Giorgio Calderari – Chairman, Farma Industria Ticino (FIT), Switzerland

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Giorgio Calderari, the chairman of Farma Industria Ticino, the association of chemical and pharmaceutical industries in the Swiss canton of Ticino, explains how a region with a population of 350,000 has managed to create a turnover of over two billion dollars, excelling as an innovative hub. Furthermore, he analyzes the response to the COVID-19 pandemic and the region's ambitious plan for the future, including the creation of a technological pharmaceutical centre.

How has the cluster evolved since we last interviewed you three years ago?

Since our last interview, the cluster has evolved significantly with six more companies joining, meaning that we now have a total of 32 members, an increase of 400 people employed, totalling 2,900, and a global turnover of USD 2.45 billion. More than USD 650 million has been invested in R&D activities and new plants, including new HPAIs anti-cancer facilities, new drug product plants and biotech R&D centres.

Our current strategy and priorities revolve around continuing to serve the territory in which we are operating through sustainable growth, according to ethical principles, creating a corporate identity for the cluster and pursuing innovation in products, processes, technology and market diversification, in particular in terms of acting together in the development of talents. Also, in the creation of an appealing landscape in which to operate and in the way the cluster is marketed

internationally.

Speaking about markets, many companies have continued their expansion into new territories either by creating their own subsidiaries or through licensing/distribution agreements with local companies.

2020 has represented an important milestone in the development of the Ticino biotech cluster as we celebrate 40 years. As part of the celebrations, we had planned an international pharma summit, an award for the best student in the Swiss dual education scholarship, a presentation of master's and PhD thesis of Ticino's young talents and, lastly, the organization of "Piazza Ticino" as a showcase to offer the local community the opportunity to see our know-how. Unfortunately, the COVID-19 pandemic forced us to cancel this event.

What is the current composition of the cluster of companies that you represent?

The cluster is made up by a nice blend of privately owned firms and others owned by external shareholders. From a business point of view, the blend is composed of companies developing proprietary drugs, others focusing on generics and service providers. Looking at the value-chain, some firms are purely concentrated on early phase research activities, others focus their attention on R&D after phase II clinical trials or after a proof of concept has been established.

We also have companies dedicated to manufacturing or promoting products on the market, whether they are primary care therapies, orphan drugs or targeted therapies. If managed correctly, this diversity represents an extraordinary asset in further developing this territorial cluster.

In addition to their core business, companies traditionally continue to offer their know-how as services to other companies, of course in the territory but mainly internationally as contract manufacturing or contract development companies. This clearly differentiates Farma Industria Ticino (FIT) from other well-known Swiss pharma clusters.

Ticino is in the process of building a brand for the region. What sort of positioning are you aiming for within the Swiss ecosystem, which is already quite robust and competitive?

What we began doing years ago was creating a Southern Switzerland hub, putting all the companies together. I believe we succeeded in doing so and managed to create a clear corporate

identity. We present ourselves together, even though the companies have peculiar differences.

We changed the culture of the association, going from a typical economic association, where you meet but do not do anything together, to a cohesive group that efficiently represents the cluster of pharmaceutical, chemical and biotech industry in Ticino. It is what convey when we organize events such as the FIT Pharma Summit in Lugano, or when we go outside to events like CPhI or universities. That unity has been the key since it allowed us to be recognized and compared favourably to other associations whether they are in California, Kentucky or Geneva.

We are also expanding the cluster, going beyond typical pharma companies and extending the invitation, with a special statute, to suppliers, consultants or financial institutions. The future should be as open as possible.

What sort of leverage does that unity give you in comparison to other regions in the country?

In a hypothetical way, if counted together as one, we would be an important mid-cap company in Europe; we could manage from research to commercialization and manufacturing. With a population of only 350,000 inhabitants, we could have USD 2.1 billion in innovation, research and development and have distribution to more than 190 countries.

What I wish to do now is to try to attract innovation to Ticino through start-ups which will require help from the authorities. The goal is to build a technological centre where we can develop new technology that can be used across the board and attract new talent. It can be the next step for the Ticino region.

As a matter of fact, the Swiss Innovation Park System, with parks in Basel, Zurich and Geneva, has now approved Ticino to create a Swiss Innovation Park. The government already decided to have a big centre in Bellizona that is estimated to start in six years with public and private funds. In the meantime, Competence Centers will be started.

We would like to create a FIT centre, by mixing the pure pharma technology with artificial intelligence. We do not have a preference as to which particular sector the companies come from, we want the territory to grow and have new ways of doing business around pharma.

Geographically speaking, we should not look too far. There is, of course, Italy, that is producing many new ideas with people working in life science in universities. We can attract people with good

ideas that can profit from the Swiss way of access to capital. We also can attract companies and people from the northern part of Switzerland, especially after the 57-kilometre tunnel opened between the north and Ticino.

