Eric Goupil – CEO, Unither, France



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Eric Goupil, CEO of Unither Pharmaceuticals, discusses the company's development strategy moving forward after the completion of a leveraged buyout in 2017. Additionally, Goupil shares the CDMO's innovation capabilities as a leading player in the

Blow-fill-seal (BFS) niche.

Unither just completed its fourth leveraged buyout last year. How is this a turning point for the company's performance targets?

Our main objective is to grow. Unither's goal is to reach EUR 400 million (USD 456 million) in turnover by 2020 through organic growth while most listed companies are growing through acquisition. Of course, these opportunities are always on our radar, but it is comforting to know that our base business, Blow-fill-seal (BFS) technology, is expanding worldwide.

What are the market factors that are currently driving growth for Unither?

While the continuation of outsourcing by pharmaceutical companies is a trend, I am paying more attention to how the final product market is evolving. According to Annual Contract Pharma Outsourcing Survey more than one third of pharmaceutical companies interviewed said that more than 50% of their final dosage is manufactured by CMO's. Referring to the final market, I would

identify four categories; the first being the respiratory market. There is a geographical growth here driven by increasing access to drugs in emerging markets like Turkey and China – where we export a considerable amount of product. We expect this growth to continue for the foreseeable future as drugs continue to be more accessible to a wide population.

In the second market, ophthalmology, we have two challenges. A rising number of elderly patients along with an industry shift to a preservative-free formulation. Between 2015 and 2030, the number of people in the world aged 60 years or over is expected to grow by 56%, from just over 900 million to nearly 1.5 billion. With BFS, we propose a unanimous solution presentation which allows us to compete in this preservative-free market. This double variable is very favorable for Unither. Company's like Thea, one of our customers, are expanding rapidly which creates a complementary partnership for Unither as they focus on sales and marketing while we deal with manufacturing.

The third market is injectables; an area in which we do not compete for now. Finally, the remaining markets consist of miscellaneous products such as saline solutions and liquid-stick packs, which is also growing. Therefore, looking at the overarching trend, unit-dose presentations are on a favorable growth trend. Of course, as mentioned earlier, more and more players are outsourcing their production processes which are an additional compliment to Unither's business.

How does Unither capitalize on the trend of company's shifting their manufacturing back into the West?

We have never exported our capabilities into cheaper Eastern countries. Our strategy has always been to keep production close to the market. Our aim is not to manufacture at a cheaper cost because our process is very capital intensive, which means a majority of the costs do not come from direct labor. Therefore, we can achieve cost competitiveness while remaining in France.

However, as regulations become increasingly stringent, there is a critical mass needed in team size just to comply with current standards. To leverage fixed costs, there is a critical mass in terms of production which needs to be reached.

We prove our competitiveness throughout export actives as we deliver product globally, including China. This is sustainable as long as we continue to manufacture at the continental level, meaning, if we want to be strong in the US, we need to have a site in the region and so on.

How would you describe your international strategy at the moment?

Currently, we are very interested in China, but the complexity of the country must be taken into account. The regulations in the country have changed very rapidly and until recently there was no CMO model. The manufacturing license was granted directly to the manufacturer; therefore, the marketing authorization holder could not subcontract production activities as is done in Europe. However, the “traditional” CMO model has now been adopted within ten provinces of China and will potentially be expanded to the rest of the country. That being said, there are many challenges in the market, so we must consider the best strategic practice to be present there. While we currently have an operations office in China, our goal is to establish production capabilities within the upcoming years.

What are the key areas of Unither’s innovation strategy that are being worked on today?

In regard to sterile technology, we are focused on being a solutions provider rather than a technology provider to the ophthalmic market. There are two ways to deliver an unpreserved drug, the first is single-unit dosage which is used and discarded and the second is multidose preservative-free. There are a few players who are using devices to propose a multidose, so we have decided to add this technology to Unither’s capabilities. Therefore, we can offer multidose preservative-free solution adaptable to the existing devices that are still on the market.

We recently launched the ODtech (Oral Dose technologies) platform. It gathers ready-to-use products that use granules to help patients avoid using water when taking their medication while masking the taste. Another innovation we have going through clinical trials is transmucosal paracetamol. Instead of swallowing a tablet, we will have a specific vehicle which is inserted into the mouth and which will assist with the immediate onset of action for consumption while reducing the amount of acetaminophen used in a pill. We have already established a proof of concept and once its effectiveness is confirmed, we will offer the product to customers in the market.

How does Unither ensure differentiation to its clients in the booming BFS sector?

Our first differentiator is industrial efficiency. We can offer our customers excellence in quality, service, and cost. Unither does not ask its customers to commit to production volumes. Additionally, we have some of our own IP which helps us offer unique solutions to our customers. At

Unither, we prefer to be a leading player in a key niche rather than have a small pie of a very large pie.

How does acquisition fit in Unither’s strategy? Could the company one day be a target itself?

Our tactic is to be niche experts rather than generalists, therefore, there is no target for acquisition which fits into the Unither strategy. Having completed our fourth leveraged buyout, we could one day be for sale, but after the change of ownership last year, this is not on the map for the foreseeable future.

How has the EU directive on falsifies medicines impacted Unither?

We have not experienced any direct impact, for Unither it is business as usual. We have seen the increasing trend of reinforced regulations which part of the industry is and is expected to continue. Additionally, by having the advantage of a broad footprint outside of France and Europe in markets like Brazil and the US, we feel less of an impact from the changes that happen only in Europe.

As a solutions provider, how have you seen the relationship between CDMOs and clients evolve?

As regulations become more stringent, our clients are always asking for an additional level of quality. We have to consider what are the external expectations for quality alongside GMP requirements. In this context, we must keep an open discussion as it is impossible to comply with each additional request of the many customers we have.

The trend we see in the market is the reduction of CDMOs being used by pharmaceutical companies. The question is whether this is a goal, having a quantitative objective, or just an intent. In any case, players are looking to use fewer CDMOs which gives us better negotiation powers with the clients we work with.

As a niche player, this can both be an advantage and challenge for Unither. Personally, I do not believe in the ‘one-stop-shop’ concept. Looking at big pharma, they work with anywhere from 100 to 300 CDMOs across Europe and it will be a long time before they are a client of just a few. For

specific products, it makes the most sense to work with the expert. If a CDMO does everything, they will not be able to do anything better than someone else…

What are your key strategic priorities for the upcoming years?

Geography and innovation. We are pushing to enter China and once this is completed, we will shift our focus to consolidate our position in current key markets. The remaining markets to expand feasibly are Russia, India, and Japan but timing is crucial, and they are not priorities at the moment. Being an innovative solutions provider, we do not want to be a passive CDMO. Our constant goal is to anticipate industry needs and adapt our technology and capabilities to have the best service offering available to customers.

How do you view the current political or economic environment in France in regard to business?

At the moment France has a reputation to be a business-friendly country which will catch the eye of investors. I am fond of tax measures which can encourage capital expenditure and create an environment that will help companies to invest.

Any concluding message?

Our one purpose is to serve our customers. As Unither grows we understand we must keep our focus on the customers and continue to work to meet their needs.

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