Nicolas Bardonnet – General Manager, Promega France



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Nicolas Bardonnet of Promega France discusses the standout growth of the company on the occasion of its 40th anniversary, collaboration with France's biotech clusters and the growth drivers of the future.

This year, Promega is celebrating its 40th anniversary in a context of rapid revenue growth. Over the last 3 years, turnover went from EUR 380 million in 2015 to EUR 410 million in 2017. How did Promega achieve such an outstanding performance?

Promega's incredible performance at the group level is due to the insightful decisions taken by management to invest in and bring innovative technologies to specific markets, both in the pharmaceutical research and medical diagnostics fields.

In the diagnostics area, we had the opportunity to collaborate with the inventor of Microsatellite Instability Analysis (MSI) technology at the French National Institute for Health and Medical Research (INSERM) and get access to an exclusive license. This genetic testing tool was originally developed to determine the effectiveness of drug treatments for colorectal cancer but has since been validated for several other types of cancers. For instance, Keytruda® (Pembroluzimab), which recently received FDA approval to treat different types of cancers, is based on this MSI approach. As a result, more and more fields of oncology became interested in MSI technology. As a matter of fact, we held a worldwide conference about MSI technology last September in Nice, France. At the

group level, we’re already working on the next generation of MSI solutions. Another test that has gained traction in the medical field is our kit for common variable immunodeficiency (CVID) that was previously only used for R&D purposes.

In France, we start to see hospitals coming to us, but also clinical diagnostic laboratories because for a lot of tests in oncology they use the same sample materials. We estimate that we have about 80 percent market share in France in technologies used for the extract, use and analysis of these materials. This level of penetration solidifies our position because when you reach a certain size, you are considered as the standard and people naturally come to you for your expertise and support.

We are also increasingly present in the pharma sector as we have been deeply involved in technologies used in drug discovery and development. For example, in France, our 14 percent year-on-year growth is mainly coming from our business with biopharma, pharma and CRO companies. We now work with most of the big pharma companies for screening and R&D purposes such as Sanofi, Sanofi-Pasteur, Servier, Pierre Fabre, etc. We also forged relations with networks dedicated to scientific research like MabDesign (immunotherapy treatment) in Lyon, with whom we frequently interact, and bioclusters such as Genopole in Evry that we consider joining. Genopole has more than 87 biotech companies and genetic sequencing companies like Illumina. We are also working with Lyonbiopôle and Cancéropôle Lyon Auvergne Rhône Alpes (CLARA), an oncology institute. These research networks need affordable access to technologies that Promega can provide.

So what is the magic formula?

I would say that there are two keys to our success. The first is the fact that we are a privately-owned company, enabling us to think long-term. We don’t worry about the numbers at the end of the quarter, yet we grow faster than the industry average. By the way, we only grow organically. We haven’t made any acquisition since 2009, when we acquired a small Californian company. We don’t do short-term strategies for market entry. We craft long-term strategies, and take the time to answer crucial questions: Which market do we want to position ourselves in? How do we want to go there? We also avoid markets where large groups are already present as we don’t have the necessary scale to compete and make a difference. Instead, we choose to enter markets that might be more challenging but where our innovations are relevant.

These markets are actually not necessarily in the healthcare and life sciences industry! For example, the same bioluminescence technologies we develop for pharma companies for target engagement, proposal and validation are now being used by the UNESCO, SUEZ and Veolia for water testing. Growth opportunities abound for our existing technologies. The second key is that we develop our own proprietary technology. We receive 30 to 40 patents a year and we build on them.

You mentioned you collaborate with French biotech clusters. How do you adapt your offering to their resources and requirements?

One of the main areas of research of biotech firms is oncology where we have a strong expertise. Promega could ‘just’ provide technologies to them and be ‘another supplier’ among others. But that’s not the way we can maximize value for them. The way we build value is by collaborating on their projects to see whether our technologies fit their purposes and then adapt to their needs. This can be a matter of packaging products differently or developing completely tailor-made solutions. Our organization is structured for this adaptability. We have dedicated teams with their own production schedules, the ability to appreciate independently the feasibility of the project and to develop custom solutions. More importantly, we provide them with knowledge and training support. That makes a big difference. What biotech companies do is come up with an invention to ultimately commercialize it. What they first need to do is make a prototype and collect data showing its efficacy. This development phase takes a lot of time and money. Because their funding is limited, time is running against them. Big pharma companies have ways to reduce the time of the development phase. We can help biotechs do the same by providing custom-made solutions such as cell lines dedicated to target validation that usually only big pharma companies can get their hands on. We make sure these solutions are operational on day one, and that they can get the results in a few weeks or months instead of several years. That’s something new because in the past biotechs were reluctant to invest in external technologies, preferring instead to develop everything in-house, wasting a lot of time in the process. The management of these biotech companies now understand they’re in a race against others, and time is of the essence. They put their trust in us because we’re not competing with them, we’re a neutral partner. Moreover, because we’re a private company, they understand we don’t work like publicly-traded providers. We take time to do things well. Our goal is to build a solid foundation for growth based on a strong partnership with bioclusters.

We also provide custom solutions to big pharmaceutical groups and their partner CROs. We have established real credibility with these groups and they do repeat business with us. We share information back and forth. For instance, we communicate on which genetic pathway we're working on, and they do the same. We consider these services as a specific business line. In fact, we've developed special brochures to promote our service offering. I think 20 to 25 percent of our global revenues, and in France, it's about the same, are coming from custom solutions.

How strategically significant is France today?

