

Companies & Markets

Sanofi calls halt to work on mRNA-based Covid vaccine

► Drugmaker admits rivals have edge
► Focus switched to conventional jab

LEILA ABOUD — PARIS

Sanofi has ceased development of its Covid-19 vaccine based on messenger RNA technology despite positive results in early-stage trials, acknowledging that it was too late to be useful when rivals BioNTech/Pfizer and Moderna had captured the market.

The French pharmaceuticals company will continue working on another Covid jab using a more traditional manufacturing technique with GlaxoSmithKline, which uses a recombinant protein molecule to deliver the antigen.

A laboratory mishap disclosed last year has delayed its development by at least six months, but Sanofi still aims to bring the jab to market by the end of the

“There is no public health need now for another messenger RNA vaccine against Covid-19”

year. It plans to submit clinical data to regulators on its safety and efficacy as a single-dose jab and as a booster shot.

Thomas Triomphe, head of vaccines at Sanofi, said the drugmaker had decided it would have more impact on the vaccines market by focusing instead on applying its now proven mRNA technology to other diseases, such as flu.

“There is no public health need now for another messenger RNA vaccine against Covid-19 when you can walk down the street to any pharmacy and get one,” he said yesterday.

“If we had come to market at the end of 2022 or early 2023, we would have been late and with no differentiation.”

Sanofi’s decision shows how mRNA has disrupted the once-staid vaccines business, leaving previously leading companies such as Sanofi and Merck

racing to catch up. New biotech players including Moderna and BioNTech, which teamed up with Pfizer, were able to use the pandemic to prove the efficacy of their technology.

But it remains to be seen whether mRNA-based vaccines will replace more traditional inoculations or if their success during the pandemic will translate to other disease areas. Given that Sars-Cov-2 was a new virus, mRNA vaccines did not have to beat existing treatments on efficacy or side effects, as regulators will probably require them to do for other infectious diseases such as flu.

For established vaccine makers such as Sanofi, the challenge is protecting their existing business from further disruption. The next battle is shaping up over flu. Sanofi earned almost €6bn in revenue from vaccines last year, of which €2.5bn was from flu. It said that it aimed to start human trials for an mRNA-based flu vaccine next year.

But Sanofi risks falling behind again. Pfizer said on Monday that it was starting human trials for its mRNA flu vaccine now, while Moderna began similar tests in the US in July.

Triomphe said that Sanofi had what it took to remain a top player in vaccines. “We have a solid and now proven platform on mRNA and are moving ahead quickly,” he said.

The group has ploughed money into mRNA. In June, it pledged to invest €400m a year on mRNA vaccines, with 400 scientists working at a “dedicated centre of excellence” at sites in Cambridge in the US and Lyon in France.

Then in August Sanofi announced that it would acquire Translate Bio, the partner with which it had been working on mRNA vaccines, in a deal that valued the US biotech at \$3.2bn. “A fully owned platform allows [Sanofi] to develop additional opportunities in the fast-evolving mRNA space,” it said then.

Toy story Lego shapes up as pandemic winner with sales and profits building at record pace



Lego has recovered from near collapse in 2003 to become the industry’s strongest company — Ekaterina Minaeva/Alamy

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

Lego enjoyed dizzying growth in both sales and profits in the first half of this year as the Danish toymaker proved itself to be one of the winners of the Covid-19 pandemic.

Lego cemented its position as the world’s largest toymaker after first-half revenues rose 45 per cent year on year to Dkr23bn (\$3.6bn) and net profit increased 140 per cent to Dkr6.3bn (\$990m), both records.

Even though its revenues were only 50 per cent higher than the industry’s number two — Transformers and My Little Pony maker Hasbro — Lego’s net profit was 10 times greater.

Niels Christiansen, Lego’s chief executive, credited big investments in its products, brand, and retail stores rather than pandemic spending for the surge in growth. “Don’t expect 50 per cent growth year on year on year. But we actually think this is real

growth, and this is more a newfound level that we can grow more from,” he told the Financial Times.

Lego has recovered from near financial collapse in 2003 to become the strongest company in the toy industry by far, despite everything centring on one idea — the plastic brick — rather than the hundreds of products that make up the catalogues of listed rivals Hasbro and Mattel. It enjoyed its strongest growth in five years in 2020.

