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We aspire to be recognized not just for our scale but for our ability to significantly enhance and support the manufacturing endeavours of our clients

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Dr Michael Quirmbach of CordenPharma discusses the company's ambitious goal to become one of the top five CDMOs globally, emphasizing the importance of strong scientific expertise and customer-centricity in their operations. Dr Quirmbach highlights the significance of adapting to market demands and maintaining high compliance standards while fostering strategic partnerships.

What prompted the ownership transition of CordenPharma in 2022, and how has this shift influenced the company's strategy and growth?

The ownership transition stemmed from a strategic decision by ICIG, which previously owned CordenPharma. Unlike private equity firms, ICIG is a privately held industrial group. In early 2021, they decided to divest CordenPharma to concentrate on their core chemical business. By August 2022, CordenPharma was acquired by Astorg, a French private equity firm with a focus on healthcare. This acquisition reflects Astorg's intention to expand into the CDMO (Contract Development and Manufacturing Organization) sector, complementing their existing portfolio, which includes companies like Nemera, a device manufacturer based in Lyon.

Astorg's involvement has brought a new level of momentum and resources to the company. While private equity introduces a faster pace and a defined investment horizon, their support has been

invaluable. We've aligned on a clear strategy for growth, centred around our six technology platforms, including GLP-1 peptide manufacturing for diabetes and obesity treatments and mRNA technology for vaccines. Importantly, Astorg has provided access to capital and strategic expertise that were previously beyond our reach. This financial backing allows us to expand and scale, particularly in areas like digitalization and attracting top talent, which is crucial in Switzerland's competitive landscape. Overall, this new ownership has positioned us for significant growth and long-term success.

What are CordenPharma's six key technology platforms, and how relevant are they in today's manufacturing landscape?

CordenPharma's six technology platforms are central to our innovation and operational strategy. First, our lipids platform became especially prominent during the COVID-19 pandemic, when we supplied critical components for mRNA vaccines. Although the demand for lipids has since stabilized, the platform remains essential and continues to evolve. We've expanded beyond lipid production to offer Lipid NanoParticle (LNP) formulation and fill-finish services, supported by significant investments from Astorg, particularly at our Caponago, Italy facility.

Peptides, another core platform, are witnessing rapid growth, largely due to the rising demand for GLP-1 (glucagon-like peptide-1) therapies for diabetes and obesity. Our injectable capabilities span standard treatments, such as propofol, and a range of innovative therapies. Additionally, high-potency oncology products, where we produce both APIs (Active Pharmaceutical Ingredients) and drug products, play a critical role in our portfolio. Beyond these, we also focus on small molecules, manufacturing both API and drug products.

A newer area of focus is oligonucleotides, a cutting-edge platform involving synthetic molecules similar to DNA. These are particularly relevant for gene editing applications and are gaining traction in the pharmaceutical industry. Although still emerging, oligonucleotides have significant potential, much like peptides did a decade ago. We are seeing strong demand in this space, making it an exciting growth area for us.

How is your global manufacturing footprint evolving, and how is nearshoring influencing your operations in light of rising sustainability standards?

Our manufacturing footprint is strategically positioned across both the U.S. and Europe. For instance, peptide production occurs in both regions, while small molecules are predominantly manufactured in Europe. The trend of nearshoring, especially among U.S. clients, is becoming increasingly relevant as many are looking to reduce reliance on Chinese manufacturing due to geopolitical concerns. This shift is already impacting how new commercial contracts are awarded in the U.S., even though European clients are less affected by this trend.

Simultaneously, there is an increasing emphasis on Environmental, Social, and Governance (ESG) standards in the industry. Pharmaceutical and biotech companies now expect their manufacturing partners to demonstrate strong ESG credentials. This includes not only competitive pricing but also a commitment to sustainability. At CordenPharma, we are focused on setting clear carbon reduction targets across scopes one, two, and three. These initiatives are essential to meeting the evolving expectations of both our customers and their shareholders.

How does CordenPharma balance the expansion of operations with the imperative to reduce carbon emissions?

CordenPharma is committed to navigating the complex challenge of expanding our operations while actively reducing our carbon emissions. To achieve this balance, we implement several strategies. One primary focus is on reducing our overall energy consumption and transitioning to greener energy sources. Additionally, in our extensive chemical operations, we prioritize minimizing solvent use and enhancing solvent recycling processes. It’s important to note that some of these initiatives require collaboration with our customers, particularly when it comes to recycling solvents, as their consent is necessary.

Moreover, we have successfully explored alternatives like using supercritical carbon dioxide as a greener solvent, which represents a significant innovation in our processes. However, this transition also depends on customer buy-in and alignment with our sustainability goals. Overall, while we strive to expand our manufacturing capabilities, we are equally dedicated to minimizing our environmental footprint and promoting sustainable practices throughout our operations.

What is the focus of your €900 million investment, and how does CordenPharma manage the associated risks of expanding capacity without guaranteed demand?

