

# Interview with Pascal Keogh, Managing Director, Millmount Healthcare

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01.03.2013

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*Mr. Keogh, you founded Millmount Healthcare in 1999. What was the vision behind the company?*

Prior to founding Millmount, I spent ten years in pharmaceutical manufacturing and contract packaging in the UK. I worked for innovator companies, and I worked for contract packing houses—and I saw a huge disparity between the two. The packing houses typically serviced generic companies that wanted bargain-basement service with low overheads. Compared with innovator operations, I found that the packing operations were very different in terms of quality standards and procedures. The very fabric of the place was different!

I saw a gap in the market. I saw that innovators, when looking for a contract partner, wanted to walk into a facility with a standard that was closer to their own. I also discovered that size was not as important as I first thought: innovators were happy enough to hire a smaller, boutique contractor, as long as the contractor's standards, systems, etc. reflected the fabric and flavor of the innovator's own plants.

In my latter years in the UK, I worked for a major blue-chip contract packing group. I realized that a great deal of product was coming in, in unpackaged, bulk form from Ireland. The drugs were destined for a number of European markets—some were even shipped back to Ireland after being packaged by the contract group. I asked myself why these products were not being packaged locally in Ireland. The answer was simple: unlike in the UK, where there are 15 or 20 packing contractors, in Ireland, there were none. There were manufacturing operations that sometimes sold extra capacity to their neighbors for packaging, but there were no dedicated service providers. I saw a business opportunity, and I returned to Ireland.

## ***How did you develop the business?***

Once I had the idea, the difficulties began. I arrived home in Ireland, and set up our first facility in Navan, County Meath. I was the only investor in the operation, and it was extremely small: 2,000 square feet. I had little help from the local banks, which is perhaps understandable, because the idea was novel. The question loomed of where I would get my business.

However, I firmly believe in the saying, "build it and they will come." It has always been my policy that one must be ahead of the curve in this industry—if you wait until the market is developed, you are just another competitor.

We developed the facility, with its two clean rooms, and started knocking on doors. I encountered my first problem, because I found that when I approached Irish manufacturing companies, they would say that packaging was not their concern. They made tablets, sent them over to their sister company abroad, and the sister company was charged with getting the product packed. Ironically enough, to

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win my first few customers, I actually had to follow the supply chain back to the UK! My first business came from the UK divisions of multinationals. As a result, we started dealing primarily with export markets from the beginning.

And yet, very quickly, our client profile turned around as Irish companies realized that they could add value to their own business if they controlled the contract packing element locally—because when they sold the drugs to their sister operations abroad, the product would arrive in finished format and net the Irish company an additional margin.

Looking at our sales pipeline for indigenous versus export sales over the years, we have found that time and time again, using our service locally has incentivized multinationals' headquarters to shift packaging to Ireland. This has been the case for names like Ranbaxy, Mylan, and several others—our first point of contact was outside of Ireland, and today we work with them within Ireland.

***Is Millmount still a unique player in the Irish market? Or have other operations followed in your footsteps?***

There have indeed been others that have followed in our footsteps. Today, there are about three or four players in Ireland that offer a pure contract packing service. However, we are the largest pharmaceutical contract packer in the country by a long shot.

***What are the advantages of running this outfit from Ireland? Would it be more beneficial, as a contractor, to operate from a low-cost location?***

Firstly, I disagree with those who believe that Ireland is a high-cost market. We have very efficient roots to Europe, and our cost of export throughout the region is lower than one might think. In fact, I remember working in a fairly remote location in the UK, and I can tell you that Millmount can ship freight to London cheaper and faster than my former company can. From a supply chain and transport standpoint, we are not in the backwater in Ireland, as some believe!

Furthermore, from an efficiency point of view, Ireland has great advantages. This country has a superbly well-educated workforce. We think smarter, and we act smarter. As a result, we can often optimize the efficiency of our processes more than certain low-wage locations. We also need less people to do the job. In fact, very soon, Millmount will be working for its first Indian company.

The world is becoming a smaller place. European costs are going down, costs in India and other emerging markets are going up, and there are greater parities in the global market. Efficiencies are key, lead times are key, and the cost of doing business in volatile markets can prove too high. We have found our niche: short turnaround, small-series runs. You have to be smart to make money doing that—and the cost of labor is not an overriding factor.

***And Millmount is smart.***

I hope so! Otherwise we wouldn't be growing.

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### ***What kind of growth have you enjoyed of late, and what is driving your expansion?***

We are anticipating growth of 25% per annum over the next five years. The driver is, simply, openness in the market. A number of factors have contributed to the openness: for instance, as pipelines are drying up, innovator companies must increasingly scrutinize their costs and figure out how they can become more efficient. One aspect of these efficiency campaigns may involve the decision to outsource certain non-core competencies. Millmount is in the sweet spot. The service that we offer certainly appears to be in demand over the next five years.

Moreover, because of the heavily regulated nature of our business, when you get into bed with a partner, they do not take that relationship lightly. They do a great deal of due diligence, and they look to partner for the long-term. Our confidence for the next five years is built upon our work to date and our communication with our partners. Many of them have spent a significant amount of time and capital bringing us on board in a regulatory sense, and putting our name on their licenses. They did so for one reason and for one reason only: to use our services. We are very confident that we will achieve our growth targets.