Christiansen, who took over after a small blip in Lego’s growth in 2017, has invested heavily in product lines such as Monkie Kid, the company’s first to be based on Chinese culture, and Lego sets that blur the line between physical and digital. He has put a counter-intuitive bet on own-brand shops, opening hundreds in the pandemic.

It recently opened a flagship store in New York that aims not just to sell Lego sets such as Super Mario, City or Harry Potter but also create an experience for customers with models of

the city and interactive experiences.

Christiansen said Lego was looking to use its strong position to accelerate its investments in areas from potentially more stores to boosting its quest to make all Lego bricks sustainable.

It had a significant breakthrough in June when it announced it could make its bricks from recycled drinks bottles, possibly within 18-24 months.

Christiansen said he did not focus on a single six-month period but was pleased that in his four years in charge Lego had grown at twice the pace of the broader toy market, and now had products for all ages and interests.

Asked if he was concerned that the company could stumble again after a decade of success, he replied: “I’m always worried — it’s my nature. But I’m comforted as we’re pushing things that work. We didn’t do this to get a good half year; we did it to get on a sustainable journey. Could there be half-years in the future where we could be down? I think so.”

Goldman asset manager Petershill falls flat on debut

HARRIET AGNEW — LONDON

Shares in Goldman Sachs-owned Petershill Partners initially fell yesterday after the alternative asset manager made its London debut with a £4bn market capitalisation.

The group, which owns minority stakes in 19 alternative asset companies with a combined \$187bn of assets under management, dropped 3 per cent by lunchtime in London before closing flat on the day. Goldman had priced the IPO at 350p a share.

Petershill was seeking to raise £1bn from the initial public offering, with the exercise of the “greenshoe”, an option to bring more shares on to the market that can then be used to stabilise the price if it falls, raising an additional £200m and taking the total to £1.2bn. Including the greenshoe, this represents 29 per cent of its issued share capital.

The proceeds of the IPO will be used to fund expenses and buy more stakes in alternative asset managers.

“The Petershill Partners IPO looks like it has been fairly priced,” said David McCann, analyst at Numis. “I’m surprised that there hasn’t been a pop in the share price today, but it’s still early days.”

Petershill is part of Goldman Sachs Asset Management and is run by co-heads Ali Raissi and Robert Hamilton Kelly. It does not disclose the salaries or “carried interest” — the share of profits from successful funds — received by Raissi and Hamilton Kelly.

Its pricing statement published on Monday lists shareholders that own more than 3 per cent of the group before and after the IPO, but most of these are fund names with no investor identities attached. And, while Petershill outlines the names and strategies of its 19 managers, it does not disclose their assets, fund performance, revenues or profits.

McCann said that the London listing was lacking in transparency. “The disclosures around remuneration, other investors and the ownership details of its minority stakes are terrible,” he said.

“It’s one of the huge conflicts of interest of a private assets portfolio listing on the public markets — generally as a manager you don’t want those details out there.”

A person close to Petershill said: “We have given blended figures on performance, assets, earnings and margins of the 19 stakes, and our feedback on the roadshow was that this was sufficient.”

Mizuho’s tech woes highlight the dangers of messy mergers

INSIDE BUSINESS

ASIA

Kana Inagaki



Whenever chief executives pitch a deal as a merger of equals, it is tempting to dismiss it as a face-saving exercise for the acquired company with limited real-world consequences.

But Mizuho Financial Group, which was created through a three-way merger in the midst of Japan’s banking crisis in 2000, shows the potential risks.

More than two decades later, analysts say one of Japan’s most powerful financial institutions is still suffering from unresolved cultural and structural problems from a merger pitched as a combination of “equal spirits”.

That legacy has come to the fore in technology problems severe enough that regulators have hinted at the possibility of intervening directly in the group’s internal management.

Mizuho’s banking system has suffered seven significant glitches this year alone, leading to thousands of halted ATMs, swallowed bank cards and disruptions to foreign currency transfers.

Mizuho has struggled since the merger to curb a tradition of doing everything in triplicate, from rotating top positions to maintaining overlapping branch networks.

At the extreme end of this practice was an ill-fated decision to combine several of its IT systems because it could

not reach a consensus on which of the three banks’ systems and vendors to abandon. This did not go well.

