Susanne Caspar – CEO, Linnea

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Susanne Caspar, CEO at Swiss natural API producer Linnea, talks about her first few months in the company, the pharmaceutical industry's growing embrace of natural ingredients, and why Linnea has made the move into cannabis API production.

As you approach one year as Linnea's CEO, can you begin by explaining what attracted you to this role initially?

I came to the role of CEO at Linnea SA with over than 29 years of experience in the pharmaceutical industry, 23 of which have been in leadership positions, at international companies like Whitehall Much (now Pfizer) and Merck, both in Germany. In addition, I held the position of general manager at the family-owned Steiner Arzneimittel before becoming CEO of Schaper & Bruemmer.

In my current role I draw on both my extensive background in pharmaceutical sales and marketing as well as dual degrees in biology and business management. Because of my previous work, I am familiar with finished goods and OTC products as well as with natural products, but this represents is my first opportunity to be on the active pharmaceutical ingredient (API) side.

I was immediately interested in working at Linnea because it is a small company in the heart of Ticino, while also being incredibly focused on innovation. The fact that the company has such a promising cannabis division was a bonus and the reputation of Linnea's two mother companies – the Schwabe Group and IPSEN – was also very reassuring.

I became CEO of Linnea at a crucial time: the COVID-19 pandemic, which was challenging to say the least. However, it was also incredibly motivating, and undoubtedly put me to the test. I feel very lucky to have become part of a wonderful team that has supported me since day one, creating remarkable cohesion and trust between all of us. Many of our employees have been working here for several decades and the company truly feels like a family.

Can you introduce what Linnea is today?

Linnea was founded in 1982 and produces APIs for the pharma industry – our main business – as well as for the food and cosmetics industries. As all our products have to be approved by Swissmedic before entering the market, they need to meet the highest quality standards.

What is so special about Linnea is that we produce our APIs from natural products grown all over the world. We do the extraction and prepare the APIs to be sent to the pharmaceutical companies that make the finished products.

We export around 90 percent of our production and are active worldwide, present in more than 80 countries across all continents. About a third of our business is in the United States and Latin America, and the rest is divided between Europe and Asia Pacific.

What are the main drivers of Linnea's business today and how does Linnea embrace the global trend towards natural solutions and going green?

2020 was defined by an increase in demand for dietary supplements because of COVID-19, with people looking for ways to manage stress, anxiety and problems linked to concentration.

This seeking out of herbal and botanical solutions arose from concern for the environment and a desire for 'greener' products, an awareness that has increased in recent years. In particular, the way businesses approach just about everything, on every level and within all contexts, has changed. People are more conscious than ever before of the impact they have on the natural world.

For the last few years, Linnea has embraced a 'Green Spirit', a philosophy aimed at proactively reducing waste and promoting the circular economy; we voluntarily adhere to the Swiss Energy Agency's program to reduce energy usage and cut carbon dioxide emissions. In addition, for the last four years we have co-owned a biogas plant with a few farms in Ticino where all our organic

waste is turned into clean energy for nearby residents and businesses. This has borne rather impressive results, generating 1,300,000 kW of clean power and 600,000 kW of heat annually. That green energy is then sent to the public power grid, meeting the needs of about 250 households, while the heat is routed to the neighbouring district's heating network, creating a virtuous cycle and supporting the local community.

What differentiates Linnea and sets it apart from global competitors sitting in lower-cost nations?

We have realised that cost is not everything for the pharmaceutical industry, quality is. We are working in a cost-effective manner because we operate seven days a week, 24 hours per day and have thereby optimised the production of APIs. The company has a track-record and expertise that has allowed it to get to a competitive price but what the pharmaceutical industry really cares about is quality and reliability. Our customers know that we operate under the supervision of Swissmedic and have good manufacturing practice (GMP) certificates. We do hear from companies that they probably could get products from countries like India or China, but they trust the Swiss quality system and it makes it easier for them to explain their processes and ingredients to regulators.

Do you see your pharmaceutical clients as increasingly interested in natural API's rather than chemically synthesised ones?

There is indeed a trend towards natural ingredients. Big markets like Germany, Italy and France have a significant number of natural products on their markets and more countries are following. The market is increasing and will continue to grow after the pandemic.

