Interview: Konstantin Matentzoglu â?? CEO, Celonic, Switzerland

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CEO of Swiss biologics CDMO Celonic, Konstantin Matentzoglu, explains how the company attracts talented and experienced staff and what makes it the partner of choice in Switzerland and beyond.

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Celonic is in many ways more than a CDMO for biologics. What is the strategic focus of this company?

Our focus is to engage with biopharmaceutical companies active in research and development stages and build long-term strategic partnerships where we handle the development of their products from the clinical stages through market-supply manufacturing. Our services span across both New Biological Entity (NBE) and Biosimilar development projects, with NBEs clearly constituting the lion share. As a partner, we are able to leverage our significant biologics development expertise to help minimize the development risk of a given biological product. Moreover, when we say strategic partnership, this means that we help to optimize the costs during development and focus on how we can help to increase our clientâ??s project valuation. We also have a strong VC network and could potentially even help to link our clients to additional funding.

We do of course offer a full range of CDMO services for biologics developers, but building a large client base is not our goal. Instead, our medium- to long-term vision is to reach a point where we are manufacturing the commercialized products for perhaps five strategic partners. We have already

found one such partner and are currently ramping up our capacity to prepare for the commercial launch of the product.

What types of biologics development and manufacturing projects is Celonic most interested in participating in?

To reach our goal we will be establishing many more partnerships with clinical stage biopharmaceuticals with a clear intent to progress them to the commercial stage. Initially, we said we would need to take on about 50 clinical development projects to move a handful to commercial introductions. However, we believe we can improve on this ratio as we have identified certain areas where products can reach the market quicker and more easily. The orphan drug space would be the best known of these areas, however in general the odds of identify promising products are fairly low from our vantage point.

A more promising area we have identified are pathogen inactivating antibodies, which target infectious diseases. This is a very interesting business area because working with a good platform technology reduces complexity around developing these antibodies, and there are several businesses with brilliant platforms for this. The demand for such products is quite high, and the product development cycle rather short because the FDA and WHO are quite keen to smoothen authorization for these products due to the unmet needs they can address; the EMA has been a bit more conservative thus far, but it appears they will be making similar adjustments.

The best example of an infectious disease which has sparked the development of pathogen inactivating antibodies is Zika; until last year it was widely unknown, but given the WHOâ??s warning of a potential epidemic, a number of Zika inactivating antibody development projects were started. Another example is the respiratory disease MERS-CoV, which received major attention last year when the government of Saudi Arabia indicated their interest in licensing an inactivating antibody for this drug due to the potential for a MERS-CoV outbreak at the annual Hajj. The government invested in a number of projects, and one has already had substantial success and should potentially reach the market within three years after the major development work began!

To play devilâ??s advocate, there are very well established, very well respected CDMOs who work with biologics. Why should a client choose Celonic?

Firstly, it is important to understand what type of biopharmaceutical companies should consider Celonic as a partner, as we are not the right fit for everyone; we are certainly not a CDMO for big pharma for instance. We believe those that will benefit most from working with us are small to medium-sized biopharmas that have strong expertise in how to commercially develop a product in the market, are at a late preclinical or early clinical stage, and have clear development goals and objectives.

There are a number of reasons why we should be the partner of choice for such companies, which mostly relate to the fact that we deliver what they need. We have a proven track record of delivering everything they need in terms of manufacturing, and we do this in an extremely transparent manner, such that everyone involved knows the exact development stage and status at any time. Knowing Celonic is managing their product with the utmost attention and expertise allows them to focus on their own core competence and keep their organization lean.

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Moreover, we strive to deliver not just good solutions, but leverage our extensive expertise to develop and tweak processes until they are optimal; helping to increase our clientsâ?? project valuations. Weâ??re not the most expensive, but our prices are in the top 25 percent of CDMOs, and

this is of course justified by the fact that we deliver services of the very highest quality.