Following system failures in 2002 and 2011, Mizuho spent \$4bn to launch a completely new IT system in 2019 that it hoped would put an end to a troubled history of glitches that has plagued the bank from its inception.

But after the persistence of problems, an alarmed Financial Services Agency last week took the rare step of issuing an administrative order on Mizuho that goes beyond past demands to improve the bank’s controls and compliance.

Under the order, the bank is required to review its scheduled IT system upgrades and brief the regulators on a plan to implement them in a way that will not cause further disruption. This in effect allows the FSA to scrutinise the insides of Mizuho’s banking system and step in if needed, say analysts.

Mizuho’s system failures add to a series of management problems in corporate Japan, including scandals at Toshiba, Mitsubishi Electric and Kobe Steel.

The technological causes of Mizuho’s glitches appear to be different each time. But an independent investigation in June cited human factors such as lack of communication, low awareness of IT risks and an unwillingness to resolve directly a crisis. “There is a corporate culture that prevents straightforward improvement,” the report concluded.

As Japanese businesses are trying to adapt their operations to a digital age, Mizuho also provides a grim reminder of the costs of delaying investment in IT engineers and technology. The bank

continues to insist that there is no structural problem with its main banking system but confidence has faltered as each new glitch has emerged.

While the \$4bn banking system is created on a completely new architecture, experts say that it remains convoluted because Mizuho relied on four vendors including three with historical ties to banks that were combined in 2000 — Fujitsu (Dai-ichi Kangyo Bank), IBM (Fuji Bank) and Hitachi (Industrial Bank of Japan). The system also used one newcomer, NTT Data, as a vendor.

While using multiple vendors is not necessarily problematic, Masayuki Endo, a former IT specialist at Mitsubishi UFJ Financial Group who is now a professor at Shizuoka University, says Mizuho did not attach a leading role to a single vendor to create the main architecture, making its design complicated.

A more serious problem for Japan’s banking industry is its lack of computer engineers and data scientists compared with US banks such as JPMorgan Chase and Goldman Sachs, which have spent heavily to recruit talent and acquire technology to fend off the threat from new fintech rivals.

“In Japan, vendors supply about 70 per cent of the IT engineers and the ratio of IT specialists inside the banks is extremely low,” says Endo. As a result, when system failures occur, it is difficult for banks to resolve the technical issues internally.

Having invested heavily in the new banking system, Mizuho may be reluctant to admit that there could be underlying flaws with its structure. But it also needs to acknowledge that the system crisis it faces now is one of the legacy costs of failing to complete fully a merger 20 years ago.

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Contracts & Tenders

CALL FOR EXPRESSION OF INTEREST

for participating in the development and implementation of the Project for the construction of a geothermal power plant in Merhatovec, Republic of Croatia

Pursuant to the authority referred to in Article 13 of Statement of Incorporation of business entity ENSOLX d.o.o. (Hebrangova 30, CRO - 10000 Zagreb, PIN (OIB): 91466137201; hereinafter: the “Company”), the Company Management issued a decision on 14 September 2021 on the publication of a public call for expressions of interest for participating in the development and implementation of the project for the construction of a geothermal power plant in Merhatovec, Republic of Croatia (hereinafter: the “Project”).

The Company has initiated the necessary preliminary work and procedures in the process of research, determination of potential and other important natural, technical, economic and other factors of the potential Project for development, construction and usability of the geothermal power plant in the exploration area Merhatovec.

Due to the interest in the Project, its complexity and importance of the Project’s potential, the Company’s Management decided to publish a Call for expressions of interest in participating in the development and implementation of the Project, inviting a potential partner/investor (independent business entity; group business entity; community of business entities) to deliver a written “Letter of Interest” to the Company project e-mail: geothermal@ensolx.com no longer than 15 days from the publication of this Call.

After the Call deadline, the Company and the interested partner/investor will start the process of signing NDA contract, representativeness and other documentation, and coordinate further aspects of the selection procedure.

Zagreb, 14 September 2021

Company Management
ENSOLX d.o.o.

ENSOLX d.o.o., founded in 2010, is a company for the supply and engineering of industrial equipment for the needs of the energy industry, renewable energy industry, etc. based in Zagreb (CRO).

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