Interview with Yann Mazeman, General Manager, Servier Ireland



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Mr. Mazeman, can you please begin by offering a brief overview of your career to date?

I am a French pharmacist by training, with expertise in pharmacology. I have worked for Servier for my entire career. I started in the industry as a medical representative for the company.

I went on to work for the strategic department in Paris for 6 months, and then took the position of Product Manager in the Servier Belgian subsidiary. I stayed in Belgium for a total of nearly four years.

I next took responsibility for international product management at Servier headquarters, in Neuilly-sur-Seine. I was there for three years, before having the opportunity to test my management skills on the field as a regional manager in Normandie in France. I was in charge of the region for four years, with a fantastic team. I could have stayed there for life!

Subsequently, the company asked me to go back to international operation level, in Italy, which was at this time the 2nd operation of Servier worldwide. As operational assistant, my responsibility was to ensure the liaison between our head office and the two Italian subsidiaries. In 2006, I was promoted to General Manager for one of the two subsidiaries, Istituto Farmacobiologico STRODER in Florence. It was my first experience heading a country market. STRODER was a large subsidiary: more than 400 people, generating 80 to 90 Mn EUR per year.

I spent five years in Italy. It was an exciting and challenging market, in the midst of an increasingly difficult financial situation; Italy is an incredibly fast-moving country. Nothing is certain, nothing is guaranteed, and changes may appear every month. In such a changing environment, coaching, ability to motivate the teams, reactivity and flexibility are key, as the future remains a bet !

I arrived as General Manager in Ireland, for Servier Laboratories, in 2011. After Belgium, France and Italy, I immediately considered Ireland as a new world. How could it be otherwise? An Anglo-Saxon country, with another culture, another language, another environment, another food, another way to drive… A smaller but incredibly difficult market – which makes it very exciting – dealing with all the issues you can meet in other countries, due to a National Health System in deficit : price cuts, manufacturer's rebate, generic stimulation campaign, increasingly restrictive market access ; but in addition to these common issues in Europe, Ireland also has to face another more specific situation due to its proximity to the UK : this is the country most affected by parallel imports in Europe.

How large is Servier's Irish business, relative to the 80-90Mn EUR in revenue you had previously overseen in Italy?

We generate approximately 20Mn EUR in Ireland, and the sales operation is comprised of 58 people.

Servier Laboratories is definitely a smaller subsidiary, which makes my work as GM very different from my previous experience in Italy; this is a new way of managing, as we have less people, and hence the realm of my roles has broadened. I am learning so much every day. It is very stimulating.

You joined this affiliate at an interesting time for the Irish pharmaceutical market. The IPHA recently announced that it has reached an agreement with the Irish government that will see an additional 400Mn EUR cut from the drugs budget over the next three years. What is your understanding of the ramifications of this Agreement?

I would like to first note that despite the figures reported in the media, the number is actually 433 Mn EUR—it is closer to 450Mn than 400Mn! Personally, I am convinced that the true figure will

reach more than 500. To give you an idea, on a per capita basis, this is the biggest cost-cutting deal the pharmaceutical industry has ever agreed to in Europe. If we translate this magnitude to Italy or France, the same figure for these countries would approach 3 to 4 Bn EUR in price cuts.

The ramifications of this Agreement are huge. Looking more specifically at our product portfolio at Servier Laboratories, this Agreement means that 12 of our 18 products will suffer a price decrease between minus one and minus 52 percent. This will have direct consequences on our activities—including a very strong impact on our turnover in 2013, equating to a 17% decrease.

Furthermore, it is worth noting that the price cuts agreed in Ireland for a population of 4.6 million people will have a direct or indirect impact on markets worldwide. In fact, several countries use the "country of manufacture", as a reference price for their own countries. The Irish Authorities need to bear this global domino effect in mind, in decisions taken regarding the pharmaceutical industry locally.

