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HEALTH

Samsung's Drugmaking Future Includes a \$2 Billion 'Super Plant' Bigger Than the Louvre

Samsung Biologics spots unprecedented opportunity from Covid-19 treatments and ongoing biopharmaceutical demand



A plant at Samsung Biologics' headquarters. The company's new 'Super Plant' is designed to be 230,000 square meters—nearly 2.5 million square feet—when finished.

PHOTO: SEONGJOON CHO/BLOOMBERG NEWS

By *Elizabeth Koh*

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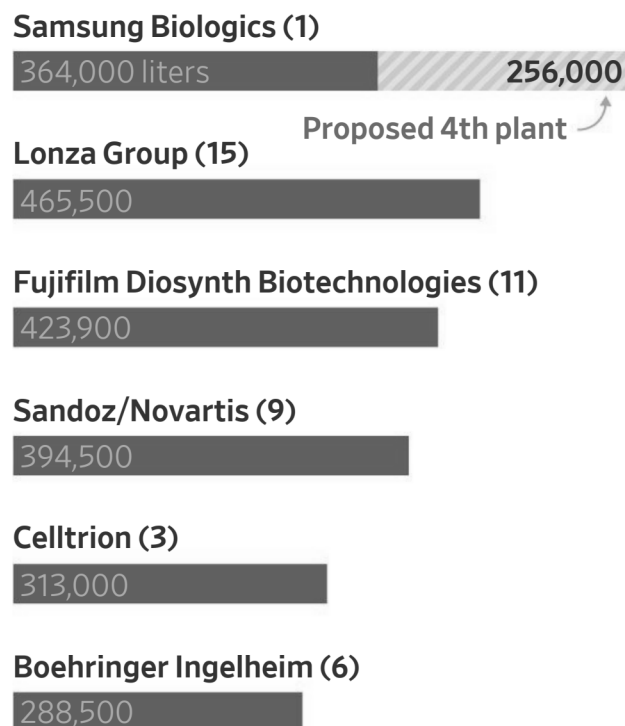
SONGDO, South Korea— Samsung’s drug-manufacturing arm is betting that the already-booming market for biologic drug ingredients will only get hotter, thanks to industry shifts sparked by the coronavirus pandemic.

Key to that bet is a nearly \$2 billion drugmaking plant that, when completed in 2022, will be the largest of its kind in the world. Dubbed the “Super Plant,” Samsung Biologics Co. [207940 -0.77% ▼](#) ’s fourth factory will have around 230,000 square meters, or nearly 2.5 million square feet, of floor space, making it bigger than the company’s three existing plants combined and slightly larger than the Louvre.

Capacity Growth

Samsung, though a late entrant in biopharmaceuticals, is rapidly expanding its manufacturing capacity amid increasing demand.

Major bioprocessing contract-manufacturing organizations, estimated total capacity (number of facilities)



Note: Data as of April 2020; Samsung’s 4th plant expected to be completed before 2023.

Source: ‘17th Annual Report and Survey of Biopharmaceutical Manufacturing Capacity and Production’, BioPlan Associates

Samsung's goal is to capture what the company has said is an unprecedented increase in demand spurred by the pandemic, and to take advantage of the simultaneous reckoning it is creating for global drug production.

Demand for new and increasingly complex medicines has skyrocketed since the pandemic began. The situation has exposed how reliant conventional drug production has become on China and India, potentially threatening supply chains. That uptick in demand has been beneficial to Samsung Biologics, which is based here and specializes in the production of complex medicines for rare diseases. This year, the business has expanded into potential Covid-19 antibody treatments.



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The firm makes biologic drugs for some of the world's largest pharmaceutical companies, including [Bristol-Myers Squibb Co.](#) and [Roche Holding Ltd.](#)

The company's chief executive, Kim Tae-han, told The Wall Street Journal the new plant was originally planned to be far smaller. But he pushed for a bolder expansion this year after seeing how the pandemic created a new product category, Covid-19 treatments, and prompted drug developers and national governments alike to find new manufacturing sources.

"Covid-19 is giving us more opportunity than crisis," said Mr. Kim, who has led Samsung Biologics since 2011 after helping pitch the venture to Samsung's top leaders.

Samsung Biologics has seen manufacturing orders nearly triple to \$1.5 billion in its most recent quarter from the prior year. A recent deal with GlaxoSmithKline PLC accounts for \$370 million over the next two years, or about 60% of last year's sales. Mr. Kim said the company is nearing maximum use of its three plants more quickly than expected, and the new facility will help it meet demand.

Samsung Biologics executives say they are in conversations with other biopharmaceutical companies to manufacture Covid-19 antibodies but declined to name the firms.

Before the pandemic hit, drugmakers were already tapping contract manufacturers like Samsung Biologics to produce complex treatments, especially as biopharmaceuticals become a larger fraction of drug sales world-wide.

After a drug is first developed, contract manufacturers step in to make biologic compounds, which are complex medicines derived from living cells. This work can entail research and development, clinical trials or commercial rollouts.

Biotechnology currently makes up 30% of global sales of prescription and over-the-counter medication, and these drugs are expected to expand by another 5 percentage points by 2026, according to research firm EvaluatePharma. Five years ago, the sector represented less than a quarter of total sales.

