Interview: Henk ViÃ«tor â?? CEO, Drug Discovery Factory, The Netherlands

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A serial entrepreneur, Henk ViÃ«tor founded the Drug Discovery Factory as an active venture fund focused on translating life science research into medical innovation. He discusses his perspective on the Dutch startup environment, and makes his case for how the country should proceed if it is serious about supporting the growth of the life science sector.

What led you to get involved in the life sciences industry as an entrepreneur initially?

15 years ago I started in the life science business more or less from scratch. I was a medical doctor and scientists by training with a particular interest in molecular biology and genetics, and like everyone else I saw that there were tens of thousands of research papers published with enlightening findings, but only a bare handful are ever successfully translated into products. At that point in time there were very few individuals working to translate research into medicine, and I decided that rather than being one scientist alongside many others, I wanted to at least try to make a difference by working to bring a viable product to market that could help to improve the lives of people.

That was my initial aim, to translate existing research findings into useable medical products, and I also come from an entrepreneurial family so the drive to go out on my own was in my blood to some extent, yet I am the only one of my family to go the academic route at all. I decided that I would give it a try for at least three years, and at the least I would gain some managerial and entrepreneurial experience before going back to university.

Looking back, the story sounds clear and logical, but before everything came together step by step over the years, the path ahead was not clear at all, and it was extremely hard to get a position in the beginning. I knew people in the life science industry who said that it would be impossible to make a difference as just one individual, yet I took such comments as a challenge and became even more

driven to try to have an impact in the life sciences as an entrepreneur.

How did these efforts lead to the foundation of the Drug Discovery Factory?

So I gave it a shot for a few years and was reasonably successful given my level of experience and aims, yet I did not have the financial skills, managerial expertise, or legal background that I needed to be truly effective. I eventually met my business partner Peter Schoevers, and together we funded the Drug Discovery Factory in 2004 with a very simple business model; we saw that the intrinsic risk of life science companies is very high, so it would be inadvisable to invest in individual companies or products, and that in order to have a good chance at success we would need to get involved with at least ten companies, so we decided to aim for 20.

We then started founding companies, which was unheard of in the Netherlands, and was something that at that time that nobody wanted to invest in; potential investors said our strategy wouldnâ??t work because we didnâ??t have a clear focus. Without private capital, we focused on raising money from the government in the form of grants, and starting in 2004 we were quite successful with our applications, largely due to the experience of several of the scientists we were working with, and within a year or two we had already started 15 companies. Given our success in applying for grants both domestically and internationally, we established a hybrid business model where we were able to make good money offering consultancy services and subsidy advice, and we were able to use this income to fund our companies to some extent.

Out of the fifteen we started in this era, one company failed and was liquidated. Seven are still in our portfolio. Two companies that we started, but are not in our portfolio, are now very successful offering products for diagnostics and are performing clinical trials and of course the service providers that we spun out are doing very well.

The first of these spinouts was Catalyze, which is the consultancy specialized in subsidy advice, which collaborates very closely with the companies in DDF Venturesâ?? portfolio. Catalyze offers independent consultancy services to 400 customers across Europe, and in some cases leads us to find new investment opportunities where we are able to get actively involved as investors through DDF Venturesâ?? as well as providing consultancy services.

Julius Clinical is the other service company that we spun out, which is a CRO that conducts phase III and IV clinical trials for large pharmaceutical companies.

What do you see as the biggest synergies or benefits of having your own CRO and consultancy effectively in house?

Having two service providers who are active on the market as part of our overall business structure has given us our own revenues to redirect towards the companies that we are developing, and the diversification has worked to stabilize our cash flows to some extent; when a crisis occurs Catalyze does relatively well, when the market is hotter Julius Clinical gets more business and there is more interest to invest in DDF Ventures. The variety of activities going on under the same organization means that we are not particularly focused and that things are still quite chaotic, which is ideal in terms of providing a dynamic, creative and flexible environment.

How well is the Dutch life sciences ecosystem structured to support the translational process?

We fill a large gap in the life sciences ecosystem in the Netherlands. There is still a lot of good research in the Netherlands and there is a good infrastructure, but it is very difficult to get good ideas off the ground, to get IP out of universities in a way that it makes sense for investors and supports

the translational process. We donâ??t have some of the basic things in terms of infrastructure that small companies need to be started successfully, and many of these startups lack management expertise and the skills necessary to be successful, and more importantly they often donâ??t know how to find money and how to get a company up and running. The knowledge transfer offices within universities are understaffed, underfinanced, and under skilled; getting IP out of a university can take up to five years even if you have a well trained entrepreneur and well respected professor both supporting the project, and the conditions in the end are not very favorable in the end.

