Pandemic Pushes Life Science Companies to Innovate, Shift Focus

LIFE SCIENCES: Leaders Share Insights at Virtual Roundtable Meeting

By Jay Harn

With COVID-19, the world’s spotlight has been on life science companies and San Diego is one of the hubs of the industry. Recently RSM and the San Diego Business Journal sponsored a virtual roundtable meeting to hear some of the thoughts and insights of several leaders in the industry.

Panelists were Wayne Woodard, chief executive officer of Argonaut Manufacturing Services; Oliver Roco, vice president — communications with the California Life Sciences Association; Mark Herbert, chief business officer at Scientist.com; Najjam Asghar, chief financial officer of Sorrento Therapeutics; Moderating the panel was Adam Lohr, partner, life sciences senior analyst with RSM; Edward Robles, partner, tax services San Diego Life Sciences industry leader, RSM; Justin Chaitin, business development director, RSM; and Barbara Chodos, president and publisher of the San Diego Business Journal.

What follows is a sample of the conversation. Remarks have been edited for space and clarity.

Some of the first things discussed were how each of their companies reacted or adapted to the pandemic? This was new ground for each of them. Wayne Woodard, CEO of Argonaut Manufacturing Services felt adapting and bringing a sense of normalcy was crucial for his employees. “We didn’t have a rule book when this started back in March. So, we kind of had to figure out… first off…” are we really an essential company?” I think we all probably felt we were, but, we had to make up our own definition for it. Nobody tried to shut us down, as we were trying to provide diagnostic support to those who needed it quickly. For us it was almost surreal, because we would get on the roads and nobody was there. We had to be at work to keep things moving, to create capacity and capability for people who needed diagnostic kits. So that part of it was rewarding, but I think when we looked back at it, what we’ve tried to do as much as possible is provide as much normalcy as we could and to make accommodations I think that has had a positive impact on our employees.

Najjam Asghar, CFO of Sorrento Therapeutics felt that the expectations from a life sciences company, saw a shift in the mindset of its employees as they were helping address a global pandemic directly.

“We are an oncology company that has one of the largest antibody libraries, and we were using that to develop immune therapy treatments from an oncology perspective. And in the beginning of Q1, when we saw the spread of this global pandemic, we thought we could help by leveraging our antibody library and developing an antibody therapeutic. We believe that anti-body therapeutic solutions is potentially going to be the solution to the global pandemic.

As a B2B platform, we have no real playbook on how to operate during a pandemic, but eventually people got used to it while practicing social distancing in a safe manner. And so far, we have been very successful in developing and maintaining a safe working environment for our employees while operating as an essential business. We believe our scientists to be heroes because they are tirelessly working through a pandemic. Our COVID strategy is not just a vaccine. We have multiple therapeutic and diagnostic treatments in the works. All our R&D people are passionate, they want to solve the problem which the world is facing. They work day and night to make things work.”

As a B2B platform, Mark Herbert, chief business officer at Scientist.com, saw changes in the types of projects they were called on to help facilitate to help companies keep going during the pandemic.

“The ability to adapt to the pandemic really became evident with the platform we’ve developed. We connect service providers with biopharma organizations. You can think of us as an amazon.com or match.com for the pharmaceutical industry. And the best thing about our platform from a legal perspective is biopharma clients sign one single marketplace agreement and automatically have contracts in place with a network of over 3,600 suppliers. So it gives companies a lot of optionality as it pertains to managing shelter-in-place restrictions, as well as giving your researchers remote access to drive their internal testing funnels.”

“The majority of our business is pre-clinical in nature. About 85% of the overall volume of transactions placed through our marketplaces are for pre-clinical services. The other 15% is for regulatory development and commercial service, and you can think about people shoring up their clinical budgets because a lot of the clinical activities were put on hold due to the pandemic and the risk associated with patients entering a clinical trial. A lot of those monies were reallocated to preclinical budgets, and there were restrictions around shipping compounds from France to the US or France to Germany. So, in thinking about our legal structure coupled to our supplier intelligence databases, is that we can build out the connectivity, and contain border supplier networks for our clients,” he said.

