

The small Geneva company OM Pharma wants to make it big

Will Etienne Jornod succeed for a third time in building a billion-dollar company in the healthcare industry? The ambition is there, but the entrepreneur and his companions have a long way to go.

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Etienne Jornod (as Executive Chairman) and Josef Troxler (as CEO) are at the helm of the newly independent company OM Pharma.

The Western part of Switzerland would like to be among the world leaders in biotechnology, but it has long lacked any new major success stories. Most local representatives are either small or merely subsidiaries of foreign corporations. Serono, a Geneva-based company that once rose rapidly, was sold years ago to the German pharmaceutical and chemical group Merck KGaA. The Lausanne company Debiopharm and the company Ferring Pharmaceuticals from Saint-Prex, also in the canton of Vaud, are of a certain size, but are family-owned and therefore do not appear on the radar of international investors.

Change of ownership gives room for discussion

But now a small company from the Geneva suburb of Meyrin wants to know and claims quite immodestly to be "a world-leading biotech company" in the field of treating respiratory diseases and inflammations. The company in question is OM Pharma, which was acquired at the end of September by a group of investors led by Etienne Jornod for CHF 435 million. The announcement of the new ownership immediately caused a murmur, because Jornod, who also chairs the board of directors of the NZZ media group, had already played a dominant role for years with the seller, Vifor Pharma.

Was everything according to the book? In an interview at the OM headquarters, Jornod emphasizes that the process was absolutely flawless. No one questioned the process or the price. In fact, no analyst accused the buyers of taking advantage or "ripping off" Vifor. Bank Vontobel representatives spoke of Vifor having solved an attractive price. Neue Helvetische Bank also had nothing to complain about and wrote: "The price seems reasonable. "

The analysts of Baader Helvea Equity Research used earlier sales of other companies in the field of marketing of non-prescription drugs as a basis for comparison. They concluded that the parameters of OM's valuation were at the same level or even higher than those of the transactions under consideration. The group of investors had made the acquisition at a cost of almost 4 times last year's sales of 119 million Swiss francs. Based on an estimated Ebitda margin of 20%, the multiple would be 18.



OM has continuously optimized the equipment for the production of its main product, Broncho-Vaxom, from lyophilized bacteria, and has patented many innovations. This should deter imitators.

Trump in hand

According to Josef Troxler, Chief Executive Officer of OM, there were more than half a dozen potential buyers. Among them were financial investors as well as competitors from the pharmaceutical industry. Jornod points out that Vifor knew he was interested in acquiring OM, but completely isolated him as a person during the sales process. This was an unusual situation for him, as he continues to serve as Honorary Chairman of the company.

Jornod, who only stepped down as Executive Chairman of Vifor in mid-May 2020, said he and his co-investors were able to offer the seller a trump card that large pharmaceutical companies would "never, ever" be willing to grant. Vifor had retained a 20% stake in OM and thus still has the prospect of participating in the increase in value until the planned IPO in four to eight years. Any pharmaceutical company, on the other hand, would have insisted on a complete takeover, says the soon-to-be 68-year-old entrepreneur with conviction.

Stefan Schulze, the CEO of Vifor, was quoted in the press release on the divestment of OM that the new owners bring industry-specific know-how as well as the willingness to make additional investments. In addition, there is the opportunity to exploit operational synergies between their existing activities and those of OM.

Jornod now holds the majority of OM's capital. He has gathered around him a number of private investors with whom he has been friends for a long time. Among them, the Turkish entrepreneur Nezhil Barut, who is active in the pharmaceuticals business with his company Abdi Ibrahim, owns the largest share of 28.5%. It is also known that another NZZ board member, Matthias Reinhart, who runs VZ Holding, the financial group he controls, has become involved. Felix Ehrat, former member of the Novartis Group Executive Board, This Schneider, Chairman of the Board of Directors of the industrial group Forbo, and Fritz Hirsbrunner, member of the Board of Directors and former Chief Financial Officer of the healthcare group Galenica, have also invested in OM.



The production, laboratory and administration buildings of the company, which was founded in 1937, are spread over an area of 40,000 square meters in Meyrin.



Around 70 percent of the 250 employees at the company's headquarters are cross-border commuters from France. Among them are plant manager Julien Storaï (pictured left) and OM's human resources manager Patricia

Old Boys Network

Asked whether he has not, in a way, joined forces with an old boys' network, Jornod shrugs his shoulders. He can trust these people completely. The shareholders have agreed not to receive a dividend until the IPO. The profits are to be fully reinvested in building up OM's business until that time. Jornod has also made it clear from the beginning that he intends to retain control, together with his family, beyond the IPO. Repeated speculation about a takeover at his former place of work at Vifor seems to have left a lasting impression on him. Only at the end of November such speculations arose again. The Reuters news agency reported that "at least one large private equity company" had made an approach to Vifor.

Jornod has gained a great deal of respect in financial circles thanks to the increase in value he has been able to achieve at Galenica. In 1995, shortly before he took over as Chairman of the Board of Directors and CEO, the company was worth 240 million Swiss francs, as can be read in a presentation by OM. 24 years later, in 2019, the market capitalization of the Galenica Group alone – now focused exclusively on retailing pharmaceutical products – amounted to CHF 3.3 billion. The drug manufacturer Vifor, which has since become independent, was even valued at over CHF 11 billion in this peak year.



The requirements for operators at OM's plant are high. Newly recruited employees undergo a training phase of up to 18 months.



Each individual strain of bacteria is first grown in small volumes (one liter per glass bottle) before large-scale production in the fermenters.

Vifor had other priorities

Whether Jornod will succeed in producing a stock market star for a third time is still completely open. There is immense competition in the biotechnology sector. OM has a lot of development work ahead of it. Not even the logos have been changed yet at the company headquarters in Meyrin. The company now needs its own people for various functions, for example in IT or legal services, which were previously provided by Vifor. Significant investments will also have to be made in research and development. Until a few years ago, the company did not even conduct clinical trials and was content with the cash flows from marketing proven but decades-old products. The parent company Vifor itself had other priorities.

However, encouraged by statements from medical experts, OM has concluded that it can get more out of the existing range. OM specializes in medicines made from lyophilized bacteria, which are used to prevent recurring colds, especially in children. According to the company, the complex manufacturing processes are almost impossible to copy.

The company expects to be able to market its main product, Broncho-Vaxom, also for the prevention of asthma or the skin disease atopic dermatitis. Asthma alone would open up a much larger market. Around 15% of the world's population is affected by this condition, says the company's CEO Troxler.



The production of the individual bacterial strains in the fermenters is highly automated.



At present, the employees work in production from Monday to Saturday in two shifts. Due to high demand, the introduction of Sunday work is planned from next year.

Upswing driven by China

A year ago, the British-Swedish pharmaceutical group AstraZeneca became OM's distribution partner for Broncho-Vaxom in China. Thanks to this step, OM's business has recently gained significant momentum. From the beginning of next year, production employees will also work shifts on Sundays. There is a spirit of optimism in the company. Now the ambitious goals set by the new owners just have to be achieved.