Newly Independent CDMO Skyepharma Looks to Expansion

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Fresh from a management buyout and the establishment of Skyepharma as an independent company, Managing Director David Lescuyer charts the fully integrated French CDMOâ??s startling growth trajectory over the past five years and outlines how the firm is well positioned for further growth. Lescuyer also highlights some of the key trends in the CDMO marketplace today, including the crucial importance of secured and localised supply chains, as well as the need to partner upstream with pharma clients at an early stage on their drug development processes.

These are exciting times for your company, with the June 9th, 2021, announcement of a management buyout (MBO) and the establishment of Skyepharma as an independent company. What is the rationale behind this deal, and does it have a connection to the Carlyle Groupâ??s recent acquisition of your former parent company Vectura?

This is indeed a very exciting time. Since 2016 and the implementation of the new/current leadership team, Skyepharma has exhibited strong growth, doubled in size, and plans to double again in the next five years. The decision to spin off Skyepharma has not come about overnight; indeed, we have been in discussions with Vectura for over two years on this topic. Now was the right time to finally do

so, but it is not correlated with the Carlyle acquisition of Vectura.

Vectura has decided to focus on inhalation whereas Skyepharma is looking to further establish itself as an influential leader in oral solid dosage forms.

What gives you confidence that the newly independent Skyepharma can continue its growth trajectory?

We leveraged the strengths of Skyepharma â?? from our proprietary drug delivery technologies to our expert staff â?? to generate growth and transform the company into a fully integrated agile and expert CDMO. Skyepharma is today able to help its clients from early-stage development all the way to clinical and commercial manufacturing and packaging. Additionally, a key part of Skyepharmaâ??s growth story is the strengthening of our activities in development â?? a segment in which over 25 percent of our staff work â?? as well as regulatory affairs.

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Within the CDMO space, Skyepharma is differentiated both in terms of our expertise and the level of quality we offer. Our site is FDA approved, meaning that we can deliver to our partners across the world and continue building trust-based relationships with an ever-increasing client base. A final important part of our offering is our value-based organisational culture, where we believe the team comes first, which helps in this trust-building process.

How fundamental is having a strong and experienced team to the MBO process?

The MBO is being led by the full management team that has been based at our site for several years. This team is staying in place and continuing to implement the same growth strategy; meaning continuous investment into the site itself, with more state-of-the-art equipment, and more capabilities to better align with our clientsâ?? needs on the long term.

The Skyepharma leadership team has over 120 years of cumulative experience in the Pharma CDMO business

What do you see as the most relevant market trends in the manufacturing and development space and how are clientsâ?? needs evolving?

One key trend is the growing recognition, especially in Europe, of the importance of strong and reliable supply chains. This is something that CDMOs need to help their clients build. Additionally, clients are increasingly looking for CDMO partners which can guarantee best-in-class on-time delivery. This has been one of our key performance indicators for the past five years and I am proud to say that today up to 95 percent of our projects are delivered on-time.

A second important trend is the need for CDMOs to align with their clients upstream on their development needs. This is especially true for virtual pharma and start-up clients who we liaise with to ensure that their products have the best formulation and delivery mechanisms to create value for the entire supply chain and, ultimately, for patients.

COVID-19 has foregrounded the need for localised supply chains, especially for APIs that have increasingly been sourced from lower cost manufacturing hubs such as India and China in recent years. Do you foresee more centralisation of API sourcing from Europe ahead, and what impact might this have on pricing and willingness of clients to pay?

Globally, this situation has triggered some discussions with our clients on business continuity plans, showing the need to keep closely working with them on the robustness of their supply chain.

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In our case, Skyepharma was not hit particularly hard by the COVID crisis and grew by more than eight percent, even though we do not produce any COVID-related medication. This growth was aided by the fact that we were already sourcing most of our APIs locally in Europe, which helped us maintain the supply chain for our clients. We were able to continue to formulate, develop and produce for our clients.

Of course, we have sometimes discussions on pricing with our clients. However, when clients partner with us they know that they will get quality results and products delivered on time. Even if certain competitors are able to produce a product slightly more cheaply, our clients know that partnering with a company like Skyepharma produces more value at the end of the day. We can provide greater quality, complexity, and value generation.

