Interview with Jean-Pierre Delwart, Chief Executive Officer, Eurogentec Belgium

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Delwart, you have been active CEO of EuroGenTec for an impressive 19 years. During your tenure, what would you say has been the single most important change in the business model of the life sciences industry?

The pharmaceutical industry is increasingly being under pressure by the rising costs of drug development. So as to maintain the growth momentum of the industry and introduce new drugs, extensive research must be carried out in order to improve the screening of novel molecules. At the same time, there has also been a shift over the past 20 years from chemical-based pharmaceuticals to biopharmaceuticals, which are becoming increasingly more important.

This is where EuroGenTec comes in to play as an outsourcing product and service provider predominantly for the smaller biotech companies, but also catering to a number of the big pharma companies as well. Considering that these smaller companies lack the necessary facilities to advance their clinical trials, we help them advance with their drug development activities by producing their new biopharmaceuticals and help to enhance the value of their products, so long as they are successful of course.

Since its inception, EuroGenTec had faced a number of difficult start-up years until you jumped on board in the early 1990's and steered the company in a new direction. Can you outline the evolution of EuroGenTec and the strategic direction it took since you joined in 1993?

Even after 1993, EuroGenTec underwent a number of strategic adaptations. Initially, the company intended to become a drug developer for the veterinarian market, with a niche focus on fish. However, in 1996 that strategic heading was abandoned and we turned our attention to a secondary activity within the company. This involved the production of reagents – mainly synthetic DNA as Oligonucleotides for the research market – which quickly developed into one of the core activity of the company. In doing so, we also transformed our plant that was intended for veterinary use into one that is suitable for CMO activities (contract manufacturing organisation) for human pharmaceutical applications. Hence, we completely altered the focus of the company from a proprietary drug developer to a service provider in the research and biopharmaceutical domains.

Today, EuroGenTec offers a broad range of custom and catalogue products for basic research in Genomics and Proteomics. We offer a wide range of GMP oligonucleotide-based components and GMP Taq DNA polymerases for Molecular Diagnostic applications, such as Molecular Diagnostic kits, Lab Developed Tests (ASRs) and companion Diagnostics. Moreover, we are also a well-established full-service biopharmaceutical contract manufacturing organization, providing technology transfer, process development, and cGMP manufacturing of recombinant proteins and plasmid DNA obtained by microbial fermentation for preclinical, clinical and commercial use.

Throughout its internationalization strategy, EuroGenTec underwent a tireless range of successive acquisitions including Oswel Research Product and AnaSpec until Kaneka Corp acquired EuroGenTec in 2010. What were the motivations behind these acquisitions and how did you go about ensuring the seamless integration of these organizations in terms of cultural and business fit?

Oswel was a biotechnology company based in Southampton, Great Britain which specialized in the synthesis of chemically modified and complex oligonucleotides and analogues (DNA, RNA and PNA). The goal of the acquisition in 1999 was to have a greater impact in the UK market, which is among the biggest in Europe. Likewise, the acquisition of AnaSpec in 2009 granted us access to the US market and increased our presence there; today the US represents 25% of EuroGenTec’s global sales. In addition to this, we were also able to gain considerable expertise in the proteomics field considering that AnaSpec is a provider of proteomics for research in the life sciences, specialized in peptides synthesis, labelled peptides and antibodies, fluorescent dyes and enzyme activity assays.

Prior to Kaneka Corp’s acquisition of EuroGenTec, our biologics division (or the CMO business unit) had the capability of producing active ingredients (AI’s) only for clinical or orphan drug applications, however not for commercial drugs. Hence, when Kaneka Corp acquired a majority stake (70%) in EuroGenTec in 2010, this provided us with the opportunity to boost our capabilities by increasing our capacity to produce biologic AI’s for the commercial market as well. Moreover, Kaneka maintains a solid network of contacts across the world, including Japan of course, but also

in the US and Europe. Interestingly, Kaneka was also involved in the very same activities in the chemicals field as we were in the biologics field. Hence, considering the industry wide shift from chemical-based pharmaceuticals to the biologics, as mentioned earlier, Kaneka seized this opportunity and made its transition into biologics through its purchase of EuroGenTec.

Having said that, it is certainly no easy accomplishment to integrate these organizations' varying business and cultural environments. Within each company lies a multicultural mix of different nationalities that together have their own unique business culture. Aligning these values together is always a challenging task and we therefore pay close attention to the cultural fit between these organizations. In this respect, I believe that our Belgian origin serves as an advantage since the dense multicultural environment throughout the country predisposes us to being more open to such environments. Similarly, I think that Kaneka is also willing to embrace new and external experiences and opportunities across the world.

What would you highlight as the main synergies that were created between EuroGenTec and Kaneka Corp?

There are a number of synergies that have been realized between the two companies. Simply put, I would define them as enhanced investment capabilities and improved contacts with Big Pharma. Furthermore, as a member of the Kaneka group of companies, EuroGenTec now enjoys better and stronger positioning as well. Last but not least, we are also realizing great benefits in terms of R&D capabilities. That is, Kaneka boasts a large research centre in Takasago, Japan which employs approximately 800 researchers. Likewise, Kaneka also has considerable R&D based investment capabilities. In fact, they are currently in the process of expanding their research into our fields of activity; namely bio reagents and biopharmaceuticals, which is of course highly advantageous for both parties. To this end, we are currently engaging in a number of collaborative efforts including the exchange of expertise and the formation of joint projects for instance.

Across 40 markets, EuroGenTec provides high quality products to scientists involved in the life sciences industries through its three inter-related business units. How would you describe the complementarity of your three business units?