The €900 million investment is strategically directed towards enhancing our peptide platform, specifically to increase capacity for the manufacturing of GLP-1 APIs, which are essential for treating diabetes and obesity. This funding will also facilitate new peptide projects, both in terms of clinical development and commercial production. We are primarily focusing this investment within our European facilities, particularly in Switzerland, where we have identified suitable industrial parks with the necessary infrastructure to support large-scale chemical operations.

Managing the risks inherent in expanding capacity is crucial in the CDMO sector, where demand can fluctuate significantly. We mitigate this risk by securing long-term contracts with clients, recently signing agreements worth €3 billion over the next year, which provides a solid financial foundation for our investment plans. However, it is also vital to maintain some level of additional capacity to seize emerging business opportunities as they arise. This strategic approach allows us to remain agile and responsive in a dynamic market. By focusing on our six core technology platforms and ensuring that our 11 manufacturing sites maintain critical mass, we effectively position ourselves for sustainable growth while navigating the complexities of the industry.

How does CordenPharma leverage its scientific expertise to support pharmaceutical and biotech companies in their drug development processes?

In the evolving landscape of drug development, the scientific component has become increasingly vital, especially as companies pursue preclinical and clinical trials. To position ourselves as a true strategic partner for pharmaceutical and biotech companies, we must demonstrate our capacity to add significant value to their programs. This is achievable only if we possess the right scientific expertise within our organization.

To facilitate this, we have appointed a Head of Development and Innovation who reports directly to me. Additionally, we have established a Technology & Science Advisory Board (TSAB) composed of distinguished experts from both academia and industry. This board convenes regularly—most recently in Frankfurt—to provide insights into our six technology platforms and to keep us abreast of the latest developments in the industry. It is imperative that we continually challenge ourselves; complacency is a risk we must mitigate to remain competitive in the CDMO sector.

Attracting top talent to a CDMO like CordenPharma can be challenging, particularly when professionals often consider larger pharmaceutical companies. However, many are drawn to our organization due to the diverse nature of the work and the fast-paced environment we offer. Employees gain the opportunity to engage with a variety of projects, frequently rotating between

clients such as Novartis and Roche, which creates a dynamic and stimulating work atmosphere. This ability to adapt quickly is especially crucial for those involved in early-stage projects, where change is frequent and demands can shift rapidly.

While we do not operate a dedicated bio incubator, our Frankfurt facility focuses exclusively on supporting companies with projects in phases one and two within the peptide domain. This specialization allows us to maintain greater flexibility and responsiveness to the unique needs of early-stage projects, in contrast to the more stringent protocols associated with commercial production. Furthermore, when working with biotech clients, we recognize their expectations for us to provide deeper insights, particularly regarding Chemistry, Manufacturing, and Controls (CMC) filings. Understanding their often tighter budgets, we strive to be proactive partners in bringing their molecules to market.

What is the current outlook for market demand in diabetes and obesity treatments, and how does CordenPharma plan to navigate potential challenges such as overcapacity?

The market for diabetes and obesity treatments, particularly those centered around GLP-1 (glucagon-like peptide-1) therapies, is poised for remarkable growth. Analysts project that by 2030, the obesity treatment sector alone could reach approximately €130 billion, presenting substantial opportunities for manufacturers. Given this anticipated demand, I do not foresee overcapacity as an imminent concern in the near term. While major pharmaceutical companies are increasingly focused on establishing control over their own manufacturing capabilities, there remains a favorable environment for CDMOs over the next five to seven years. This mid-term horizon affords us ample opportunities to support the burgeoning market.

However, the future remains unpredictable beyond this timeframe. For instance, despite the considerable excitement surrounding the mRNA platform during the pandemic, the expected rapid proliferation of mRNA vaccines has not fully materialized. Currently, as a supplier in this sector, we are operating on a much smaller scale compared to the extraordinary demands witnessed during the COVID-19 crisis. In 2022, CordenPharma entered into a contract with the German government for pandemic preparedness, committing to supply up to 80 million doses of the next mRNA vaccine should a new pandemic emerge. Under this agreement, we collaborate with WACKER, which produces the plasmid and mRNA formulation, while we manage the lipids and final fill-finish processes. This contract has a duration of five years, with the potential for an extension, and provides us with standby fees for our readiness. While this investment may face scrutiny regarding

its costs, it ultimately positions us to respond rapidly to future health crises.

How did CordenPharma engage in the negotiation process for pandemic preparedness contracts, and what challenges did you encounter?

The negotiation process for the pandemic preparedness contract was rigorous and competitive. The German government launched a program during the COVID-19 pandemic aimed at securing both conventional and mRNA vaccines. They awarded contracts to several companies, including CordenPharma and WACKER, following a meticulous application and competitive bidding process. We were ultimately selected to fulfill the mRNA CDMO component, marking a significant achievement for our organization.

This project not only cements our position in the market but also underscores the importance of preparedness for future health emergencies. Throughout the negotiation, we engaged in constructive discussions with the government, navigating the complexities of securing funding for a wait-and-see approach. By successfully securing this contract, CordenPharma demonstrates its commitment to being part of the solution in pandemic preparedness while maintaining the agility to adapt to evolving market demands.