Given that this complexity generally lies in new forms of delivery, how important is it for CDMOs to develop proprietary technology which enhances the value of their clientsâ?? existing portfolio?

Skyepharmaâ??s technological offering is another key differentiator. We own controlled, extended, and delayed release drug delivery technologies as well as bioavailability enhancement technology, adapted to poorly soluble APIs. The company is continuing to invest in innovation to help our clients develop their products in the best way possible. By utilising these proven technologies, we help our clients to create more value, reduce time to market, reduce API usage, and eventually reduce API dosage for patients to reduce the side effects of these products.

Skyepharma allocated a significant part of its budget to investing in new technologies and already has three partnerships in place with universities in Bordeaux, Lyon and Strasbourg to generate more innovation in the oral solid space and help our clients with better formulations and better lifecycle management.

More and more smaller ventures are entering the market at an earlier development phase nowadays, necessitating a lot of collaboration and knowledge-sharing with partners, not least CDMOs. What should these early-stage companies consider when choosing a CDMO partner?

Virtual companies generally only have small teams and require CDMO partners that can help them set the course of their projects. At Skyepharma, our expert PhD pharmacists and engineers work very closely with our clients and partner with them far upstream to orient their strategic development path. By sharing our expertise, we help our clients make the right decision on their productsâ?? formulations, thereby reducing their time to market and API usage.

In early-stage development there are an abundance of routes available to companies; therefore, a trusted CDMO partner can help these companies navigate the best course to take on both a regulatory and scientific level.

How important is it for CDMOs to have a strong understanding of regulatory affairs to assist these early-stage clients?

This is crucial. At Skyepharma, we have increased the number of staff in our regulatory department and will continue to do so. However, regulatory expertise is not only relevant for early-stage development. Our clients need our help on this front throughout the full product lifecycle as they advance on the regulatory pathway.

For CDMOs, building relationships with larger clients â?? many of whom have perhaps not tended to prioritise manufacturing or who have historic partnerships they are reluctant to change â?? can be challenging. Do you see any shift in how these companies approach CDMO partnerships?

The bigger pharmaceutical companies are increasingly targeting expert CDMOs that have a real emphasis on the development. The relationship is no longer that of outsourcing simple pills, but of partnering upstream on strategic products and leveraging CDMO expertise to take better decisions on formulations. Our team is capable of being a true partner and discussing these topics with our clients, thereby helping improve the quality of existing formulations and create new formulations. In essence, these companies need agility, reactivity, and expertise from their CDMO partners. Quick responses coupled with credible answers that a partner like Skyepharma can provide also helps our clients to speed up their internal processes.

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What are Skyepharmaâ??s growth targets, where are the areas in which you are looking to expand, and will the firm look towards inorganic growth to support this trajectory?

Skyepharma has been growing, as mentioned above, and is well set up for further growth on its existing footprint. The area in which we are prioritising expansion, as part of our 10-year plan, is more long-term partnerships. Our aim is to build even more trust in Skyepharma within the CDMO marketplace as a key actor in complex oral solid dosage forms. As an independent company, Skyepharma is very well supported financially to achieve these long-term goals through investment from BPI, the French sovereign fund, as well as three major French banks.

Inorganic growth is also part of our strategy. We want to leverage our numerous successes over the past few years to continue developing the Skyepharma brand on other sites and establish more centres of excellence in Europe.

M&A deals naturally often involve idle or unproductive assets. Are there lessons from the transformation of Skyepharma into an agile and productive company which can help transform low-performing assets?

We are not scared of transforming assets and have successfully done so before. Every member of the Skyepharma team makes a difference every day, and this attitude and culture will be contagious for new assets. Our organizational culture, lean manufacturing practices, and fast decision lead times will be able to make any asset perform better, in a growing market where excellence makes the difference.

Today, Skyepharmaâ??s expertise is in oral solid dosage forms. Are you looking to expand into other fields?

We are looking for complimentary offers on the M&A market. One of our strengths is our management team which has been exposed to other galenic forms and technologies in the past, including sterileand blow-fill-seal (BFS). With this knowledge and experience, we will therefore be able to integrate new technologies properly and build even more synergies between our sites.

A final message to PharmaBoardroomâ??s international executive audience?

This is a very exciting time for Skyepharma. We have proven our ability to grow and are well set up for future growth. There will be more to come very shortly, so stay tuned!

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