“We also saw a big push, especially across our top pharma clients, to advance their pre-clinical pipelines, not slow anything down. This has resulted in the best year in company history with $308 million of revenue to date -- that’s about $1 billion revenue in five years.”

San Diego PE & VC Deals: Life sciences as % of all activity

This chart illustrates the amount of life science PE&VC activity as a % of all PE&VC investment in San Diego.

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Participants page 12
Herbert has 20+ years’ experience in pharmaceutical and biotech research across multiple platforms and therapeutic areas. He last served as Interim President of Arturano Therapeutics. Previously, he was Head of U.S. Business Development at WuXi AppTec. Mark previously served as Director of Pharmaceutical Sciences at Aragon Pharmaceuticals, Inc. which was acquired by Johnson & Johnson in 2013. He is an author or inventor on over 35 peer-reviewed manuscripts and has led or contributed to the submission of 13 investigational new drug (IND) applications and one new drug application.

Edward Robles
Partner, Tax Services
San Diego Life Sciences Industry Leader
RSM

Robles has 20 years of Big Four public accounting experience, including 15 years in San Diego. He serves both public and private strategic growth companies and is experienced in serving clients in a variety of industries. Robles is experienced in coordinating global tax service delivery for U.S.-based multinational corporations and foreign-headquartered clients with significant United States operations. He has significant experience with ASC 740, including assisting with purchase accounting, reviewing and preparing multi-national tax provisions, and analyzing uncertain tax positions. He has served the biotech, life sciences, technology and SaaS industries.

Oliver Rocroi
Vice President of Communications and External Affairs
California Life Sciences Association

Oliver Rocroi serves as vice president of communications and external affairs for the California Life Sciences Association (CLSA). Based in CLSA’s Washington, D.C. office, he is responsible for the development and implementation of external communication strategies, directing the association’s advocacy activities while incorporating strategic communications and alliance development objectives. He has significant public relations, advocacy, government affairs, and campaign expertise developed over his twenty year career, having spent time as a legislative staffer, professional consultant, lobbyist, and public relations professional before leading CLSA’s state advocacy team in Sacramento for three years.

He has been directly involved with over 15 legislative, congressional, and state-wide campaigns in addition numerous regional ballot measures, local and county government campaigns, and public education initiatives. He is a graduate of California State Polytechnic University Pomona, with a degree in Aerospace Engineering.

Wayne Woodward
Chief Executive Officer
Argonaut Manufacturing Services

With 28 years of management experience in operations, supply chain and general management, Woodward’s primary focus (in three different industries) has been on building global operations capabilities with particular emphasis on working with external manufacturing services companies. Woodward most recently worked at Thermo Fisher/Life Technologies through its Ion Torrent acquisition. He previously worked at Affymetrix, Electroglas and Ridge Technologies. Wayne began his career in manufacturing at Sun Microsystems. Wayne focuses intensely on execution and detail, which is why he also bottles his own wines.

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115% over last year. Not to mention, we obviously have a couple of months remaining where people are trying to close out their yearend budgets. And so, we feel our model was positioned well to navigate through the unknowns and uncertainties associated with COVID; for example, travel restrictions, closures, and shelter in place restrictions. We’ve been very fortunate to be on the positive side of the pandemic — things haven’t slowed down. I think all of society, not just biopharma and healthcare, have truly embraced e-commerce as the wave of the future, whether it’s having food or supplies delivered to your home, or outsourcing pharmaceutical services to advance your internal pipeline. In hindsight, we were just very fortunate to be well positioned prior to the pandemic.”

One of the silver linings of the pandemic has been the increasingly positive public perception of life sciences and the pharmaceutical industry as there becomes a significantly broader understanding of what life sciences are by the community. And the capital markets have responded very well.

Oliver Rocroi vice president — communications with the California Life Sciences Association agreed.

“I think a lot of that starts with the fact that we were all forced to start to have to research what pandemic really means, what vaccine discovery looks like and what therapies are available. There was so much information, there was almost information overload about data, and then the rest of the world stopped. No sports or TV shows, you started to run out of stuff to watch. So, I think that the general public, as a whole, had a much deeper understanding of the life sciences.

