Interview: Tsuyoshi Hasuo – President & CEO; Bertrand Lasserre – Deputy CEO, Thépenier Pharma, France



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épenier CEO Tsuyoshi Hasuo has imparted a unique vision to internationalize the Normandy-based French company encompassing a company turnaround and a maximization of growth potential. Together with Deputy CEO, Bertrand Lasserre, Hasuo's mission is to capitalize upon Thépenier's unique French-Japanese background and become a major player in cosmetics and make-up.

Thépenier is unique in its fusion of regional French DNA with Japanese influence. What is the background of the company, as well as the products and services it offers?

The history of Thépenier dates back to 1907 when the Thépenier family created the pharmaceutical company Laboratoires Thépenier. The company known today as Thépenier Pharma, specialized in contract manufacturing, was established in 1964, following initiatives set forth in the fifties by President Charles DeGaulle incentivizing industrial companies to exit to the outskirts of Paris. Just over the minimum of this policy of 150 kilometers away in Saint-Langis-les-Mortagne is where the family established Thépenier Pharma and we have been on site ever since. This location is geographically strategic, near in proximity to both Paris, as well as the port of Le Havre, allowing for ease of material flows.

As dynamics of the family business began to evolve, the inheriting family members sought new directions for the company. The Japanese company, Nippon Shikizai, finalized negotiations in 2000 concretizing the acquisition of Thépenier Pharma. Under new leadership, the company erected a new factory in 2002, expanding cosmetic and make-up production capabilities. Despite the investments in the new industrial capabilities, cultural barriers between the new Japanese leadership and the majority French Thépenier staff resulted in several years of stagnation and revenue loss. For the remainder of the decade, the company slowly struggled to overcome the growing pains, and navigate the synergies of this new cross-cultural business environment.

From a core business perspective, many adaptations were necessary, as Nippon Shikizai is primarily a cosmetics company, whereas Thépenier Pharma, as the name implies, is rooted in pharmaceuticals. Prior to Nippon Shikizai's involvement, Thépenier Pharma was involved in what is referred to as "white cosmetics," meaning topical creams and pastes, which is starkly different from the make-up business. The initial few years following the acquisition required much time to learn about new production portfolios. For twelve years the Japanese leadership patiently continued business despite losses, stagnating at a small size of around EUR 9 million in revenues (USD 9.8 million), placated by a long-term business perspective not frequently considered in western business practices. It was around this period in 2012 that Mr. Hasuo, with his innate experience in company turnarounds, came to Thépenier Pharma. Under his guidance, he has assisted the transition of company towards the progress that it is experiencing today.

Since Mr. Hasuo joined Thépenier in 2012, and Mr. Lasserre, in 2013, what have been some of the components of Thépenier's turnaround strategy?

The normal strategy when entering a company and trying to stage a turnaround include analyzing the positive components of a business, as well as the weak components. For example, if debt is a corporate concern, the first stage of action is establishing negotiations with banks to refinance and diminish this debt. The case of Thépenier as a small company, however, has been unique in that there have been no standard methods of company turnaround from which to ascribe.

The challenge for Thépenier was that in the early 2000s, the company was losing competitiveness. Unlike in Japan, where a common solution includes cutting salaries, this is hardly a viable option in France. When Nippon Shikizai first acquired Thépenier, the company encountered challenges trying to implement production of make-up and cosmetic products in facilities designed for pharmaceuticals. Since 2012, Mr. Hasuo has directed an executive initiative to concentrate more fully on pharmaceutical activities, which is more at the historical core business of the company. The first step has been to expand the employment beyond a regional scope, and increase the skill

credentials throughout the company through more extensive hiring. A new team with a concentrated focus on pharmaceutical and white cosmetic productions has therefore been the focus of the turnaround.

Most importantly, the new management established a corporate restructuring process based on a strategic policy which aim was mainly to stimulate productive investment, modernize and automate Thépenier Pharma's industrial equipment, restructure purchase and overhead accounting accounts and boost R&D creativity.

Otherwise, we invested much energy in better defining Thépenier Pharma's strategic position on its markets of reference, in order to better understand how to focus business development efforts. Our intent was to identify niche market opportunities where the company could bring immediate value added, instead of frontally competing with bigger businesses, which was not in the interest of Thépenier Pharma.

As a CMO, Thépenier Pharma offers a wide breadth of services in various product sectors, including the development, manufacturing, and packaging of oral hygiene products, personal care products and makeup products. What products make up the largest faction of the company output?