What key factors will drive CordenPharma’s success during its period of extensive growth?

As CordenPharma embarks on a significant growth trajectory, several essential factors will underpin our success. Foremost among these is the strength of our team. We are committed to attracting experienced individuals who possess not only the requisite skills but also the motivation to go above and beyond. It is crucial to foster a workforce that embraces challenges and is dedicated to building a remarkable company. Within the CDMO sector, our employees must navigate ambiguity while delivering exceptional customer service, which is vital for maintaining robust relationships with our clients.

Furthermore, unwavering compliance with regulatory standards, especially concerning Quality and Current Good Manufacturing Practices (cGMP), is non-negotiable. We undergo regular audits by major regulatory authorities, including the FDA and SwissMedic, and must consistently uphold the highest quality benchmarks. Additionally, we are focusing on digitalization and automation to modernize our manufacturing processes. Collaborations with academic institutions in Munich and

Berlin, alongside WACKER, are enabling us to leverage artificial intelligence in developing new lipids and exploring innovative applications.

However, integrating digital solutions into our existing manufacturing infrastructure presents challenges, particularly when working with older operating systems. During our planned upgrades in Colorado, we anticipate temporary shutdowns, which could incur significant costs. Our strategy involves a phased approach to digitalization, concentrating on individual production lines and the implementation of electronic specifications.

What challenges should CordenPharma be aware of in the CDMO sector over the next few years?

A primary challenge that we must address is enhancing transparency and communication with our clients. To facilitate this, we are implementing a project management platform that allows clients to monitor the status of their projects in real-time. This initiative requires a disciplined approach within our organization, but we have made significant strides. It is essential to recognize that these endeavors encompass not only technology implementation but also substantial change management.

Ultimately, the ongoing trend of outsourcing within the pharmaceutical industry is a driving force behind our growth. Both large and small companies are increasingly turning to CDMOs for their manufacturing needs, ensuring that the demand for specialized services will remain strong. The complexity of new drug molecules necessitates collaboration with specialized manufacturers, particularly as many large pharmaceutical companies grapple with justifying the overhead costs associated with extensive in-house capabilities. The industry landscape has evolved, as demonstrated by companies like Novartis, which have strategically offloaded facilities that no longer align with their operational objectives.

How does CordenPharma plan to navigate the trend of outsourcing within the pharmaceutical industry?

The growing trend of outsourcing in the pharmaceutical industry serves as a primary driver for our expansion. As the complexity of new molecules increases—ranging from biologics to advanced peptides and oligonucleotides—many companies, including major pharmaceutical firms, are increasingly inclined to outsource their manufacturing needs. This trend is expected to persist, as it

enables these companies to focus on their core competencies while relying on specialized CDMOs for production.

To enhance transparency and project management, we have implemented a robust platform that allows clients to access real-time updates on their projects. This initiative requires disciplined organizational practices, but it has significantly advanced our efforts to improve change management. Furthermore, we acknowledge the need for external consulting in certain areas, particularly in re-harmonizing our SAP landscape through the S/4HANA implementation, which presents its own set of complexities and challenges.

What is CordenPharma's outlook on the future of manufacturing in Switzerland, and how might policy changes affect this landscape?

CordenPharma maintains an optimistic outlook for its operations in Switzerland, where we currently operate three manufacturing sites: Liestal for Active Pharmaceutical Ingredients (APIs) and lipid excipients, and Ettingen and Fribourg for drug product manufacturing. The environment in Switzerland is conducive to our growth, characterized by flexible labor laws, attractive locations, and a skilled talent pool. Nonetheless, we remain vigilant regarding potential challenges that may arise from shifting policy landscapes. Policymakers occasionally propose regulations that could impact our operational efficiency, necessitating our active engagement to ensure that Switzerland remains a competitive manufacturing location. Striking a balance between fostering innovation and ensuring regulatory compliance will be critical to sustaining our investment trajectory in the region.

What message would you like to convey about CordenPharma's ambitions and its strategic role in the CDMO market?

CordenPharma is embarking on an ambitious journey aimed at establishing ourselves among the top five CDMOs globally. Currently recognized within the top ten, we are committed to advancing our position in the industry. Our objective transcends mere growth; we aspire to be recognized for our unwavering dedication to customer centricity and the scientific excellence that underpins our operations.

We strive to be acknowledged as a strategic partner for pharmaceutical and biotech companies, emphasizing the vital role we play in adding substantial value to their programs. Unlike many organizations that may approach outsourcing from a tactical perspective, we differentiate

ourselves by fostering strategic collaborations. Our value lies not only in innovative manufacturing technologies but also in our proficiency in supply chain management, which ensures the seamless execution of manufacturing processes. Ultimately, we aim to be esteemed not just for our scale but for our ability to significantly enhance and support the manufacturing endeavours of our clients.

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