And I think, many of the companies represented here, California in particular, really rose to the occasion of taking on this challenge. I think for once our industry did a really good job with external public relations. The pharmaceutical industry doesn’t always have the best reputation. We’ve been getting beat up for awhile over pricing and all of a sudden it gave us an opportunity to really put a positive spin on what it means to actually do the difficult things we do,” he said.

“I think there’s a deeper appreciation, especially early on when so many people were just scared. We have members in just about every county in California, 58 different sets of local orders, how they interplayed with state orders, how those interplayed with federal orders and those orders were changing all the time. You had people, who had to take care of their personal lives, kids, the lack of supplies and stores, and then companies, some of whom are very small. We would have to interpret things that they had never considered before. Do I need to give my employees a letter so that they don’t get pulled over by the CHP? How did they deal with the stigma of living in a neighborhood and being the only car driving down the street on the way to work? But no, I hope this elevated public awareness continues because I think goodwill of our sector really depends on our ability to not forget and not allow people to forget that we provide so much value, playing our part combating this pandemic, not only to the state, but for the world.”
Mark Herbert added: “I think that the key word here is trust. If you ask the public at large, they’ve trusted the biopharma community prior to the pandemic, it was very low. Whereas, once COVID hit, people started to ask, what are we going to do? What are you doing with our hope? And that is when biopharma became the only option. So, trust in the industry has increased quite a bit in 2020. And I think they’re obviously been nationalized across the capital markets; if you invest it’s been a great year.”

“You and I — you and I come up and my family telling me big pharma has a cure for cancer and they’re just keeping it under lock and key because they want to sell us, you know, a daily, chronic disease, and that’s just not good for our lives. You’re going to realize that’s just, hogwash, it’s hearsay because people don’t understand what biopharma is really doing. The associated probability of successful drug discovery is fairly low. You have to take a lot of shots on goal to get a thousand that work. So, the interesting thing about COVID is that it instilled trust in the general populace that was not there previously. You know, many people were focused on healthcare costs and secrecy as I previously mentioned, and now they’re focused on hope, which I think is a good thing for all of us, everybody.

So, what will be next after the pandemic? After FDA approval of several vaccines, will there be a shift in focus? Will vaccines that have been ignored for so long become back in vogue? Will it be therapeutics? Will it be biologics? What do you see as the next decade of focus areas?

Wayne Woodard, CEO of Argonaut Manufacturing Services said that in his view diagnostics are future-proof. “We support not only biopharma, but also all these molecular diagnostic assays that have been created. Genomic tests are now being developed and stand in diagnostics. If you mean if you wander around Sorrento Valley, you’re going to run across a lot of biopharma companies, but you’re also going to see several other companies in the diagnostics business. Recognizing the importance of testing and what testing is going to be like in the next five to ten years is exciting. I don’t think we’ll be caught flat-footed again. I think that people will be creative and innovative, especially focusing on point-of-care tests, this will be an exciting place to be for some time. We feel like the molecular diagnostic market is just getting started. Our clients have realized we’ve reached diagnostic virology like COVID-19 — they are doing the same for cancer, inherited diseases and other illnesses. They’re seeing other things that people are going to want to better understand. People are becoming much more comfortable with going to their doctor or pharmacy for a diagnostic test that will use genomic information to guide them with next steps. This will be an incredible opportunity for all life sciences in San Diego County. People in San Diego County have done some amazing work to assist through the first phase of this pandemic. As hard as it is to consider, I think the future is incredibly exciting when you look beyond our hardships today. We all now understand how difficult it is to really test a large number of people very quickly using genomic information and come up with a solution to get them back on the road. We must learn from this as we simply can’t do this again.”

