Emerging biopharma and larger pharma companies have a general request and desire for simplicity and ease of interaction with partners who will handle multiple steps in the process. Their belief is that, with the right partner and capabilities, those additional steps will be handled by a single partner and give them meaningfully faster time to data readout or inflection point. Ultimately, by having one partner with whom you have a single Master Service Agreement (MSA) you can enable them to expedite the processes of a project, making it easier and more beneficial for the sponsor.

- Peter DeYoung,
CEO,
Piramal Global Pharma

Peter DeYoung

CEO
PIRAMAL GLOBAL PHARMA

What are the biggest areas of opportunity you see for expansion in North America?
We are excited to expand our capabilities in North America, where Piramal Pharma Solutions (PPS) currently has three facilities: Aurora in Canada, Riverview in Michigan and Lexington in Kentucky. Earlier this year, we announced an investment of CAD$25 million to expand the Aurora facility. This includes new wings with 3,500 sq. feet of incremental space and multiple levels. This will expand Piramal's ability to manufacture APIs in that facility.
The new wing of Riverview was inaugurated in 2019 with a focus on serving the high potency API market. It received an investment of US$10 million, which was used for new QC labs, better client coverage and high potent compound handling at the facility. This enhanced capability enables us to serve the high potency area of small molecule production of API's, which allows us to meet a rapidly growing sub-segment of overall CDMO support that we are seeing in our customer markets.
At our Lexington facility we have the ability to handle containment related sterile fill finish, which is a niche area within the already difficult area of injectables.

How do you weigh organic growth versus inorganic growth opportunities?
Our overall site network has all been acquired companies, apart from two. The approach is a blend of organic and inorganic growth. We find that by acquiring an existing business, we get an additional running operation that is already producing revenue. However, the site is often far from reaching its full potential. By acquiring a site that is going well, we can apply best practices and investment to accelerate growth.
We intend to raise growth equity from investors for our global pharma solutions and critical care businesses, as well as our OTC drug business in India. This will enable us to accelerate both organic and inorganic growth across all three businesses, including Piramal Pharma Solutions.

What is your view on valuations and the potential for M&A in the CDMO space?
Overall, the CDMO industry is experiencing a robust, sustained, strong customer demand. If there is growth in an area, then industry players will try to take advantage of that growth. Secondly, despite there being several large players, the industry is still highly fragmented and no one player commands a dramatic share of the market. Ultimately there is room for consolidation amongst many of the leading players.
In terms of customers wanting to work with fewer, more relevant partners, whether they be large pharma or emerging biopharma, they are all seeking partners who can do more for them. That is driving some CDMOs to look for scale, while others are looking for capabilities. Still others look for geographic coverage. All of them aim to be more relevant to their customers and that drives the desire and need for consolidation. In the M&A context, valuations are tricky, because when everyone is looking to grow valuations expand.

What is the contribution of Indian businesses to the US Biotech industry?
Our integrated offerings are composed of multiple steps. We often provide one step in North America, while subsequently steps two, three and four are being done in different geographies across the world. By providing an overall integrated package, we offer a combination of North American capabilities with those from India and Europe to our global customers, fully supported with seamless project management and tech transfer expertise.
We have facilities and capabilities in India that provide value for our customers' projects. We have high quality facilities in drug products and drug substances in India that have been inspected by all the major regulators and meet the overall equation for what our customer is seeking.

What milestones does PPS seeks to achieve in the next 2 to 3 years?
We are looking to continue our expansion with customers and capabilities in North America, India and the U.K. We are also excited about how our capabilities can continue to maximise value for our customers. We have a significant number of customers that have phase 3 projects and trust us with their most important pipeline products. We are excited to assist more partners in launching critical and life-saving drugs. Combined with capacity enhancements, we believe we can add to their development pipeline. ■

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made by innovator companies to now seek partnerships based on quality rather than cost, leading to a rise in projects being partnered with US and European CDMOs."

Strategic Partners

One of the trends in the market is that emerging biotech companies are heavily dependent on CDMOs for molecule development, as they simply do not have resources. Lab space and hiring researchers can be beyond their capacity. Peter DeYoung, CEO of Piramal Pharma Solutions, asserted: "Emerging biopharma needs to outsource most of the services offered by a CDMO. Our one-stop-shop capability and an integrated offering better enables us to meet dynamic and growing customer demands. That is why we are seeing a lot of growth in what we do for emerging biopharma."

In contrast, big pharma has the resources to develop a molecule, but there are opportunity costs that factor into how they choose to allocate time and resources. DeYoung continued: "When we look at large pharma, obviously they have internal capabilities, but they need to decide between what they do in house versus with a partner. They often place important projects with us across multiple sites and speak about us being a strategic partner, providing them with expanded capabilities that they may not have in the way they need and in the timeline required. This allows them to have flexibility of resources, which if everything was done internally, they could not meet."

Virtual Companies

Another factor contributing to the growth rate of CROs has been the explosion of 'virtual companies', which contract out all or most of their development. The success of a startup is existentially dependent on efficient use of capital, and the virtual model allows them to keep fixed costs down, such as rent, salaries and other overheads.

This is not without its challenges. One difficult aspect is integrating activities across multiple contractors or collaborators, often on different continents. It is not uncommon for companies to have to ship materials across the world and this can create big expenses, vulnerabilities to mishap and lapses in communication. Despite these drawbacks, more and more virtual or semi-virtual biotech companies continue to be funded that require less infrastructure. These companies are expected to even further integrate with CROs through equity and success-based collaborations.

Conclusion

The end goal for biotech and pharma companies is to propel forwards developing therapies that improve the quality of human life. The question is how does one innovate, but still make affordable medicines? Partnering with a CRO allows for greater capital efficiency and, given the sizeable investments and influx of talent that has moved into the space in recent years, it is a promising growth story. ■