Interview: Sylvain Chrétien – CEO, Pediapharm, Canada

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Sylvain Chrétien, CEO of Pediapharm, introduces the pediatrics-focused company he founded in 2008, having identified a number of unmet needs in the field. Pediapharm brings products to Canadian patients, in an effort to limit off-label use of children's medication and bringing new drug innovations, working closely with pediatricians and parents across the country.

Sylvain, can you please describe the beginnings of Pediapharm almost ten years ago?

The idea for the creation of Pediapharm in 2008 came during my MBA, specialized in biotech. And one thing we were tasked to do was assessing the industry, its development to date, current state and possible future outlooks. I identified children's medicine as an opportunity in which there was market to explore. Given the M&A situation of the industry, larger pharmaceutical corporations were not focusing on that market, and there was room for new entrants in Canada.

Although we started out very small, we had our mind set on bringing products to the market that would be our own. Our first product we obtained in a collaboration with Sanofi as we started promoting their children antibiotic Suprax® for them. For Sanofi, the market was too small to secure important focus, but for us, concentrating on its promotion, we were able to bring the revenues for Suprax® from CAD three to eight million (USD 2.36 to 6.31 million). In the wake of our first success, we were able to secure further agreements for collaborations in the promotion of some great products and today have seven approved products in Canada, for which we have the exclusive rights on the territory.

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Today we are 24 employees, amongst which are 16 sales representatives all across Canada. Our presence is a national one, and we have built a solid infrastructure, ready to take on more products, already collaborating with all large banners and wholesalers in the country.

What have been the main milestones in the company's development?

Every agreement for a new product joining our portfolio is for us a reason to rejoice. Each product we take in brings innovation to children, and thus it is a rewarding experience anew every time. An important milestone was our becoming a publicly traded company in December 2013. Soon afterwards, we were able to sign agreements for five more products, of which four are today approved by Health Canada. But at the end of the day, the main milestones are when our products reach their full potential of revenue while enhancing the quality of life of many children and adults as well, as some of our product application go beyond children.

Children's health constitutes an important sector. What are the needs and the size of the Canadian pediatric sector?

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Since the larger pharmaceutical companies have other priorities, they have been leaving opportunities for entrants such as Pediapharm to capture. The market overall stands at about CAD one billion (USD 790 million) in Canada. This represents a sizable opportunity for us, especially since the pediatric field is characterized by several unmet medical needs for the patients. Typically, there is still important off label use in Canada and the compounding is often done in pharmacies. We wish to ensure that our products are available for child-friendly use, at the most precise dosing regimen. This is important as children metabolize drugs differently when compared to the adult.

Operating in a field such as pediatric healthcare of course brings responsibility with it, our mission is unique as everything touching children and their health is. We are currently the only company in Canada focused on children's medicines solely, which makes us into the go-to partner in Canada for companies interested in introducing their pediatric products to the Canadian market. When we started in 2008, we resolved to knock on every door of every company having pediatric products in their portfolio; since we built the equity we have, we get calls every week from companies wishing to collaborate.

The Canadian healthcare system is quite fragmented, posing a series of challenges to the companies operating in it. What strategy have you put in place to manage the

complex regulatory landscape in the country?

Pediapharm has not yet attained a critical mass to cover on its own the whole value chain from registration to distribution itself, and we thus have the strategy to go third party for distribution, manufacturing, regulatory, market access and legal steps. Although we take ownership of the entire process, we collaborate with experts on the various fronts we have to address. On the other end, our seasoned commercial infrastructure is something that we manage entirely with a national coverage.

However, from our position we also notice, that there has been some recent improvement in the regulatory frame in Canada, especially when it comes to children's medicine. Canada is not quite yet at the level of Europe and the USA when it comes to access for pediatric medication, and this is in large part due to the regulatory pathway which is not as clearly defined. The use of off label medication is still favored but nevertheless, I feel there is a will to change this, all stakeholders are pushing in the right direction.

As a company, our role is to educate doctors about the value and the benefits of the products we propose, ensuring medication is prescribed and administrated as it should be. Our collaboration goes beyond the pediatrists community though, as there is an additional component in children's medicine, an intermediate between the physician and the child: the parents. We thus are also very active in parent education and the support of various associations.

What exciting products can be found in your portfolio?

