Interview with Patrick Tete, CEO, SERVIER Laboratories (Australia) Pty Ltd

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Servier was chosen to receive $7 million in P3 funding; can you tell us how this initiative has helped the company?

P3 was not one of the main reasons why Servier has invested more in Australia of late. What drives Servier's headquarters to conduct more research in Australia is a long-term strategy that addresses low prices in the market, as well as the impact of the PBS reforms and the delinking of the F1 & F2 formularies. The Australian context gives Servier more visibility in the long-term and pushes the company to invest more in this country. Of course the P3 helped, but it was not a driving decision for our French headquarters to invest here. Essentially, Servier has a strong desire and commitment to find solutions to the unmet medical needs of society in all part of the world. Regardless of any government initiatives like P3, Servier has been doing well in recent years, celebrating a 25th anniversary and in recent years, regularly achieving $100 million in turnover.

Could you please comment on the recent growth of Servier in Australia?

Servier is an amazing company founded in the 1950s by Dr. Jacques Servier. Since that time, Dr. Servier has demonstrated the passion he has for his work and the company, managing to convert a family-owned provincial pharmaceutical company with 9 employees to a MNC with close to 20 000 employees. Dr. Servier is so passionate about the company, its R&D, and people, that he recently decided to ensure the tradition of the company and do everything possible to protect it from the current merging and acquisition trend that the pharmaceutical industry is experiencing. His passion and commitment is reflected through the people who work for Servier in Australia. All are

committed to continuing his work and believe in what we are trying to achieve for the patients who are prescribed our products, therefore, our growth and success as a company follows on from this commitment

How have the high levels of R&D reinvestment protected the company in remaining independent?

Servier has become a foundation, and as such all profits are re-invested in R&D. High levels of R&D are a tradition for the company, and in fact, before Servier become a foundation, the company already had a longstanding investment strategy to keep 25% of turnover in R&D, which is possible since we don't have to meet shareholders expectations, therefore we can focus on long-term strategies. In the specific case of Australia, Servier has been committed in R&D activities for 20 years. Australia's research capacities and advanced clinical facilities make the country a good platform for research activities, which have been one of the success drivers, fuelling itself to further invest, and as a result experiencing a virtuous cycle in the market. In Australia, Servier has a long track record of success, in terms of sales, market share and work force development. We had a fast growth track record for the past 10 years, but unfortunately the pace slowed down last year with the implementation of PBS reforms. This reform will have a mixed impact in our performance since most of our portfolio will be affected by the 25% price reductions. This will cause a short pain, and we will certainly have 3 difficult years. Nevertheless, we will keep our long term view: having profits whilst benefiting our patients. We are ready to experience a "short term pain for a long term gain." At Servier we have a very strong pipeline so we are confident that our future will be bright. . We have recently introduced a new product in the field of osteoporosis, Protos, an area where no new product has been introduced for the last 20 years. Also we are soon to launch a new product for stable angina, Coralan. Last but not least, we have a new molecule Valdoxan for depression that will be introduced in the worldwide market in the next couple of years. For a company of our size, having three new chemical entities in such a short period of time is a wonderful achievement and opportunity. Australia is home to one of the 19 therapeutic research centers that are instrumental in performing clinical research for Servier.

Could you talk about the importance of this center and how it contributes to Servier's commitment to Australia?

In terms of R&D investment in Australia, Servier's has been proportionally larger compared to commercial turnover. We invest around 15 to 20% of our turnover and we have 200 people working in Australia, from which 30 are wholly dedicated to our R&D activities. In fact we invest three times more of what big pharma invests here.In 1998, Servier established an international center for therapeutic research in Australia. The vocation of this center is to perform phase II and III studies, as well as participate in Servier's pharmacology research. We can proudly say that we have 20 years of track record in research and fruitful partnerships with research organizations. Moreover,

