Ignasi Biosca â?? CEO, Reig Jofre, Spain

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Reig Jofreâ??s Ignasi Biosca outlines recent changes at the Spanish family-owned company, preserving its original ethos, portfolio development and internationalization plans.

Can you update us on some of the recent changes at Reig Jofre?

In 2014, we were still a 100 percent family-owned enterprise. The real game changer occurred the following year when we merged with a public company. This meant that we had to go public ourselves and thus reconfigure the business model to align with the additional obligations that the process entails. The family still maintains 72 percent of the shares of the company so the original corporate ethos remains very much intact.

What has been the impact of the merger?

From a pure operational perspective, it had a significant impact on the organization of our financial departments. Apart from theses operational issues, it has allowed us as a company to commit to considerably stronger investments. Essentially it hands us an alternative source of finance to identify and roll out new projects. It has thus allowed us to be a little bit more aggressive with regards additional investments.

While we are a firm that was founded in 1929, we donâ??t want to be perceived as an old-fashioned enterprise. We want to be seen as possessing a certain iconic legacy, but at the same time be perceived as forward looking. Our mindset retains a certain youthfulness and vigor. We are a highly active entity that is aggressive in seeking out new opportunities and agile in adapting to the moment. We are certainly a company with great expectations and ambitions. This is why we made sure that, once we went public, we put together a clear investment plan to grow as a company and to get better returns in the coming years.

How have you managed to preserve the original corporate ethos?

It would have been easy to change the way we acted, but at the beginning we said that we wanted to continue doing things the way we have always done them. We want to keep our same culture and imprint of identity. Our investors are investing in and believe in our original tried and tested model. We are not here to grow too fast or to grow at all if it is not in the same solid way as we have done in the past. The issues that we have had to confront are quite typical for successful family-owned midcaps. You reach a juncture in your development trajectory at which you realize you need to open your doors a little bit so as to accumulate the requisite firepower to propel your company into the next league or level. I am confident that we have handled this moment very well and have managed to strike the right balance between preserving our original characteristics and acquiring some more.

How does it change things in terms of your management?

In the first place, we have kept the long-term vision model of being controlled by the family. But at the same time, being listed on the stock exchange, we know we have to deliver every quarter. So we make sure we manage the business in a professional way, looking for results and profitability, as well as running efficiently. So we benefit from both worlds.

Sometimes when companies are listed on the stock exchange and are owned by many funds and investors they can lose their long-term vision. I think we have managed to avoid this pitfall. Our ownership structure is still sufficiently consolidated for us to not lose all our time chasing short-term shareholder returns. We are still able to play the long game and give our strategies sufficient time to properly play out.

I am increasingly conscious of the benefits derived from being public. In many respects, our new status motivates us in the right direction. For example it enhances our transparency and our international partners receive a lot more data on what we are and what we do in a timely manner. Itâ??s an effort, but then you get a lot more exposure. All in all, I consider it to be very positive for the business.

Can you tell us about your EUR 30 million investment plan?

We thought it was the right time to make the investments as we were going public and had access to capital. Also, we have always kept a strong focus on the production part of our business, focusing on the development and the production or manufacturing of pharmaceutical products. Today, close to 50 percent of our business is based on the technologies that we have mastered and 50 percent on

our specialty and consumer healthcare products. So itâ??s a big part of our business. We are committed to the industrial part and the manufacturing part of the pharmaceutical value chain. In that sense we have been focused on building capacity, while at the same time increasing production efficiencies, especially when dealing with large volume productions.

Also, dealing with top-notch quality-by-design lines allows us to secure the best possible quality in the market. It could be that it will help us differentiate ourselves in the future. It was worth investing to attain this capacity and the automated production of vials.

Those three points â?? the efficiencies, the capacities and the top-notch quality â?? will help us bring in large multinationals and Big Pharma companies to develop and manufacture their injectable products. Additionally, we also appeal to small biotech firms, which may have developed their own products and protein antibody products in the lab but need to achieve an industrial scale. We can certainly take care of their development and scale them up. That is in addition to developing and manufacturing generic products that require large volumes and high efficiencies.

In terms of revenue, how important is contract manufacturing to your business?

As of today, pure contract manufacturing is in the range of 20 percent of our total turnover. Usually though we get involved in the development too â?? we develop the formulation and the process, and the clinical trial materials. This part of the business is currently not that large, but it is something that we are looking to extend in the area of injectable solutions and lyophilization. Meanwhile, we are behind many small biotech companies and multinationals developing their products and once they go through Phase 3 trial approvals in their countries and start sales and marketing, we could support them with our industrial expertise.

We also believe in developing some of the products ourselves, especially when it comes to generic products. Our teams take care of the development of those products and eventually we look for distributors and licensees all over the world that want to partner with us. We take care of the manufacturing, they take care of the local sales and marketing.

This is an industry in which you need to partner with other companies, because it is very difficult to do everything alone. It is more about finding the right partners and then trying to look for the right agreements. We are real experts in the development and manufacturing of injectables and especially the tricky, not-too-stable formulations that require some sort of specific process. Our recognition on a worldwide basis helps those companies and partners come to us and work together.

Where does your main competition come from?

There is always competition everywhere especially when we talk about providing development and manufacturing services. Nevertheless, we distinguish ourselves through our strong specialism in injectables that enable us to establish the sorts of strong and long-term partnership agreements that can lock out much of the external competition.