France makes up 35 percent of overall revenues, which is quite normal. I don't think France is overrepresented. However, we shouldn't only look at revenues when considering whether a country is a good place to do business or not. France has a lot of assets, not least of which is its high level of scientific research. There's a reason why our European development centre is located in France. One year ago, there were about 6 people working there. Now there are close to 10, including a PhD student from Ecole Central in Lyon. We've created a team dedicated to the development of MSI technology with new tests underway as there is a clear demand for that. We need to improve the kit using the new data, explore genes of interest and new specificities. This will solidify our position in oncology clinical applications, where we already lead in France. Another French asset is the R&D tax credit that we now benefit from.

There seems to be a populist and protectionist tendency elsewhere in the world. Do you think this current political and economic context can be an opportunity for France?

In the case of Brexit, I'm not sure if that will strengthen France's position in the healthcare industry. Ultimately, the key to success is having the right people doing the right science. Innovation can emerge from anywhere. For instance, Switzerland is a top biotech country even though it's not part of the European Union. Size is also not the determining factor as countries like Belgium, Sweden and Singapore are doing amazingly well.

One positive change is that nowadays biotech companies want to stay in France, whereas in the past they tended to leave the country after finding success. Both the innovation tax credit put in place in 2013 and the extension of the research tax credit have certainly helped create a more attractive environment. Regulatory changes, such as the Temporary Authorization for Use (ATU), are also going in that direction. In other fields, it can be hard to predict in what direction

regulations are going to go. But in the life sciences, successive administrations have generally been supportive of the industry. There is also a budding ecosystem of bioclusters that has become increasingly professional and well-funded over the years.

Looking forward, which segments are going to drive your future growth?

We're collaborating on research with other companies in certain areas that are going to drive growth in the future. Microbiome is one of them, as it impacts the way individuals react to drugs. Another is oncology as already mentioned. And of course, we're investing in AI as data management will be a key success factor going forward.

Another growth segment is the crime forensics domain, a core part of our business where we've been active for years. We're about to launch several new sequencing systems. We're starting partnerships in Europe and are investing in Africa.

To sustain growth, we're increasing our manufacturing capabilities in Madison, USA where almost all our production is located. We're also expanding our R&D footprint with a new research centre under construction. The plan is to invest globally USD 500 million in the next 10 years to scale up production capabilities in order to keep up with demand.

You mentioned investments in Africa, where Promega's French affiliate handles operations. How has your footprint evolved on the continent?

Promega took the decision at the end of last year to take a more proactive approach towards opportunities in African markets. To that effect, we hired consultants that worked with the Obama administration. We've approached Rwanda to provide education and support local R&D activities. We're also working in close collaboration with the Quai d'Orsay, France's Ministry of Foreign Affairs, to approach countries like Burkina Faso, Ivory Coast and Cameroun where we see an increasing willingness to implement local capacities. We decided to go through the Quai d'Orsay in order to benefit from its historical ties with French-speaking nations and collaborate on projects initiated by local governments. We've recently been contacted to work on a project on rare genetic diseases in Burkina Faso. In fact, I travelled there just a few weeks ago. We're considering opening a lab in Burkina Faso if we can secure funding and support from the local government.

Since the Chinese became very active in the region, Europeans and Americans have realized the potential of African countries. Their population and medical needs are growing rapidly. While in the past we engaged with these markets on an opportunistic basis, we now start thinking strategically, identifying what's going on at the highest level of government and industry and what we can do to help.

In 2017 you launched the "For You" Program in France to drive collaboration with small labs. How successful has this endeavour been?

The For You Program has been successful beyond our expectations. It enables small labs to have access to our latest technologies without having to invest in instrumentation outright. Instead, they can rent out our products for different periods of time and benefit from installation, maintenance, training and logistical support. It's a flexible solution that eliminates risk. We don't just lease the systems, which would not differentiate us from competitors. Instead, we first analyze the feasibility and then commit to deliverables and deadlines. The result has been a dramatic growth of our instrumentation business, which in turn has helped us sell more reagents. The success of this program has also spurred demand for education and training services. We provide more and more educational content covering all sorts of techniques, from very basic to highly complex ones. This content is provided through webcasts, on-site seminars and workshops. Even though they are the scientists, they cannot be experts in every technique. But we are experts in what we do and can help them do their jobs better.

Promega is also committed to CSR, both internally and externally. Can you tell us about some of the initiatives you've put in place?

Our flagship initiative is the Jeunes Chercheurs sponsorship program designed to assist young researchers in their projects. The first goal of this initiative is to make these young people aware that we exist and explain how we can accompany them along their research project with our technologies and know-how. In order to promote this initiative, we approached PhD student associations (*écoles doctorales*) where students discuss everything from research methodologies to where to find cheap flats. Help is not limited to research, we also assist them with their professional development, for example by providing tips on how to write a resume and what to say during an interview. This program started in France but has since expanded to the entire group. During next year's Forum LABO in Paris, we will announce the launch of the Jeunes Chercheurs

Prize. Winners will have the opportunity to travel to the U.S. where they will participate in a scientific conference, visit our facilities in Madison and meet the inventors of our technologies, among other things. Promega will select the most promising applicants doing cutting-edge science and PhD students from all over the country will vote on the best project.

Another successful endeavour was the publication of an updated version of a molecular biology textbook that I used myself when I was a PhD student.

Moreover, we also started internal CSR initiatives. As a matter of fact, the room we're in right now is our Emotional and Social Intelligence centre where we organize all kind of activities that benefit the physical and mental health of our collaborators such as yoga, meditation and massages. Our mission statement is to be a company that takes care of people, both inside and outside. We want to be seen not just as another supplier, but as an integral part of the life sciences community.

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