Servier has a clinical trials program across major hospitals in the country, with 5 NCE in research, as well as 10 ongoing trails in about100 centers. We have partnership with research institutions like the Baker Institute and Austin Hospital here in Melbourne, and we partner with the George Institute in Sydney, where there is a special partnership being undertaken to investigate the impact of Perindopril for stroke treatment. Servier also has a recent partnership with Monash University's Center for Vascular Disease and Medical Science to research new drugs and diagnostic approaches to ensure early prevention of cardiovascular diseases. Servier has a robust commitment to Australia and I am proud the research being done here helps to develop the products in the global market.Most importantly, beyond the research, Servier encourages philanthropic programs to assist indigenous communities in the management of diseases among the population, and since the implementation of our initiatives, we have seen a real progress on the management of diabetes and renal diseases amongst the indigenous community. Servier also strongly encourages staff philanthropy and commitment to community service, One such staff initiative is the STEPS program where almost everyone in the company has a personal pedometer, and in recording the steps we take 'walking' around each day, staff improve their general fitness and health while the company contributes to a nominated charity, one cent per kilometre based on the person who walks the most kilometres each month.As a company, Servier also donates 10 cents from the sale of each pack of Protos, our new osteoporosis drug, to the Osteogenesis Society of Australia to assist with their research and educational campaigns about osteogenesis imperfecta, a terrible bone disease affecting children and adults.Part of Servier's success is the longevity, despite more or less only three products for a number of years in Australia. That the company has been able to concentrate on cardiovascular and diabetes, and most doctors would recognize the company's contributions in these areas. The challenge now is to duplicate that experience to other disease areas like osteoporosis and psychiatry.

Having worked abroad in a number of different countries, and being an expatriate yourself, how would you characterize your management stile?

I tend to adapt to the people I work with, whether in Denmark, Hungary, England, or now Australia. Here in Australia, I make a big effort to get away from a formal organizational structure. Servier is organized as a pie chart rather than a more traditional triangle. I sit in the middle of the pie chart; I listen, and I like to challenge my people, but I rarely overrule management decisions. I'm not a big believer in big organizational charts; it's not because you're at the top of the company that you're any more important than someone at the bottom. Everyone is equally important. Culture starts from the bottom, and if people at the bottom feel unimportant, this permeates through the organization like a cancer, and the company will start to be in trouble. In Australia, Servier wants people who work for a purpose and understand who they work for. Although immediate growth prospects are diminished due to PBS reform, would you highlight some of the upcoming pipeline strengths for Servier, and elaborate on where you want to bring the company in the next five years? The key

challenge for Servier will be to redistribute turnover toward innovation. 80-85% of turnover is currently dedicated to Coversyl, so it's certainly a risk we want to manage and minimize in the future. The challenge is to have a better portfolio breakdown, and move toward a 50/50 split with established products like Coversyl, Diamicron, and Natrilix, and the new chemical entities we have in the pipeline Servier is very committed to seeing an improvement in the process and time it takes to bring new drugs onto the market. There are two objectives to the PBS reform: one to make it sustainable, which has presumably been achieved with the 25% price cut. And Servier supports that, as it provides benefit to patients. The second is to provide patients with innovative new chemical entities in a timely manner. That's more my concern talking about the vision in the next couple of years, to accelerate Servier product access to the market. It's important the TGA and the PBAC work together to have a faster market access, and also important the access will not be compromised by the fact that new chemical entities must be compared to established products, whose prices would have to be driven down by the 25% cut. It might be that headquarters will not be happy to compare new chemical entities to products hit by the 25% price cut, so we need to work on that to make sure innovations get the proper price, without being linked to a much lower comparator price.

What is your final message to Pharmaceutical Executive readers about Servier and its operations in Australia?

I'm always amazed to see that Servier, despite its relatively small size and turnover, can successfully compete in cardiovascular with big pharma that is five times as big in workforce and turnover. There are a few things we do well: for one is prescription growth, which in recent months is in the top 3, with three to four times less representatives in the field, so Servier is managing to grow products and get more new patients on them; we must be doing something well here in Australia. Servier's commitment to research is what really makes the difference. All the products we have save lives, and that will continue to be the case for new products Servier puts on the market. The people that work for Servier are very committed, and this permeates through the company, whether through Dr. Server's leadership or every person in the management team. "Vive la difference," as they say in France.

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