***This is a comment that we have often heard from the managers of service companies: that it is indeed quite difficult to get into bed with a pharmaceutical company, and understandably so: their products carry a great deal of personal risk.***

Exactly. Because of the high barriers to entry, our focus is on growing business without losing customers. We don't want to take two steps forward and one step backwards. We want to retain our existing customers, and we look to continually offer them additional services and additional reasons to use Millmount Healthcare. This has meant that our average spend, on virtually every customer we have, is rising. However, we accept those costs as the price of providing an excellent service. We have also grown more sophisticated internally, and have sought to continually improve our systems through the introduction of tools like SAP.

We want to grow with our customers, and become fundamental to their growth—we hope that they will outsource with us not to meet short-term requirements, but rather to meet the demands of a strategic, forward-looking plan.

### ***Has this company continued to be self-financed?***

Two additional investors came on board in the early stages of the company, but I soon bought them out, because they were not contributing to the business. To be honest, I never imagined that we would grow to this level! Millmount Healthcare started out with five of us working in a factory, with myself at the top end of the production line.

### ***What do you believe constituted the turning point from a five-person operation to explosive growth?***

There was no one factor. In fact, in the early days, business growth was very, very slow—because we were working in a heavily regulated industry, because we were self-financed, and because of my own philosophy, which dictated that we don't offer a service until we are sure we can perform it very well, and until we can offer a standard that we can be proud of.

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Only in the last couple of years, since we moved to our current main site, do we have the capacity to service the market on this scale. The move was a major jump for us—and this facility is only running at 25% capacity at the moment. We have every opportunity to grow within these four walls, and our focus now is on winning additional sales.

***Millmount Healthcare recently celebrated a milestone by shipping its first packages to the North American market, with Apotex as the client. At the announcement of the deal, you commented, “Although we are well accustomed to dealing with non-European pharmaceutical companies, their business model has always been centered around using Millmount Healthcare as a springboard into Europe, with product sent to our facilities for packaging and release (by Millmount) to other EU destinations. This is the first time that the end-destination for the finished product will be a non-European country.” Can you comment on this partnership? How did you win Apotex over?***

As is typical in the pharmaceutical industry, the courtship was very slow. We have known Apotex for many years. However, slowly but surely, they recognized that our services were quite unique, and that we could offer them capabilities that they did not have within their own group. Because they had bases in Europe and an appetite to outsource some of their packaging, they felt comfortable sending products from Canada to Europe, for re-export back to Canada. We recently converted our Navan facility—our first site—into a high-potent facility, and the service that we offer there is very specialist: short-series, high-potent drugs. There are very few players in Europe that want that type of work, let alone can handle it safely!

Our primary focus is still in Europe. In fact, we are only just breaking out in the European market. For instance, we see the Nordics as a great business opportunity, mainly because of their tender guidelines that demand product availability within a very short window—normally within four weeks. That kind of turnaround is not everybody’s cup of tea. We can do that, and we can eat it for breakfast!

We see ourselves as a partner of choice in markets and regions where clients need short-series runs with expedient delivery. As I mentioned, Ireland is a great shipping hub—we can have product as far as Finland within three days, and typically within 48 hours. Europe is our core. Our packages, on the other hand, wind up in hundreds of countries around the world.

***Focus Reports recently attended the IBEC CEO Conference in Dublin, and heard the Taoiseach speak. Mr. Kenny mentioned a pledge of support for Irish SMEs, and stated that SMEs will be a leading driver in Ireland’s economic recovery. In your opinion as the head of a local, medium-sized operation, is the Irish state offering satisfactory support to business of your size?***

I believe that businesses like ours—businesses driven by entrepreneurship—will find a work-around as best as possible, but the wheels could certainly use a bit of grease. Our government agencies, such as Enterprise Ireland, are excellent, and help us a great deal in terms of making inroads to foreign markets, improving our structure and business model, and training our people. Our business would not have evolved without Enterprise Ireland’s support, coaching, and mentorship. They helped me, in particular, to see the bigger picture.

However, with that said, I feel that from a banking perspective, the Irish government has not done enough to incentivize the banks to lend to small businesses. Without that kind of financial support, it

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is very difficult for small businesses to grow. Irish SMEs are prepared to borrow on their own backs, and they are not looking for government handouts—but at this point in time, my own experience and my experiences in speaking with other Irish entrepreneurs have shown that the banking sector is not moving at the same pace as government agencies in supporting the SME market. While we ourselves have been able to secure credit lines, the banking crisis has affected some of our suppliers and smaller customers. In this sense, we need to lubricate the wheels!

***What kind of culture have you sought to foster at Millmount?***

Our culture is one of flexibility. We are fortunate to have a workforce that understands the importance of flexibility, and understands that at the end of the day, we are a service provider. There are peaks and troughs in our business. We have to expand and contract our volume of work, and move at short notice when the orders come in. We have an extremely flexible staff in terms of time commitment, and in terms of attitude. Unlike some big pharma operations where product turnaround from cradle to grave can extend to 18 months, in our case, some customers will look to receive our packs within four weeks of the first communication. We have to employ rapid response teams to get the product to specifications and to head off any potential problems at the pass. Our business is quite structured—but it is structured around rapid turnaround.

***What continues to motivate you as an entrepreneur?***

I was always an entrepreneur at heart! I was the kid at school who painted stones white and sold them to the other kids.

Many people have approached me over the years and asked why I don't sell the business. I always have the same answer: I love what I do. Why would I sell? I like to compete, I like the challenge, and I am proud of what we've built together at Millmount.

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