One of the major products we produce, scopolamine, is the active ingredient used to prevent nausea and vomiting caused by motion sickness and anaesthesia given during surgery as well as being used for certain stomach or intestinal problems, muscle spasms, and Parkinson-like conditions. People know the product is very effective but might not realise that it comes from a plant.

Linnea has always worked with natural products: we consider them part of our DNA. Our procurement team makes in-person visits to farms, forests, and groves to select the raw materials we use, and to make sure, along with the quality control department, that the entire agricultural and harvesting cycle complies with our elevated standards.

To that end, we monitor each ingredient starting from its cultivation – even from the seeds in some cases – up to the finished product to ensure the highest quality for the pharmaceutical, nutritional and cosmetics industries. At Linnea, guaranteeing a natural product or talking about natural sourcing is not just a challenge or an opportunity; it is a mission.

We have also started in the cannabis area and are one of the first companies to manufacture APIs with GMP production for the industry. There are plenty of start-up companies in the cannabis segment but many of them were previously unaware of GMP processes. Of course, there are some synthetic cannabis products coming out, but people prefer natural products, particularly in this area.

The cannabis market has a lot of potential, but several regulatory and supply hurdles as well. What is your rationale behind focusing on cannabis?

Linnea is a pioneer in the field: we began studying and developing cannabinoid ingredients in 2014, at a time when cannabis was still only associated with recreational uses. Today, words like cannabidiol and medical cannabis are part of the everyday language of much of the population and countless companies are producing different products and cannabinoids.

Linnea currently has a solid portfolio based on pure CBD compounds, plus extracts and ready-made forms. We recently even launched a five percent CBG extract. Linnea truly believes in the industry; studies regarding the various uses of cannabinoids are producing great results in several fields. Additionally, all our clients that have marketed cannabis-based products have been quite successful.

It is immensely satisfying to see the world surrounding this natural ingredient evolve day after day, both in terms of regulatory considerations and in terms of the market. One of the most interesting things about cannabis is being able to see the demand for a high-quality pharma-grade product grow consistently and tangibly.

In our area, finding new plants takes years and cannabis has already proved what it can do for decades; the plant has been studied extensively and real-world evidence from actual consumers has been gathered. The image is still an issue, but cannabis products work and are effective for several indications: pain, multiple sclerosis, epilepsy, among others. Therefore, our interest is logical because we have the expertise on plants and the pharmaceutical industry. Many companies might be sceptical because cannabis is not legal in most of the world, but this is changing and we

see a big potential to increase people's health with this plant.

Our cannabis business is different from our pharma business because many companies in the cannabis space have trouble navigating regulations and GMP processes, particularly with THC levels. The market is still developing, and we can produce big quantities with reliable quality.

Commercially, the past year has been challenging for almost everyone. How did Linnea perform in 2020 and how did the company adjust?

2020 was an up-and-down year. March and April were good for our business because we were open during the lockdown and were able to ship the APIs to our customers; they really appreciated that. After April, the sales went down because some countries closed for months and because some clients had no business during that time, they asked for lower quantities.

Our biggest product scopolamine, which we sell primarily in Latin America, was impacted because of the COVID-19 situation in those countries. In some cases, the authorities are buying our products through tenders and many had to redirect their resources to control the pandemic and treat patients.

There will be an increase of business in 2021 because tenders are restarting but it will take time because some countries are reimposing lockdowns. We should be fair with our partners; they have to focus on the most urgent needs of the population, and we will be with them.

Linnea has its roots in Canton Ticino, well known for its lakes and mountains, but less renowned for its manufacturing know-how and great family businesses. How would you characterise the region?

Linnea is part of a wonderful network of pharmaceutical enterprises that truly believe in the area and help make Ticino the place it is today.

The chemical and pharmaceutical industry in Switzerland has been ranked number two in the world by the 2020 Global Industry Competitiveness Index, a recognition that we are quite proud of. Linnea is also among the 36 pharma companies operating in Ticino that belong to FIT (Farma Industria Ticino – the Ticino Pharmaceutical Industry Association), an association founded to highlight the strength of our region in the business. However, Linnea stands out in at least one regard: exports make up almost 90 percent of our turnover, compared to the 80 percent average of

other FIT members.

In terms of life sciences, Ticino is an attractive hub because it is at the crossroads of Europe, making it a small hotbed for innovation. Though we have already done a lot, we still have a lot more to do, and Linnea is ready to embrace the challenges of the future.

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