Currently, our best performing product is Nyda®, which is an innovative treatment against headlice on its way to becoming the #1 product for headlice in Canada. Headlice have developed significant resistance to conventional headlice shampoos over the years. This is due to the use of pesticides in the shampoos, which has proven efficient for a while but is not a healthy compound for children and foster the resistance of lice

Very recently, we launched two products from Spain, Rupall™, and Otixal™. The former is an innovation fighting allergies, the latter combats ear infections. In the field of allergy, there had been no innovation coming to Canada for 15 years prior to the launch of Rupall™, and the efficacy of the present products would decrease over time. Hence, the innovative nature of Rupall™ was anxiously awaited. Allergies are a symptom disease, so you are truly targeting relief for the patient, something Rupall™ has proven it can do in Europe and now does in Canada. Rupall™ is to become an important growth driver in the future with potential annual revenue of over CAD 10 million (USD 7.88 million) in revenue. Otixal™ takes the form of eardrops in a single-use dosage. This format

makes it that much easier for parents to handle the administration. Indeed, when it comes to children's medicine, simplifying aspects are important differentiators. The format, the taste, or the frequency of administration can really improve the impact drugs have on treatment in children.

Lastly, we just got another drug approval in November on a product called Cuvposa™ which will be launched in February 2018. It is a first in Canada with its indication for chronic severe drooling for patients with neurological conditions such as cerebral palsy.

What is your portfolio strategy to ensure future growth?

We remain essentially focused on the pediatric field, but we go beyond pediatric sometime given the product profile and Rupall is a good example where we have the rights for both the children formulation and the tablet. Pediapharm is interested in acquiring products with a good patent life and solid clinical trials background. In terms of revenue, we aim at taking products that will generate a minimum of CAD five to eight million (USD 3.94 to 6.31 million).

Our strategy is very much animated by our discipline in signing agreements. We have identified the key therapeutic areas we want to develop in, and stick to those we expect have the potential to bring us to the next level. We thus focus on: ADHD, asthma, vaccines, milk formula, infectious diseases, allergies and orphan drugs.

At the same time, we remain very active in acquiring drugs with existing sales so that it became accretive immediately on our balance sheet.

What kind of partners are you looking for and what in turn makes Pediapharm a partner of choice?

When a partner entrusts us with a product, this is really their baby and we act as foster parents to it. We expect a long-term vision from our partners but ourselves need to reassure them, we will take good care of their product. Our relationships are hence based on mutual trust and our long-term commitment to deliver the full potential of revenues. Our partners turn to us because we have the expertise on the Canadian market, and trust we know what to do to be successful with their product. Next to trust, teamwork is a key word. When entering an agreement, we sign a paper that is then placed in a drawer, and the real partnership is the ensuing day to day collaboration.

Pediapharm is unique, in that we master the pediatric market in Canada and are able to bring all key stakeholders in the field together and draw on the synergies to ensure successful outcomes. We have proven our ability to work with public health bodies, school nurses and boards, parents' organizations and pediatricians. We are all dedicated to advance the environment of children's

medicine, and this we can achieve on leveraging on our synergies.

What key priorities are you pursuing moving forward?

We will ensure the successful launch of the three products for which we have just gotten an approval. In parallel, we will keep the growth momentum of the established products within our portfolio, in order to be able to rely on a solid base of revenues. As a now public company, we need to achieve profitability which will be the case in the coming fiscal year.

At the same time, we continue to strive to bring new products to Canada, in the identified aforementioned key areas. With the seven products currently present in our portfolio we aim to achieve revenues of CAD 30 to 35 million (USD 23.64 to 27.59 million), but we aim beyond this step in our business plan.

In 2015, you were inducted into the Canadian Healthcare Marketing Hall of Fame. Leveraging on learning points from your career, what advice could you give to young entrepreneurs wishing to start their own business?

We are a small company, hence the honor that came with that recognition was significant for me. My advice would be: be passionate about what you do, believe in your ideas, turn fears into positive energy and keep going. Successful people work hard to achieve their goals. A second point would be to learn from others. I would not be where I am today if it had not been for the great people surrounding me. I have the privilege to have a seasoned Company Board and a great executive management team. Benoît Hebert, our Vice-President has been with us since 2009, Richard Labelle, a former Sanofi executive heads our sales and marketing operations and nothing would work without our CFO, former 3M-executive Roland Boivin.

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