

Interview: Shahbaz Ardalan Managing Director, Alpex Pharma, Switzerland



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Alpex Pharma is a specialized manufacturer of niche oral delivery forms, both for third parties and for their own portfolio of products for out-licensing. Managing Director Shahbaz Ardalan discusses the firm's heritage, commitment to quality, and his plans for Alpex's expansion.

Alpex is highly specialized in a few key dosage forms, with the heritage of the company being in effervescent tablets. What is the story of the evolution of the effervescent market since Alpex was founded?

Effervescent tablets are a traditional technology in Europe, but in the years leading up to Alpex's creation originally under a different name this technology was almost completely unknown in the US. In fact, apart from Alka-Seltzer, until the 1980s no other major effervescent product had been commercialized in the American market. Based on this situation, in the early 1980s, a Swiss major bank issued a report regarding the US pharmaceutical industry and its future, and one of the areas of opportunity they identified for development was effervescent tablets.

A few companies were created at that time to capitalize on the untapped potential of the US effervescent tablet market, but over the years, most have disappeared through M&A activity. Founded in 1988 as an effervescent tablet and granule contract manufacturer, Alpex is one of the few pioneers from this era that is still independent, and finally after 30 years we're finally seeing this prediction come true. Today, the US market for effervescents is still very fragmented and slightly

niche compared to countries like Germany and France where these products are very mainstream. However, with the growth of a few major brands such as Airborne, recently acquired by Bayer, and the effervescent sachet Emergen- C, owned by Pfizer, this situation is beginning to change.

Alpex was originally founded under another name, and today works with orally dispersible and sustain release technologies in addition to effervescent forms. What have been some of the major milestones in the company's development?

I have been with Alpex since January 1991 as commercial director, before taking over as general manager in 1992, and thus can be considered a co-founder of sorts. Upon joining the company, then called Aesculapius Pharma, I began to look for new investors and partnerships, and quickly found Elan Corporation in Ireland who ended up acquiring the company in 1992, renaming it Elan Pharm SA. In the 1990s we developed our own patented orally dispersible tablet technology. Then in the early 2000s Elan divested all of their businesses after facing challenges in the stock market, and in 2004 the firm was acquired by funds managed by an American investment bank (Signet Healthcare-SMH) with minority participation from the management. A few years later, the Swiss managed funds BB Biotech has participated in the share capital of the company and became a significant shareholder.

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This was the major pivot for the company, as in 2004 we renamed the company Alpex pharma and began to develop our own products for the first time. Given our experience under Elan and the fact that our facilities were already FDA approvable, we first began by focusing on developing business in the US, and then in 2008 after financial crisis in that area, we launched our full internationalization strategy to expand a wide variety of markets around the world.

Today, what would you highlight as the core focus of Alpex as a business?

Firstly, I would highlight that we are a company that places an immense focus on quality. As we work with third parties, we must not only satisfy the quality requirements of regulators but also of our clients, and as a business we identify our commitment to quality as a key factor for success. In fact, given our commitment to quality, Alpex has very much become known in the Ticino pharma community as a great school for individuals working in quality and development activities, and many of our former employees now work in quality assurance and similar positions at a variety of other pharma companies in Ticino, and even in relevant regulatory positions in the public sector.

Secondly, as a business our core focus is around developing and producing products with niche delivery technologies – specifically, technologies which require temperature and humidity control during manufacturing. This applies to both pharmaceutical and nutritional supplement products. This began with effervescent tablets and granules, and today has been expanded to include our patented orally dispersible tablet technology, and sustained release tablets.

Finally, while our heritage was more as a contract manufacturing company, over the last decade we have developed a sizeable portfolio of our own products which we commercialize via licensed partners in countries around the world. Today, sales of our own products account for a good part of our turnover, a figure which is increasing as we enter new markets and launch new products in the coming years.

What IP can you create around a product using your orally dispersible technology?

Certainly, with our patents we can create some differentiating IP around products, and coupled with research we can demonstrate some clinical claims around the additional benefits offered by an orally

dispersible form of a product. As such we gain royalties from this IP on products that we manufacture for third parties, and several of our own successful products have been based on this platform. In fact, we have identified certain cases where our orally dispersible product is priced much higher than a conventional tablet formulation of the same molecule due to convenience of use and compliance.

Looking forward, what will be your top business development priorities for Alpex over the next five years?

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Over the last five years, we have been able to maintain double digit growth, and we see the possibility to increase that growth over the next few years as we enter new markets and launch new products. We have launched six new products in 2016 and are planning to launch nine products this year. At present, we have five important products under development which will all have potential in a wide range of markets around the world, ranging from North America to Eastern Europe, Far East, South Africa and Australia. Launching new products and developing business in new markets are the key priorities for Alpex in the short to medium term. We have for example, just launched our first product in Vietnam.

In terms of longer term priorities, I would like to find some additional delivery technologies to integrate into our offering. The time to look for those is of course now as it will take time to develop products and business in a new area once identified.

To wrap up, do you have a final message on why Canton Ticino is a fantastic place to start and grow a business?

While there are true homegrown Ticinese pharmaceutical companies, Alpex like many other businesses is here for a reason. Ticino has long attracted entrepreneurs from Northern Italy and further afield, and for far more reasons than just the high quality of life and beautiful natural surroundings.

First, from a business owner or manager's perspective, Ticino offers all of the advantages of any canton in Switzerland in terms of an open business environment. You don't lose time due to excessive bureaucracy or circular discussions with authorities, and instead can really focus on your clients, products, and growing your business without significant political distractions. Secondly, Ticino is somewhat lower cost than Northern Switzerland, and while salaries are higher than in Northern Italy, holistically the cost of operating a business is not much higher in Ticino than just across the southern border. In Italy, businesses face far more social costs in terms of taxes and contributions to social security for instance. Moreover, in Switzerland the workday is somewhat longer and the work culture is very focused, so productivity is quite high in Ticino offsetting any cost differential between running a business here versus around Milan.

Third, Ticino is extremely well located geographically. We are close to Italy, meaning we have easy access to the workforce around Milan, and the skilled graduates coming from the excellent universities in the region. This also means that logistically all three airports around Milan are easily accessible. Moreover, with the opening of the new AlpTransit project and the Gotthard base tunnel, Zurich is now closer than ever – just over two hours by train – a bit long for a daily commute, but making regular day trips between the cities highly feasible.

For all of these reasons and more, I believe Ticino is the right place to make very high-quality pharma products at a reasonable cost, where you have all the opportunities and connectivity to achieve strong growth. If I had to start another business from zero, I would choose Ticino, and on behalf of Alpex Pharma, I would like to say we are proud members of the Ticinese business

community â?? in fact our corporate colors of blue and red are the state colors of Canton Ticino.

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