In addition to a continuation of topical creams and "white cosmetics," Thépenier specializes more fully in oral hygiene products. At present, we dedicate approximately 30 percent of our production capabilities to cosmetics including OTC products, and the remaining seventy percent is dedicated to pharmaceuticals. We do find that these two product pipelines are not only compatible, but also complementary. This flexibility has allowed Thépenier to welcome new clients and cater to their particular needs in the past few years.

What have been the company's recent performance markers and key objectives to maintain growth for the near future?

The healthcare CMO industry in France is over EUR 2 billion (USD 2.18 billion), and when broken down to the production capabilities of all manufacturing plants throughout the country, the average turnover of a company is approximately EUR 25 million Euros (USD 27.5 million). As a growing SME, obtaining revenues at this level is one of our objectives. Currently the company stands at around EUR 14 million (USD 15.4 million), and we have positive outlooks for continued growth in the future.

In order to compete, we at Thépenier have understood that there are critical elements we must implement. These include automated lines, and concentrating on medium sized production orders. Capitalizing on the service-oriented human size of our company, we have been able to increase our annual turnover, and we anticipate this trend to continue. Following these changes implemented by Mr. Hasuo, the company has already witnessed revenue increases of 40 percent.

As President of Thépenier, what have been some initiatives to revamp the company and establish market differentiation?

Following one deal with a large international client, Thépenier Pharma has made very significant investments in the past few years, including a EUR 2.5 million (USD 4.4 million) investment expanding 2,500m^2 of additional office space and production workshops, as well as industrial warehouse capabilities with a capacity to store 2,000 units. In addition, the company made a EUR 1.5 million investment to acquire a new high-tech two-ton mixer and a new high-speed finishing line dedicated to the filing of semi-solid tube products. This investment brought an immediate increase on returns by 30 percent. Through our investments and expansions, we have been able to provide greater flexibility, enhanced capability and diverse services to our clients at a lower cost, which has been one of our primary goals. As our revenues have increased, we have had the capabilities to expand hiring, imparting a greater level of skill and sophistication within our company.

Imparting a culture of investing regularly in R&D has been a positive influence of our Japanese counterparts. We have doubled the number of employees working in the R&D department, with the aim to boost our creativity and thus be able to go to the clients with innovative products, instead of simply competing in the framework of calls for tenders. The R&D team works in close connection with our sales and marketing department, in order to create highly creative formulae that are either ready-for-use or developed in accordance with the requirements of our clients. We value this as an integral component to ensure continued growth of the company.

Differentiating ourselves within the market, Thépenier Pharma has long experience serving as a CMO. In addition to our company’s accrued skill and expertise in the market, we provide a unique flexibility to provide services for various clients, and various different product types. We take pride in our ability to adapt to client needs, which we believe demonstrates one of our great advantages over the competition.

Increasing Thépenier’s international export quotient and globalizing the company has been a particular mission upon Mr. Hasuo joining the company. What has been the

underlying strategy behind these international expansion efforts?

The internationalization of our company has truly been an effort starting from the very foundations of Thépenier. Located in Normandy for a long time, the company has established a very core, local staff. Expanding our staff to include those that not only can bring new skills and competencies, but also bilingual ability has been a major initiative to expand our presence in the market, especially outside of France.

At present, over 60 percent of all turnover comes from exports, which has more than doubled in just the few years that Mr. Hasuo has been president. The primary expanse of the company's outreach has been Europe, and for now, this is our main market focus. Throughout the continent, Thépenier Pharma has already established itself as a niche business, primarily in our capabilities in pastes (especially toothpaste products) and "white cosmetics," which is markedly different from other competitors in the continent that focus more on pills and capsules for production lines.

In the industry today, collaborating with new colleagues over long periods of planning and preparation, there is a certain global consciousness and multi-lingual capacity necessary for success, and at Thépenier Pharma, we have been keen to uphold these characteristics as values for the growth of our company.

What do the next years hold for Thépenier Pharma, and where do you see the company in 2020?

Thépenier Pharma's facilities have the capacity to reach our goal of EUR 25 million (USD 27.5 million), so now our main endeavor is to expand our outreach to a wider base of clients. Throughout the years, we have made investments to establish larger, more modern production lines, and we have developed our team to perform at a higher and more global level. This leaves the expansion of our clientele as our final step in company growth. We set high standards for ourselves with goals to establish new projects in our pipeline with new clients, including both large companies, as well as SMEs, which both have a place working with Thépenier Pharma. We are always seeking to better understand the market and acquire new perspectives as to how to serve as a better company within the industry and, to this aim, offer a wider range of services to our clients. We have a vision that within the next five to ten years, Thépenier Pharma will reinforce its position on its core business, balancing equally its pharma and white cosmetics activities.

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