

REINVENTING OPPORTUNITY

BioVectra well positioned for future growth

By Margaret Magner

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Regis Duffy believes in change, risk taking and the power of innovation.

A St. Dunstan's University chemistry teacher, he overcame his early hesitancy with the subject to earn a Ph.D. from New York's Fordham University and become chair of the SDU chemistry department and the first dean of science at the University of Prince Edward Island.

Quick to identify business opportunities from a consumer perspective, he established Diagnostic Chemicals Ltd. (DCL) in 1970 in an off-campus garage.

Recognizing a need for large-scale, reliable, diagnostic testing, DCL became a leader in the field, building a West Royalty diagnostic plant with early-stage provincial support and an expanding client base of medical facilities globally.

Anticipating demand early on, DCL produced intermediates for the diagnostic marketplace, creating a chemical division — manufacturing synthetically challenging chemicals, biochemicals, intermediates, and active pharmaceutical ingredients — that became known as BioVectra DCL.

The company prospered by responding to the changing marketplace with innovative risk taking and business models. A key challenge was increasing competition from biochemical manufacturers in India and China.

“They were tough to contend with,” says Dr. Duffy. “We chose to reinvent ourselves, creating small quantities of high-value chemicals.”

A cGMP-compliant biopharmaceutical manufacturing facility was built in Charlottetown's Airport Business Park to accommodate this new niche market. Two ACOA Atlantic Innovation Fund awards supported early drug initiatives.

Ron Keefe, a respected lawyer, accountant, Bank of Canada director and UPEI business graduate, became DCL's president and CEO in 2004, leading the company through the transition.

“We were like a start-up in many respects,” he said. “We built the plant ‘on spec’ knowing the business was there, but we had to go out and get it.”



Long-time manager Dale Zajicek, right, COO and vice president for business development, became company president of BioVectra in 2011, while Ron Keefe retained his role as BioVectra CEO.

In 2007, Genzyme Corp., a global biotechnology company, acquired DCL's diagnostic division, including more than 50 clinical chemistry reagents. DCL's remaining biochemical division became BioVectra Inc. and a prime beneficiary of Genzyme's all-cash transaction, enabling BioVectra to prosper at a rapid pace. (In 2011, Genzyme Diagnostics P.E.I. was acquired by Japanese-based Sekisui Chemical Company Ltd., another example of a small innovative company garnering global attention.)

Within five years, BioVectra had doubled annual revenues to \$28 million and its workforce to 180 employees. It invested \$20 million in facilities and training, utilizing a \$15 million repayable provincial loan.

Dale Zajicek, who joined DCL in 1994 with 20 years of pharmaceutical industry experience and managed operations and business development, became BioVectra president in 2011.

Recent news that BioVectra has been acquired by California-based Questcor Pharmaceuticals for a \$50 million upfront payment and future performance-based considerations is a vital step in BioVectra's evolution.

"Cash is critically important, and many companies are seriously underfunded, with no easy source other than mortgaging their future," said Duffy. "With cash, a company can concentrate on marketing and selling. Without, it's spending 80 per cent of its time looking for capital. And no government can provide the answer."

Questcor, a decade-long BioVectra customer, seeks to diversify its product base and expand marketplace presence. BioVectra will continue to operate independently and retain its staff and senior management.

"We're committed to P.E.I. and our future here," says Keefe. "This year, the outside capital infusion will create \$50 million in sales and increase staff to 200, based on our current path. It's a win for the province."

Zajicek says the financial investment is only one dimension of the strategic relationship.

"We're partners in technical capability and expanded business connections. The growth potential is enormous. In five-to-seven years, BioVectra could be a \$150-to-\$200 million company."

Duffy, founding chair of the P.E.I. BioAlliance, the public-private partnership coordinating Bioscience Cluster development, continues to foster innovation and entrepreneurship in P.E.I.

"It's not enough to rely on cyclical industries," he said.

"We need new growth areas to encourage the innovation process. There's a five-year window to get products to market and make a buck, and, even then, change is inevitable. You won't be selling the same item in five years."

The Regis Duffy Bioscience Fund, supported by BioVectra, invests in bioscience-related businesses nearing commercialization and provides guidance to ensure emerging businesses succeed.

"It's important to demonstrate success can happen here," says Zajicek. "Bioscience is a huge opportunity for the province. What Regis Duffy saw in his original vision is already coming through in spades."