Compared to other sectors in Switzerland, the Ticino region does plenty of manufacturing. Why is it a good place to launch a manufacturing project?

The vast majority of our associates do manufacture or development by themselves, but they also tend to offer that to third parties, which is quite interesting.

We are competitive against many countries in terms of third-party manufacturing and companies chose the region even if maybe there is a premium in the cost because they value the reliability, quality and security of supply that characterizes us. I predict that we will observe manufacturing coming back to Europe, and Ticino will play a role in that.

How will the changing political dynamics, particularly after Brexit and the evolving relationship between the continent and the United States and China, affect the region?

I really trust that the Swiss way of finding compromise will allow us to maintain a good relationship with Europe. We saw that reflected in the referendums regarding our relationship with the European Union last year.

In terms of the market, global companies are not necessarily present in Switzerland for the market since the size is not huge in comparison to other European markets with around 5 billion Swiss francs. They come for quality, talent, innovation, among other things. Companies that manufacture or develop new products are interested in selling them in the US market. I do believe that free trade agreements are important and also the relationship with China.

The alternative has not given good results. Let’s take Turkey as an example, where they had a good market but decided that everything needed to be manufactured in the country and the market was destroyed, it affected innovation.

In that regard, we want to foster the internationalization of the cluster by attracting new players from abroad and enlarging the platform of stakeholders correlated to the pharma and biotech environment. We hope that this will overcome some difficulties that Ticino has experienced in the past in attracting established international companies. And the trend has already started. In

addition, some private companies have raised the interest of international pharmaceutical companies and investors, who have acquired or have invested in Ticino's companies. The possibility of new investments from abroad will potentially represent the next phase in the transformation of the cluster. FIT is now composed of a good blend of privately owned firms and others owned by external shareholders. While private companies can make much longer commitments towards the future, investing in long term plans, public or investor-backed firms can quickly evolve and have a much more risk-friendly approach towards technology and the market.

The COVID-19 pandemic has forced a re-evaluation of how the pharma industry operates globally, with companies and regions pivoting to ensure security of supply facing this and future pandemics. How did FIT and its member companies respond to the crisis?

The first priority for FIT was making sure to guarantee the maximum in terms of safety and health conditions to our employees and their families. Second, we have worked hand in hand with other economic and industry associations to help the local government manage the crisis and the communication to stakeholders and the population.

In March 2020, Ticino saw a dramatic escalation of the pandemic due its proximity to the Lombardy (Italy) region and the government decided to adopt a strong lockdown, closing all the economic and industrial sectors. We were able to obtain the recognition of "essential industry" and continue to operate our plants. This was a great achievement, but also a big responsibility towards the employees and the community. Thanks to an incredible organizational effort all plants were able to continue to operate making sure that many patients could receive their drugs during the pandemic, in particular for essential drugs in oncology, rare diseases, pain killers, and products used in intensive care therapy.

As an example, an R&D lab, recently acquired by a Californian firm, was able to develop an antiviral agent, which is now in clinical phase to potentially become a therapeutic agent against COVID-19. These are just a few examples to show the diversity and the intrinsic know-how present in what we call the life science valley in the heart of Europe.

As an association, we also engaged as in all sorts of charitable activities for the benefit of hospitals or associations helping people in this difficult situation.

How did your personal experience with Helsinn shape your understanding of the industry and the region?

When I joined Helsinn in 1985, coming back to Ticino after a decade in Zurich for my studies and PhD, Helsinn was a small company with 20 people taking care of the licensing business mainly in southern Europe and South America. The chemical plant had 20-25 people. Now the company has around 700 employees distributed throughout 3 continents with the pharma headquarters and a chemical plant in Ticino, that is recognized as one of the leaders for HPAPI and anticancer APIs, and with a manufacturing site in Ireland for our products for more than 40 partners in approximately 190 countries.

In the US we have established a company with a full commercial organization able to promote oncology and rare-diseases products nationwide. In China we are seeing the first results of our step-by-step strategy started seven years ago with a small representative office, created for managing clinical and regulatory activities. We were able to get three approvals and last year we started co-promotion of our emesis products in Shanghai, together with our local licensee. It was nice to see and contribute to the growth of this important mid-sized company.

The success of Helsinn is representative of the cluster in Ticino, which has dramatically changed from an aggregation of small, pioneer laboratories or manufacturing companies, selling mostly non-innovative products into the cohesive cluster I have previously described.

In 2019 an independent economic research study done by BAK-Basel showed that in the last ten years, Ticino has been one the fastest-growing regions in Switzerland and the world for the pharma industry. These results were possible not only thanks to an economical system that allows entrepreneurs to realize their visions but also through a comprehensive and qualitative growth of the overall ecosystem, which is able to produce talents and innovation, including the universities and research institutions present.

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