

Harris Williams Discusses Growth With the CEO of Adare Pharma Solutions



For pharmaceutical and biotech companies, efficiency in drug development means higher returns on approved therapies. To drive greater levels of efficiency across their value chains, companies are increasingly turning to outsourcers. In fact, outsourced pharmaceutical services growth is accelerating at every level of the development and manufacturing process.

Contract development and manufacturing organizations (CDMOs) are among the most important of these outsourcing partners. CDMOs provide customers with a range of services, from drug discovery, contract research, and contract manufacturing to commercialization, safety and risk management, and pharmaceutical IT. CDMOs help pharmaceutical and biotech companies manage their capacity requirements and focus on core competencies such as drug discovery and commercialization.

Here, Paul Hepper, a managing director in the Harris Williams Healthcare & Life Sciences Group, discusses this dynamic subsector with Tom Sellig, Chief Executive Officer of Adare Pharma Solutions, a global technology-driven CDMO focused on oral dosage forms for the pharmaceutical industry. Hepper and Sellig cover key growth drivers in the space, the roles of private equity and M&A in Adare's strategy, and the importance to the firm of ESG.



Hepper: What's driving the growth we're seeing in the CDMO space?

Sellig: It's very difficult to characterize the entire industry because there are so many different subsectors. There's drug substance, drug product, and packaging; there's small molecule, large molecule, cell and gene therapy. There are also geographic considerations, like the U.S. versus Europe versus China and Indonesia. And there's generics versus NDAs. Each of those subsectors has very different market dynamics and factors driving growth.

Overall, there's significant investment in drug development. Last year was a little bit less active than previous years, but with COVID-19, there was a significant increase in investments in a wide range of therapeutic options for many disease states.

It's an exciting time for the industry given the scientific breakthroughs that are happening. Cell and gene therapy is a great example, but we're also seeing tremendous growth in everything from biologics to biomed-based products.

However, the vast majority of business is still in small molecules, which is the pharma industry term for what we think of as a traditional drug treatment: something usually taken orally, with active ingredients small enough to enter the bloodstream. If you look at FDA New Drug Application approvals over the last five years or so, in general, small molecule represents about 75% of the new drugs that are approved by the FDA.

So, there's a mix of innovations, with some focused on new indications and diseases lacking treatments, and others related to older drugs.



Hepper: Tell us a little about Adare's growth story.

Sellig: Adare was initially a carveout from Actavis, which happened in 2015. In 2019, we started making some significant acquisitions, including Parvulet and Orbis. And in 2020, we partnered with Thomas H. Lee Partners and Frazier Healthcare Partners and became Adare Pharma Solutions. At that point in time, Adare had four development and manufacturing sites around the world, and a variety of technology platforms that provided formulation solutions focused on small molecule, oral solid dose.

Then, in 2021, we acquired Frontida BioPharm, which provided us with a larger global footprint of sites and a broader range of solutions. The acquisition brought us additional technologies, such as high-potency capabilities, as well as three more sites, including a packaging center of excellence.



Hepper: How are your customer needs evolving, and what is Adare doing to meet those needs?

Sellig: We talk about customer experience almost daily within the organization. It's our number-one priority and differentiator. For us, customer experience encompasses everything from the range of capabilities we can offer, to how we manage a project and how efficient and consistent our processes are across our network of sites.

We're always pushing ourselves to come up with new and more effective answers to the questions that are central to any CDMO: How can we offer customers cost-competitive solutions, yet have a broad range of capabilities and innovation? How can we balance innovation, speed to market, and cost all at the same time? How can we meet the needs of both small pharma companies and large organizations to get their products to market faster with the quality and performance they demand?

Recently, we've been working on a development project for a customer. They had several different requirements for the product and were trying to accelerate time-to-market, so we developed three distinct formulations concurrently. The one that ended up working was a bit of a surprise, which shows why it's so important to us to provide multiple options in this sector.

There are also a few key customer trends that are informing our strategy; for example, we are seeing significant demand for things like high-potency drugs. As pharma companies develop more products for treating specific forms of cancer, those medicines are usually more toxic and have more stringent containment requirements; thus, having a high-potency capability is very important for a modern CDMO like us.

Pediatric formulations are another good example. Companies having a pediatric formulation of their drugs help bolster patent protection and product life cycle advantages, so pharma companies are always looking for ways to use different technologies to offer child-friendly versions of their products. We offer several technologies that can help overcome the specific challenges of creating a pediatric drug.



Hepper: As you've grown and added these new capabilities, what has been the role played by private equity?

Sellig: We've been fortunate to work with two premier private equity groups, Thomas H. Lee Partners and Frazier Healthcare Partners. They've partnered in several other investments and work well together. Each firm has slightly different models and resources they can offer, and that has helped us fill some gaps—for example, on our management team.

When we're looking to make important business or strategic decisions, we have found it very valuable to have their insight and counsel. As we look to optimize the value of the company and think about our

financial structure, they have deep expertise and resources to contribute to our financial modeling. They help with everything from evaluating new merger and acquisition opportunities to thinking about our long-term value proposition and strategy. We have found them to be great partners who help us continually improve the thinking behind our model.



Hepper: You mentioned mergers and acquisitions. How do you think about growing the business through M&A and what that brings to the table? What are your priorities there?

Sellig: There are several ways for us to look at M&A as we pursue new capabilities and fill gaps. You always have the decision of whether you should create something on your own or acquire it. M&A can be helpful in terms of scientific or technological capabilities, geographic expansion, dosage forms, and building selective capacity.



Hepper: You and I have discussed the growing importance of ESG—Environmental, Social, and Governance—to Adare. Can you give us a sense of what ESG means to the business today? And what’s driving you to focus on it?

Sellig: It’s important to us that we’re actually doing something different for the sake of ESG, not just relabeling our standard practices. We’re working closely with an external firm to build out our ESG strategy.

As we look at Environmental, at Social, and at Governance, we’re prioritizing within each: Where are we strong, where are we weak, and what’s most important? In some cases, it’s tough to prioritize. What’s more important, sustainability or data protection and privacy? This has been an interesting challenge.

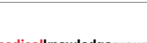
Recently, we had to put a new roof on one of our facilities, and we installed one that has some environmental benefits and supports some energy savings. In Europe, we saw an exorbitant increase in energy prices going through the roof—literally a 10x increase. In response, we’ve installed light bulbs that go off after a certain period of activity. It sounds basic, but many sites don’t do that. In addition to these more tactical actions, we’re also undertaking some longer-term strategic initiatives.

In terms of the “why,” in some cases, our customers are demanding a focus on ESG. In other instances, it’s our investors. At Adare, as a leadership team we are united in thinking that we have a responsibility to optimize our impact.

Conclusion

Pharmaceutical companies are continually striving for greater efficiency in drug development and higher returns on approved therapies. To achieve these goals, they are increasingly partnering with leading outsourced pharma services providers like Adare to optimize performance across their value chains. This, in turn, creates exciting opportunities for investors. (See [our series on outsourced pharma services](#)).

Harris Williams has strong relationships with many of the most innovative companies in this subsector, across commercialization services, contract research, safety and risk management, CDMOs, real-world evidence, clinical trial sites, and data intelligence. To discuss opportunities in these areas, please contact our senior bankers.

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