Because life sciences are doing well right now and San Diego has such a great ecosystem for the opportunities with the need of growth, but businesses looks bright for the region, but finding enough talent could be difficult. Najam Ansari of Novo Nordisk says it is challenging, but they have been able to hire more than 130 people in the last year. “Most of the people who hire, they’re not just your normal people, they’re competition, need to have certain skill. Our workforce is highly skilled and we have a hundred plus Ph.Ds in the company. This can be very daunting. So, it is a challenge to attract some of those really high-skilled, competent individuals. Every job, which we have posted, has had so many responses. There are a lot of job opportunities available, especially the technical level jobs, and when we tested that we have massive numbers applying. San Diego is a small city, but it has very promising tech and biotech companies here.”

The buzzword is diagnostics. The buzzword is diagnostics. In 2019, it was digital transformation. Both Mark Herbert and Oliver Rocroi had unique perspectives of how the digital acceleration is going to be impacted.

“I would answer that question in one word — telemedicine. The increasing use of the general population and being wise to change from the historically in-person interactions with physicians to doing that over a device means that there’s going to be a lot of new investments in areas that have been a little overlooked. I think this is, definitely on the horizon — for example, that will help with resistance. I also think certain counties, certain cities in particular, are going to weather this workforce migration better. San Diego is going to be fortuitous in its efforts. Not to pick on San Francisco, but San Francisco is in trouble. It has big tech companies telling people they never have to come to the office, while having just passed increases in sales tax, I mean, that downstream effect is, crazy. San Diego. I think the large tech companies will stay, they will have to change the way they do business, biotech, traditional tech and the diversity of that workforce, and hopefully attract some of that new talent.

And to add along that, I’ve obviously spent 20 years in the biopharma community and, you know, a chief digital officer was not something that I was familiar with until about the last one or two years. And I think every big pharma company, you know, even a mid-tier biotech could benefit from that texture in place. And so, they have embraced digitization, they have embraced big data. How do we take data that’s outside of a well-organized, well-trained clinical trial and then link that data, or tease out information so we understand how to expand our label plan or how to target a specific natural market? I think that this is all big data-driven, which, without the connectivity that we have today was never accessible,” Halbert said. “And back to San Diego talent. I think one thing that we neglected to highlight is the richness of our institutional ecosystem. You know we have all these great peers, which have seen double digit declines in terms of any healthcare, smaller, mid-tier biotech company has that position and services to meet their evolving needs in today’s ever-changing business environment.

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COVID-19 Illustrates How Quickly Life Science Ecosystem Can Adapt and Pivot

The SARS-CoV-2 (COVID-19) pandemic has devas-tated health, safety and economic security of bil-lions of lives globally. The pandemic has also placed significant pressure on the life sciences ecosystem as governments and the private sector directed these enterprises to produce critical medications, diagnostic kits and medical supplies to combat the virus, and more important, to keep the therapeutic pipeline moving. All this while continuing to produce the medications, devices, and diagnostic tools that billions of people depend on for conditions other than COVID-19. This emergency has pushed life sciences companies to operate and innovate at an unprecedented rate and has illustrated how quickly the ecosystem can adapt and pivot at a time of crisis.

Widespread shortfalls of PPE, ventilators and tradi-itional medications were avoided; on-going clinical trials, while impacted during the summer, have recov-ered without major disruption; and drug developers have worked as an international team to develop hun-dreds of COVID-19 vaccine and therapy candidates in months, a record for the Western world. While distribution of vaccines under emergency use authorization has commenced with Pfizer’s approval in December, infections are rising at an alarming rate throughout the United States and Europe, we are in no way out of the woods just yet. But progress is be-ing made; employment opportunities are expected to increase. The increasing use of the general population and being wise to change from the historically in-person interactions with physicians to doing that over a device means that there’s going to be a lot of new investments in areas that have been a little overlooked. I think this is, definitely on the horizon — for example, that will help with resistance. I also think certain counties, certain cities in particular, are going to weather this workforce migration better. San Diego is going to be fortuitous in its efforts. Not to pick on San Francisco, but San Francisco is in trouble. It has big tech companies telling people they never have to come to the office, while having just passed increases in sales tax, I mean, that downstream effect is, crazy. San Diego. I think the large tech companies will stay, they will have to change the way they do business, biotech, traditional tech and the diversity of that workforce, and hopefully attract some of that new talent.

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