Can you tell us about the creation of the biotech with LeanBio?

Being experts in the development of injectable formulations and knowing that most biological products end up being injectable products, we always thought we had to understand this entire sub-field. At the same time, we always foresaw that there was room to develop and manufacture these types of products in Europe and that we would need to establish a strong presence across this space. Given our depth of existing expertise, we have been steadfast in harnessing knowledge in developing biological and difficult formulations for our biotech partners.

Therefore we explicitly looked for elements that we lack. We initially sought out very specific analytical and developmental techniques purely for biosimilars and that is what our partner, LeanBio, continues to provide us. We have known them for many years. They are a small biotech company with a strong focus on all these techniques. Together we decided to partner and build a new company, called Syna Therapeutics, focusing on a couple of things: namely niche, smaller, biological and bio-similar projects. The rationale behind building it as a standalone, separate company is because we think that, even though we are financing it ourselves, eventually we will require additional, industrial partners. So corporate money and other partners will eventually want to get involved in the project.

Do you anticipate the Spanish biosimilars market taking off?

This project is international so we would sell it wherever we detect demand, whether in Spain or the rest of Europe. From a European perspective, biosimilars are definitely here to stay. We need to fine-tune the model but the industry will grow. It is a model that cannot be avoided. For Europe, from a pure sustainable financial perspective, this makes sense. Then, for the rest of the world, it makes sense from a pure access perspective. Many countries in the world have not had access to certain treatments because they were too expensive. Biosimilars are the answer to that and provide access to biological treatments that were unavailable because of the cost.

How is your portfolio evolving over time?

Right now, the portfolio looks pretty balanced. On the one side, we possess strength in antibiotics and injectable formulations and are managing many different products across a wide range of areas. The other 50 percent comprises specialties and consumer healthcare, which probably account for 25 percent each and encompass biologics in categories such as respiratory and gynecology.

Meanwhile, we are investing strongly in the pharmaceutical technology area so we expect this area to grow from 2021 onwards. We will have a new building and then for the next 24 months we will just be testing. Providing we attain the requisite approvals in a timely fashion, we expect to start by the end of 2020. This part will grow in the coming three years. At the same time, we still see ourselves as being able to develop products with international perspective and vision, in respiratory and gynecology domains.

Furthermore, we are looking for international partners for our new product, which is concerned with pre-term labor risk (i.e. ladies who run the risk of giving birth before week 40). It was developed by our R&D team and launched in Spain. Now we are undergoing a Phase 4 clinical study that will help us launch it in the rest of Europe. So we are looking for partners. We are also working on the international launch of a drug for kids that wet the bed. It is a product that decreases the risk of the child wetting the bed, a formulation for an anti-diuretic hormone.

How is the nutritional supplement side faring?

We possess some components that are more pharmacy oriented in our nutritional supplement offering. Forte Pharma, which is the brand that we operate, covers a number of areas including weight control and supplements, energy, and natural alternatives. Forte Pharma experienced a very successful 2017/2018 with especially strong growth registered in France. We are now pushing ahead with trying to cement our Spanish, Portuguese and Belgian growth trajectories and will be working on the international expansion of that product line.

How is demand for these products in Spain?

It is an extremely competitive market. Barriers of entry are lower, so there are a great many players to compete with. It all depends how strong your brand is in the marketplace, and that links to your ability to be fast in identifying the trends and swiftly conducting product launches. Many times this is at odds with the culture of big multi-nationals, which tend to be slower in the way they advance, more scientifically based and less consumer-driven. The size of the market is also a factor. France is more mature, whereas Spain is smaller, but growing. Nevertheless, it is harder and harder to find a space for new pharmaceutical products.

How is internationalization progressing?

Basically we are continuing on the same path as before. Europe is very much stable. We are continuing to grow in Europe and Spain. But we see potential coming from outside Europe. Meanwhile, a big success for us has been Japan. We entered the Far Eastern country in 2017, with a sterile injectable and anesthetic product for hospital use. It took many years and a lot of effort to adapt it to the Japanese requirements and needs.

2018 for us is all about Indonesia. It is the fourth largest country by population size in the world so heralds great potential for those audacious enough to seize the opportunities. We calculate Indonesia is endowed with a huge middle class that is growing and a willingness to access certain treatments that have historically been available in other parts of the world, but have not been available there as yet. So we are currently in the midst of partnering with a view to capitalizing upon the emergent opportunities.

And then, in 2019, we expect our new line of antibiotics to become 100 percent operational on the US market. Asia has potential for us, while Europe lays claim to being our biggest market. Also, we are obviously still looking at other parts of the world like Latin America or Central America, not to mention Africa.

Where do you want to take the company in the next 4-5 years?

Our goal is to be a much larger company and much more of an international company. Spain today represents 43 percent of our sales. Spain is doing a fantastic job so we wonâ??t be asking them to slow down. I would expect to see some of our specialty product developments growing in sales internationally. We will also be fine-tuning our food supplements as this area has still to find its space. In 4-5 years, it should be much more defined. Then, in terms of biosimilars, what will happen in the market will be much more defined. The system will not be sustainable unless it finds a good model for biosimilars. Also, five years from now I would like to see the company be investing more in products, especially those that can eventually be licensed out.

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