Drug developers, racing to develop antibodies and vaccines to treat the coronavirus, have also been nudged to reconsider where and how they manufacture their treatments. The U.S. government has pushed to produce more drugs domestically and lessen dependence on foreign production, even planning to loan Eastman Kodak Co. \$765 million before the deal fell through last month.

More demand has also come from pharmaceutical companies alarmed by supply-chain disruptions abroad in the past year. Firms once inclined to consolidate manufacturing deals to save money are now willing to pay higher costs to ensure they have multiple sources for the compounds they need.

“Essentially what's happening is everyone is scrambling for space” at contract manufacturing sites because of new coronavirus orders, said Eric Langer, president of

Rockville, Md.-based BioPlan Associates, a research and marketing firm. “A lot of the companies, even pre-pandemic, were just fully booked.”

Samsung Biologics is one of several dozen affiliates in South Korea’s largest conglomerate, best known for smartphones and consumer electronics. Samsung’s business empire also includes theme parks and life insurance, but its push into biopharmaceuticals is relatively recent.

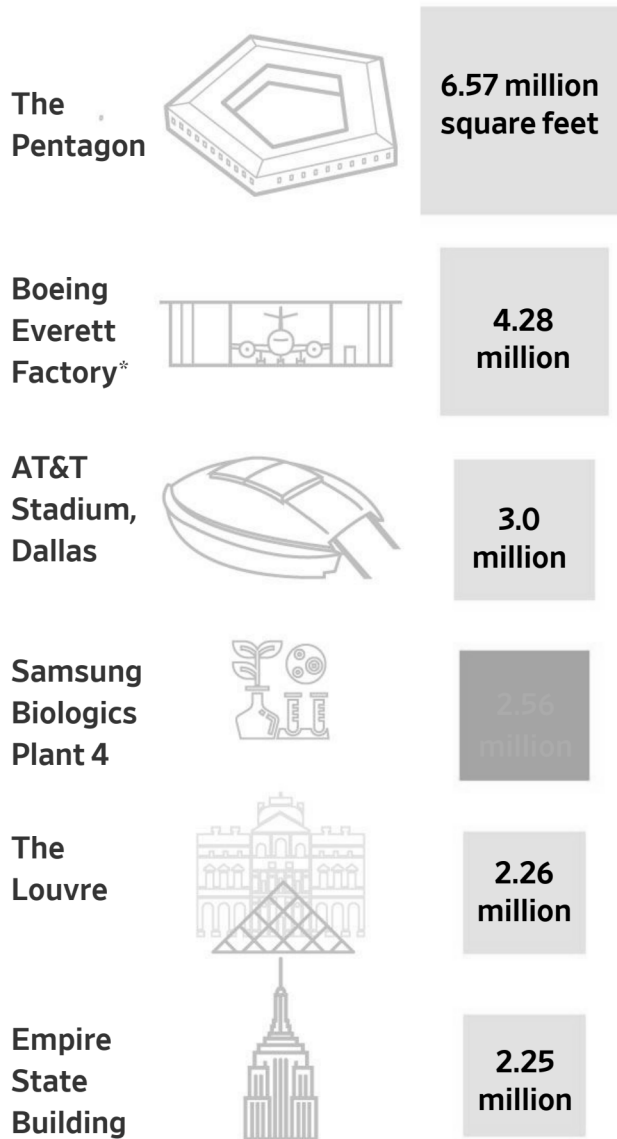
Founded in 2011, Samsung Biologics went public five years later and first turned a profit in 2015.

The company remains entangled in a long-running accounting scandal, in part related to that first year’s profit, that prosecutors allege involves the conglomerate’s de facto leader Lee Jae-yong. On Tuesday, Mr. Kim was among 11 former and current Samsung executives, including Mr. Lee, indicted on various counts involving accounting fraud and violations of Korea’s capital-markets laws. Samsung Biologics, which has denied wrongdoing, declined to comment on the case.

Big Buildings

Samsung is planning to build the biggest biological plant in the world. How it compares to some famous buildings:

Floor area in square feet



*Footprint; total floor area isn't provided.

Sources: Samsung; staff and news reports

Samsung Biologics is already one of the world's largest contract-drug makers based on capacity, and its Songdo complex is the largest single biologic drugmaking facility in the world, according to market tracker BioPlan Associates. The company's Europe-based rivals, Lonza Group AG and Boehringer-Ingelheim GmbH, also plan to expand operations.

Samsung Biologics plans to expand substantially over the next decade. It is pursuing a deal for a second campus near its current complex in Songdo, a western suburb of Seoul,

which could house up to four more plants.

Mr. Kim said the company's reasons for keeping production out of China remain economic, not political, pointing to China's relatively uncertain conditions for foreign businesses. More than 70% of global contract manufacturing demand for biopharmaceuticals comes from the U.S. and Western Europe, he said.

Mr. Kim sees Samsung Biologics' growth as part of the growing shift in biopharmaceutical production and innovation toward Asia, mirroring other industries such as shipbuilding and chemicals. Most of the biopharmaceutical business is in the West, he added.

"Maybe 10 years later, 20 years later, it can be 50/50," Mr. Kim said.

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