Simply put, EuroGenTec offers the life sciences community a complete and comprehensive range of solutions, starting at the research level, extending through to the GMP manufacturing services at the clinical trials stage. Illustratively, starting at the research level, we offer genomic solutions in the target identification stage, followed by the proteomics in the target validation phase. Moving further along in to the assay development, we offer in vitro (molecular) diagnostic products and services. Finally, this brings us to the clinical trials stage which includes the GMP manufacturing solutions that we offer. With this in mind, it is easy to see how EuroGenTec has ideally positioned itself to becoming a true partner of choice, able to support its clients through each and every

developmental stage in the life sciences, diagnostic and pharmaceutical industries.

What growth areas have you identified within your business units?

As specialists in fine chemicals (producing peptides and oligonucleotides) and on the other hand, with our pharmaceutical capabilities with the biologics division, we try to combine these capabilities to develop our in vitro diagnostics business unit.

More specifically, we have recognized that within the in vitro diagnostics segment, the molecular diagnostics branch has been expanding rapidly and we intend to play a big role there. This is why we are ISO 13485 certified for oligonucleotide production and ISO 13485 compliant for the production of Taq DNA polymerases under GMP (Good Manufacturing Practices). In fact, we are one of only two companies that are GMP certified for Taq polymerases production. Furthermore, we have recently validated quenchers and dyes for use in peptides and are close to finalizing the validation process for use in oligonucleotides. Once this is complete, EuroGenTec will have positioned itself as a one-stop-shop for molecular diagnostic companies.

Another growth area is represented by our biologics CMO activities. Once we expand our production capacities to include production for the commercial markets, we will be able to secure longer term projects of 10 – 12 years, depending on the duration of the patent, rather than the current 2 yearlong clinical development projects. Additionally, in the longer term, another evident source of growth potential stems from our ability to innovate and market new products for the use in research activities of the (bio-) pharmaceutical industry.

Overall, I would say that this illustrates the good visibility that we maintain towards the future. That is, we are active in the production aspect of our activities but we are also looking into the horizon through our R&D activities, remaining mindful of current trends and emerging technologies.

In terms of biopharmaceutical contract manufacturing, what would you say makes EuroGenTec the partner of choice? What set you apart from the competition?

Primarily, I would say that our expertise put us head and shoulders above the rest. We have been active in the business since 1994, having developed 84 different GMP processes since then. Moreover, we have an expertise in all protein expression strategies from microbial strains. Likewise, we are offer a one-stop-shop service from gene to injectable products, along with scientific expertise in biochemistry, fermentation, purification, product characterization and regulatory affairs.

Similarly, another of our strengths is our flexibility and commitment to our customers. We are always prepared to adjust and adapt ourselves internally to accommodate for variances in the customers project timelines (a decisive component of pharmaceutical projects), scope, or priority. Also, we offer our customers different development strategies in order to satisfy or improve their

individual timelines.

EuroGenTec is also characterised by a high degree of reliability. We are highly dedicated to partnerships in which we demonstrate a great deal of transparency to our clients. Furthermore, our project management teams are highly proactive and reactive to changes in any project, offering customers a single point of contact. Last but not least, EuroGenTec has been successfully audited by the FDA in October 2011, and have gained approval to perform commercial manufacturing of recombinant proteins, among others.

Considering that quality is of the utmost importance in this business, how do you go about ensure you provide your customers with the highest quality standards?

Indeed, quality and confidentiality are the keys to success in our line of business. To that end, we have five people dedicated to our quality assurance department. In addition to this, our production manager has an extensive professional track record in the quality assurance field and is therefore by nature dedicated to meeting the highest quality standards.

You were once quoted by the WallStreetReporter saying “There is no limit to what a man can do, if he does not mind who gets the credit”. Considering that innovation is at the core of your activities, how have you shaped EuroGenTec’s structure and policies in order to promote an environment of creativity and innovation?

I believe this relates to the spirit and passion of the people working with us. For instance, we have a large number of sales people that visit the research laboratories of both the industry and academia. Since they are exposed to the latest developments, our sales staff are an important source of information. Hence, we naturally pair them with our product managers in order to identify potential partnerships with small and creative biotechs. After all, creativity tends to have a greater presence in smaller entities, while larger entities such as EuroGenTec are able to develop these ideas more rapidly. Therefore, we try to establish mutually beneficial alliances with small but promising companies that we come across.

Belgium boasts a dense and rich network of globally renowned academic institutions and research centers. That said, how would you describe your partnering activities with these organizations?

As a spin-off of the Liège University, I believe that EuroGenTec has an inherent propensity for academic collaborations. Moreover, since academics are often our customers or regular contacts, we maintain a large base of contacts in Europe as well as the United States with them. For instance, when a professor is willing to develop a certain type of product, we lend our support to them in whatever way possible, so long as there is the potential for a mutually beneficial outcome of course. At the same time, we also try to develop various partnerships with other academics or

researchers to explore new scientific or technological avenues.

Personally, I think this is an ideal approach to staying at the forefront of technological breakthroughs and scientific advancements. It is also worth noting that these collaborations are not only limited to the Liège or other Belgian Universities, but also extends to include a vast majority of universities in continental Europe; primarily in the Benelux region, France, Germany, the UK and Spain.

Looking ahead, where would you like to take the EuroGenTec operations over the next 2 to 3 years and what goals would you like to achieve?

I intend to shape EuroGenTec to become a leading player and partner of choice for molecular diagnostic companies, with the ultimate goal of assisting them to introduce an increasing amount of new products to the market. In addition to this, we would like to support pharmaceutical companies to develop companion diagnostics that are progressively becoming more efficient.

Moreover, I aim to develop our biologics business, to become more helpful and value added after they have completed their clinical trial phases. Last but not least, I hope that over the next two or three years we will be able to launch a new breed of services for the research processes that will improve its overall efficiency.

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