As such, in many cases we will pull a project or idea aggressively out of a university if necessary, and as such we have a love hate relationship with universities and tech transfer offices. So overall, I would say that there is much that the Netherlands can learn from Belgium, the UK, the US, or even Israel.

What needs to be done to improve the system?

The problem is that we donâ??t have enough startups. Occasionally we get extremely lucky with one big win, the most recent being Dezima which Amgen just acquired for EUR 265 million in cash upfront and a total deal value potentially up to EUR 1.4 billion, and this leads to a lot of hype around the biotech industry, and for people to think that things are going great. Well, there are a few ridiculous stories that have made the headlines, but in general there just arenâ??t enough startups given the amount of research and the failure rate in life sciences. Dezima is just one company, founded by John Kastelein who is one of the greatest scientists in the Netherlands, but for us to have more than the odd success story we need to take a chance on more ideas and start more companies, which will also mean allowing more to fail.

The best way to do this would be to look across the border at Belgium; I have said it many times before and nobody has listened, but the Netherlands needs to start a Dutch version of the Flanders Institute for Biotechnology (VIB). We can copy it completely, or modify it a bit to add a Dutch flavor, but without starting a similar organization the country wonâ??t be able to effectively support the growth of the life sciences sector.

I spent quite a lot of time trying to start a startup fund where we could put EUR 200 000 to EUR 300 000 into 20 to 30 companies, and tried to raise some capital from a few other Dutch service companies that are also making good money, as we are. The funding would be used to identify the gaps in the startupsâ?? knowledge, get them on the road to financing, and to purchase would services from the companies investing in the startup fund. I proposed that the government could contribute a similar amount of money for research purposes.

Unfortunately for both concepts, itâ??s hard to get anyone to commit. If it takes time or money, itâ??s hard to get people to get involved, especially in something different from what they have seen before.

Could you highlight for us one of your current investments that you feel has particularly strong potential?

I am most excited about Hercules, DC4U, and Oncodrone. The science is going well for all three, they are all funded up until the first stages of clinical trials, the scientists involved are very good, true global key opinion leaders in their fields, they have strong patent positions, and are well managed, or have at least learned well from prior mistakes.

If we want to talk about the more mature investments that are now run independently and have their own management teams, both SkylineDx and DC Prime are both in a very strong position. Skyline currently has two products sold worldwide, while DC Prime has a product in phase II clinical trials,

and both are considering an IPO for next year.

Weâ??ve heard that one of the weaknesses of the Dutch is that they arenâ??t willing to market themselves or show off enough; do you agree?

Thatâ??s very true. Looking at DDF, I would say that promotion is one of our weakest sides and if we had focused more on highlighting our successes and showing off our strengths we would have a larger footprint than we do currently. Sometimes the Dutch can be a bit too introverted, too modest, and as the DDF we could have done more to get the word out about our companies and services, and it is a mistake that we will not make again.

With that in mind, how will you approach international clients and partners in the future; what is the message that you would want to send?

What I have learned is no matter how small you are as a company, or how big the world might seem, everyone in this field can make an impact. Business is difficult in general, but there are many experienced individuals who you can learn from and get advice from, and in general if you look at things logically, take things step by step, follow the rules, and look at things carefully, and take the risks that need to be taken to be successful then you can achieve a lot.

It is the risk appetite that is lacking in the Netherlands; we have a strong tradition of entrepreneurship and commerce, but the Dutch are also cautious. Entrepreneurship on its own is risky enough, and staking risks by going into life sciences makes things extremely risky. You can manage a company perfectly for ten years, raise all the funding they need and do everything right, and still see them fail because the drug has unexpected side effects. Because of the risk inherent in the biology, every life science company needs to be a success; you canâ??t control the biology, but if anything else goes wrong itâ??s your fault.

I myself am much more entrepreneur than scientist, but if I didnâ??t have a scientific background I never would have gotten into life sciences, even though it is the most exciting and rewarding field I could be working in. There is just too much risk to do it otherwise.

Looking forward, where would you like to take the DDF by 2020?

The only thing that I would like to firmly set as a target is to have one of our drug products in oncology work. We donâ??t have to be making money on it, but I would like one of our companies like Hercules to have a drug that is effective against metastasis of cancer.

In general, I am also now more focused on training the consultants we have here at Catalyze to become entrepreneurs themselves, and we have at least five individuals who are now higher level consultants that can manage these startups. Becoming an entrepreneur in the life science industry when coming from the outside can be very harsh and difficult, yet we hire university graduates to become consultants at Catalyze, they learn the businesses, and I would like to see a few of them take on starting and growing a company themselves.

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