To ensure top quality across the full range of our services, we have been implementing Total Quality Management (TQM). This is key in helping to provide a more formal system for maintaining the full transparency of our activities, and take a few steps further even. Finalizing the implementation of this system is one of my key focuses as CEO, as it will be a cornerstone for our organization going forward.

As a strategic partner, how can Celonic help to decrease the development risk for clients, creating value for investors?

There are three core pillars of our organization that help us to reduce the overall risk of development for a project and our clients.

The first is our incredibly experienced and capable project management department, who collectively have over 125 years of project management experience and are undoubtedly one of the most experienced project management departments in all of Europe for a company of our size. This team includes managers who have worked throughout the entire drug development lifecycle at leading big pharma companies, including Novartis, and together they simply bring a degree of experience that no small or medium-sized company could expect to recruit on their own â?? or find at most other CDMOs of our size.

Second, we have access to a vast network of subject matter experts to supplement our in-house expertise. We can bring in the know-how to address a broad breadth of challenges our clients may face. Although this may sound like a fairly generic claim, in our case this is a resource our clients have used extensively and have expressed significant appreciation for in the past.

The third and final pillar is of course that if we feel it makes sense, we are open to co-investing in our clientsâ?? projects, holding some of the overall development risk ourselves. In this direction, I see a very interesting possibility for us to explore, which would be leveraging our VC network to help find additional funding for some of the projects which we invest in. From our end this would make a lot of sense as we have significant control over a large portion of the development risk, and this would provide significant assurance to any other investors we helped to bring in.

You joined Celonic as CEO in February 2014. How would you assess the companyâ??s performance over the two and a half years since then?

When I joined Celonic the company was essentially a very unprofitable business which lacked a proper commercial structure capable of generating significant new business. I was contacted by JRS, which acquired Celonic in 2011, and offered the opportunity to turn around this business and get it growing again.

Since February 2014, we have built a really first rate commercial team which now consists of six people and are very proud to have recently hired a former senior Syngenta employee who was responsible for global marketing activities. Today, our revenues are three times their 2014 levels and we have expanded our staff significantly to handle the additional business. Perhaps more importantly, in the last year, Celonic posted its first positive results and this year we expect to achieve an EBITDA margin of beyond average industry margins. Behind all of these numbers, signing our first contract for market supply of a biologic product has been a major milestone for Celonic. The market has taken note of Celonicâ??s transformative growth and now we are talking to several other parties about potential market supply campaigns.

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Our growth prospects are also very strong. We have already sold our 2017 capacity and a significant portion of our 2018 capacity. As such we are currently investing in an additional manufacturing suite at our main site here in Basel and are also finalizing plans for a new facility with triple our current capacity, which we hope to break ground on next year.

The first phase of this new facility will be sufficient to meet our capacity requirements through 2023. A that point, I expect that Celonic will have around 400 employees with a turnover in the range of CHF 250 to 300 million, We will certainly have started supplying at least one product in commercial volumes for the market, and will likely have to consider starting a second phase of construction at our new facility.

Youâ??ve mentioned that youâ??ve been able to attract talented professionals from leading biotech and big pharma companies â?? what do you think they saw in Celonic to convince them to join?

I think the youth of our organization and our corporate philosophy make us very attractive for people who have already found success in large corporations and are looking for a change. If you do project management in big pharma for many years, at some point youâ??ve covered every stage in a drugâ??s lifecycle and the day to day job can get boring. These people have a lot of expertise and ambition and want to bring it to an environment where they can have a real visible impact, on an expedited timeline. This is Celonic â?? here they get the chance to work with new cutting edge science on a very regular basis, and every day brings a new challenge. This is how we brought in both former Novartis and Syngenta executives. We continue to receive applications and interest from senior-most operations management at global pharma leaders

I think all of these professionals see that weâ??re a young, dynamic company with huge growth potential â?? but also that weâ??re a company that very much cares about people. We have a very strong internal focus, and our philosophy is if our employees here at Celonic are happy, excited and motivated, they will do a better job for our clients, and more clients will want to collaborate with us on a strategic partnership level.

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