As a member of the IPHA Strategy Board, this Agreement was not a surprise to me; my colleagues and I discussed in depth its potential effects on our activities, on our investments in research, and on our own marketing and sales organization. This Agreement is based on two priorities: a well-defined market access process for innovative drugs to the benefit of Irish patients, and a stability period of 3 years, to allow companies to plan for the future. We, as an Industry, have paid a heavy tribute to achieve these objectives…

The impact of this Agreement for Pharmaceutical companies in Ireland has surprisingly not received much media attention. Surprisingly, because pharmaceutical companies in Ireland count for more than one third of the country's GDP, and pharma exports have played a significant role over the last 3 years in the recover y of the Irish financial and Economic situation. This Agreement is very tough for us. At the level of human resources first: for my subsidiary, following the price cuts, no recruitment is planned in Ireland for the next two years. Second, in terms of investments; you can't lose 17% of your TO and maintain the same level of investment; there is a price to pay. No newspaper in Ireland has mentioned these aspects.

Let's discuss the positive points to the deal.

First of all, patients in Ireland will strongly benefit from this new Agreement. Isn't this of most importance? Thanks to the definition of a clear scheme for the introduction of innovation, market access will be made easier and automatic for innovative drugs, for pathologies that today have no treatment, for orphan diseases, but also for major diseases such as certain cancers. Patients won't have to wait any more for these drugs in Ireland. Thanks to the Agreement, we have the guarantee today that these drugs will be made rapidly available.

Patients will also benefit from lower prices in pharmacy. Several newspapers have mentioned that Ireland's drug prices were on average higher than in some countries in Europe, UK for instance. However, this information was not always based on the most up-to-date facts as the more recent price cuts over the last 2 years were not taken into account. It would have been interesting to compare in these articles, for each country, the level of employment and investment generated by the pharma industry, to the benefit of each and every one.

With the new Agreement, the renowned high-pricing system in Ireland has been definitively substituted, mechanically, mathematically, by an average pricing system: prices of all patented products are now based on an average of the price given in nine countries including UK. Incidentally, this also means that pharmaceutical companies may no longer consider Ireland as a priority for new product launches—the industry would naturally prefer to do that in higher-price markets.

Another positive point in the Agreement, for both patients and companies: Ireland has forged a stable situation for the three years to come. Three years of stability is truly positive: Pharma companies can plan and organize, in place of reaction. The pharmaceutical industry is a long-cycle industry, and it is a shame that we too often have to face short-term demands from Health Systems. Today, here in Ireland, we are fortunate to have a clear view of the future ahead.

You mentioned that the industry has gained stability, and a clear view ahead. However, there is potential legislation on the table that may yet lead to a few surprises—such as the possibility of allowing generic substitution at pharmacy level.

We are not yet sure of the full extent of this new measure, because the reference price system belongs to the Health Bill, still in discussion in the Dail.

It is clear that the reference price system is everywhere in Europe. Do we need it in Ireland? I am not convinced that we do, and I am still less convinced that it may be profitable to the Health System for at least three reasons. First, because following the HSE/IPHA new Agreement, we have set aside the money to launch new drugs for the years to come. In other words, this Agreement has mapped out the drug budget, for at least the next 3 years. Second, with the price cuts of the new Agreement, savings generated by the reference price system will be limited, and their implementation and control could be more expensive than the actual savings generated. Third, because in comparison with other countries in Europe, generic drugs on average have a higher price in Ireland due to the small size of the market. Savings could once again be reduced; and if a price competition between generic companies in Ireland was induced by tenders – as planned in the Health Bill- this could rapidly lead to the bankruptcy of some generic companies, their profitability being reduced

in a small market, or to parallel imports of generics coming from countries where GMP is not or can't be guaranteed. This is what I call the new Irish paradox: implementation of a reference price system could in fact lead to the opposite effect of what was intended: a decrease in generics available in the country, and a possible global negative balance for the HSE.

