Twitter Thread by Sajal Kapoor



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@unseenvalue

S1 : Majority NBE/NCE R&D projects fail. CDMO partner to that innovator "makes money in all failed" cases.

S2 : CDMO "may make larger money" in those lucky, successful (thin minority) cases, if the same #CDMO is retained as the manufacturing partner.

Extract from 2018 tweet ■

Scenario#1: Support the innovator in progressing their research / innovation throughout phase1,2 and 3 plus ensure complete IP protection => Scientific services are billed like IT services (💰 cash in) => (low volume, high variety) pilot scale manufacturing yields very high margin EBITDA (💰 cash in again!) => After X years if the research fails - no problem! The cash has already been realized for the services and product supplied! The scientific talent moves on to the next project!

Scenario#2: After X years of supporting the innovator (scenario#1 above) - the novel molecule secures regulatory approval and a 15-17 year patent protection.... great news! => the innovator then needs to protect IP as well get <u>same performance and quality</u> manufacturing by this CRAMS company (as they already have the knowledge) - this gives multi-year commercial suppliers at YoY increasing volumes for 5-7 years before sales reach a steady plateau (year 7 onwards) at a very good 25-30% EBITDA.

Either Scenario#1 or #2 - for the CRAMS company it's a win-win!