-tech field in both scale and scope.

Moreover, we aim to do all of our activities in-house. We consider our plant as an intellectual property. Therefore, we are not interested in external engineering groups. This has both advantages and disadvantages, but it is in line with our corporate culture. Our focus for the next 18 months is to

build two new immunotherapy plants. We are currently undergoing partnership agreements, pricing strategies and timing discussions for both of our plants, with the aim that in three years, we can have two fully operating immunotherapy plants. There has been a lot of interest from our clients, and some are eagerly asking when they can begin this next phase of production with us.

How does the BSP brand translate across borders, especially given the accelerated pace of growth you are currently experiencing and anticipating in the upcoming years?

In October 2015, we were recognized by the World ADC Association in San Diego as being the best service providers for oncology worldwide. This was a great honor for us given that this top-notch organization consists of world class scientists. Of course, there is a level of investment allocated for marketing activities, but a larger focus is placed on research and technology because it carries more resonance in the oncology field.

This reputation is also very important for our clients and we share a very close relationship with them. Going beyond business relationships we aim to establish true partnerships with them. We also have a strong interconnection amongst our partners in other markets, which offers a healthy opportunity of learning for our employees because they get exposed to the crucial elements of the business. Thus, they are able to transfer their acquired knowledge smoothly to our operations.

Overall, our client portfolio is increasing and we are confident in our stance in the market. There are no aspirations to make the company public because we are successful at what we do. We have good revenue streams and we have no short-term debts that significantly impact our cash flow on a regular basis. We have built a strong network of employees, currently standing at 370 people, which we aim to double in five yearâ?? time. The market conditions are definitely very optimistic for us and we are ready for further growth.

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