The last point on this matter, which is central of course : the patient; will the Irish patient benefit from a reference price system? No, definitely not; patients in Italy and in France, from my previous experience, never benefited from the implementation of such a policy; I have even seen some opposite effects : patients don't pay lower prices for the drugs that are switched in pharmacy, and have to put up with constant change in size, form, color of their treatments; as a consequence, compliance –and then efficacy of the treatment- decreases, due to bad compliance, induced by lack or loss of intake habit.

Servier is an independent company, without public shareholders to appease. To what degree do you feel this helps you weather the storm of austerity?

We are lucky to be independent. We can be proud to be self-sufficient, and in the context of austerity, this becomes a key advantage. We don't have to face pressure from shareholders; we only have the pressure of our own goals: discover innovative drugs for the benefit of patients and doctors. Servier is a Research Foundation, which means that Research is our priority, this is the reason why 25% of our TO is re-invested in Research—10% more, on average, than the pharmaceutical industry. 20% of our global workforce is made of researchers. Only an independent company is able to maintain these investments in Research when faced with a climate of austerity.

Self-sufficiency can make us proud, but it also incurs duties ; as we are in a closed system, the more we generate sales, the more we can invest in research; the more we invest in research, the more we can produce new drugs; etc., etc. This is a virtuous circle to the benefit of therapeutic progress, to the benefit of patients.

Turning to Servier's Arklow facility: over the years, the company has invested over 124Mn EUR into this Irish site since 1989, adding drug development capabilities in 2009 with the latest investment stage of 47Mn EUR. What is your understanding of why Servier chose to make these major investments in Ireland, and how both company and country benefit?

First; Ireland has historically always been very close to the Company. Dr. Servier himself has always had a personal attachment to this country.

Ireland has particular advantages, as well. The tax environment is often mentioned, because it is favorable. However, the corporate tax structures in Switzerland and Singapore are even more interesting. So, the tax environment is A reason, but not THE reason. The idea of reducing corporate tax in Ireland originated in the 1960s. This is nothing new. It is instead the combination of factors that make Ireland effective. Ireland is a very safe and secure market, it uses a universal language, English; its currency, the euro, is stable and strong. Its geographical situation is optimal. Ireland has also a highly skilled labor force : industries do not have to import people to do the job; they are present in the country, thanks to excellent network of schools and brilliant, world-class universities. Ireland has also been clever enough to wisely decrease the cost burden of labor in this country by 6.5 percent—whereas other European countries have raised the figure by 8.5 percent.

Servier also invests in Ireland by collaborating with Irish researchers. Can you shed some light on your activities in this sphere?

Servier is working – or has already worked- with all the major Hospitals and Universities in Ireland, in very different research fields such as Cardiovascular, Osteoporosis and Metabolic diseases, Oncology, Diabetes and Neuroscience.

Ireland can take advantage of an international facility for clinical trials established in UK, for implementing international studies from Phase I-IV, Surveys and Registries.

As mentioned before, Ireland benefits from a highly scientific network of researchers, despite the small size of the country. This is a real advantage for implementing and coordinating multicenter studies.

Servier is also developing an outsourced partnership with several Biotech companies throughout the world in the five therapeutic fields mentioned previously. More than 30 deals are ongoing around the world, and I am confident that we will be able to extend to Biotech companies based in Ireland in the near future, as the Irish Biotech activity is increasing rapidly in the country.

We have mentioned your efforts at three levels: local sales, manufacturing, and research. Ultimately, how would you appraise the significance of the Irish market for Servier?

For Servier, Ireland is definitely considered as a strategic country now, and for the future, for all the good reasons mentioned before.

Arklow is Servier’s second largest plant in terms of volume worldwide. It produces 500Mn EUR in turnover every year, 480Mn of which is exported. This is approximately 0.35% of Irish GDP! Arklow will expand in the future, but I leave you to discuss these points with Allain De Wilde, Arklow’s

General Manager !

We expect new drugs to arrive in two to three years’ time, and further down the line, the Group’s very first Biotech drug should be launched.

The implementation of our Research presence in a dedicated structure is not excluded. Ireland is definitely a country of projects for Servier, for now, and for the future.

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