Interview: Marc de Garidel – Chairman & CEO, Ipsen, France



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Marc de Garidel reveals how

2015 has been Ipsen's best year since becoming publicly traded, marked by their take-off in the US, and how in 2016 the US will overtake France to become their number one affiliate. Mr de Garidel also explains Ipsen's key growth drivers for the next five years: Somatuline, Dysport, and Cabozantinib.

2015 was an important year for Ipsen, why?

We have pursued our focused strategy in 2015 and achieved important steps forward. Besides an excellent 2015 operating performance, sales grew by more than 10% year-on-year, driven by the successful launch of Somatuline in neuroendocrine tumors in the US and Europe, and the sound Dysport performance in aesthetics. Core operating income grew by close to 24%, reflecting our continuous transformation and cost monitoring efforts. 2015 was also marked by our take-off in the US ahead of plan. It has been Ipsen´s best year of sales growth since we first became a publicly traded company 10 years ago.

2015 was marked by the launch of a new indication for Somatuline (a treatment for neuroendocrine tumors) worldwide including in the USA, where the market potential is estimated to be 500 million USD. What has been the impact of the global launch for the Group?

Somatuline had more than 30% growth globally with a US growth increase superior to 111%. In 2014, we hired around 100 people in oncology in the US. That same year we received the FDA approval for Somatuline, with a very successful launch in the following year. In 2014, just 5 percent of our global sales were derived from the US. In 2015, it is 11 percent, and by 2016 it will overtake France to become our number one affiliate. In the future, we will be conducting further business development deals and possible acquisitions, complementing our portfolio in the US and building on our growth momentum.

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In Europe we continued to expand the brand, gaining a three-point market share within the NET field, and are at 44 percent market share,

What were the other major highlights in 2015 for Ipsen?

A notable highlight has been the approval in the US of a new indication for Dysport, a treatment for movement disorders and spasticity. It is a drug derived from type A botulinum toxin that when injected helps contracted muscles to relax, enabling patients to return to a number of their daily activities, while relieving them and improving their quality of life. In July 2015 the FDA approved the drug for the treatment of upper limb spasticity in adult patients, decreasing the severity of increased muscle tone in elbow flexors, wrist flexors and finger flexors. We also filed for the first time, at both the FDA and European level, an indication for Dysport called Pediatric Lower Limb (PLL) spasticity for children suffering from cerebral palsy since birth. Once the drug has been approved, we will be the first company in the world to treat this condition. Dysport is a product also used for aesthetics, and here we have a strategic partnership with Galderma, a company dedicated to this field. This relationship began in 2007 for the commercialization of the aesthetic and dermatology indications in Europe. In 2014, we significantly strengthened our collaboration by prolonging the partnership until 2036, and included the US and Canada within our geographical coverage. Last year we expanded on this agreement to include key Asia-Pacific territories, notably China.

The situation in 2016, especially in emerging markets, looks very uncertain. Brazil is going through a serious crisis, the Russian ruble has taken a hit, and increased Chinese regulation may limit future growth. What are your objectives for the year regarding emerging markets and what should be the main growth drivers?

We invested more than 20 years ago in many of these markets, and have lived through both the highs and the lows! Despite some short-term challenges, Ipsen remains committed to emerging

markets for the long haul, which today comprise 37 percent of our total sales. While this share will decrease slightly with the growth of our US business, it will remain an important contributor to the Group.

A key feature of 2015 has been our commitment to China. The Board of Directors made the decision to accelerate our investments in the specialty field enabling us to better support Decapeptyl, our product for prostate cancer, also used for other indications such as fertility. China is experiencing a slowdown in growth as well as major changes to its healthcare system. Until now, the system relied on large hospitals, which were making important revenues through the margin on drugs. Such a system encouraged a high level of prescriptions and prices. Prices in China have tended to be higher than European prices and the Chinese government, over time, has set out the ambition to reverse this, by introducing a bidding system leading to more competition. The Board of Directors also made the decision to invest in primary care. We will be hiring more than 100 reps for Smecta, a treatment for acute and chronic diarrhea and digestive pain that already has high brand-name recognition. Our ambition is to continue with double-digit volume-based growth in this market. China was in 2015 the number two affiliate of the Ipsen Group.

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In Russia, it is true that we have been hit by the fall of the ruble. However, contrary to expectations, in 2015 we grew both in terms of volume and in the local currency. When I first joined Ipsen five years ago, we were growing by 30 percent in Russia; today we are still growing, even if only by single digits. The third emerging market where we have been experiencing strong momentum is Brazil, where our Dysport product has over 50 percent market share. New launches will come soon.

Ipsen enjoys strong brand name recognition with primary care product Smecta, yet the bulk of your revenues come from specialty care. Across the group’s therapeutic focus, which areas will exhibit the greatest demand prospects moving forward?

Over the next five years, we will have two key growth drivers. Firstly, the NET market, notably with Somatuline. Through our partnership with the Texan based Lexicon, we will be filing in Europe a new product in the NET field, namely telotristat etiprate, with a focus on the treatment of carcinoid syndrome. Furthermore, in 2015 we acquired the German OctreoPharm, a company that is developing the most advanced tests to help identify neuroendocrine tumors and a treatment for resistant patients. 70 percent of patients suffering from this cancer are unaware of it since the symptoms are not well defined. It can then take seven years to diagnose a neuroendocrine tumor.

With the new technology that we are developing, this will change. OctreoPharm has a unique expertise in antagonist peptides for the diagnosis and treatment of neuroendocrine tumors. This deal was an important step in our ambition to be the global leader in the management of NETs, and illustrates the pertinence of our business development strategy. Our second main growth driver will come from Dysport, where we need to increase our penetration of the US market. We expect also a lot from cabozantinib recently licensed from the US company Exelixis that has the potential to become a key oncology product in Europe, notably for the second line treatment of advanced renal cell carcinoma.

How sustainable is it in the future, for a company of Ipsen's size, to have both a specialty and a primary care offering?

Those two activities are very complementary. Specialty Care is research intensive with high potential reward while Primary Care is low risk with strong cash generation.

How have you seen the valuation of Ipsen's shares evolve since you took over as Chairman and CEO five years ago?

Over the last five years, when compared to any index rating, we can be proud of our performance; our shares have nearly tripled in value. Ipsen´s recent share price evolution reflects improve sales and profitability. When you look at the composition of the shareholders at Ipsen, aside from the Beaufour family (which owns 52 percent of the shares), 39 percent of our shareholders are US-based, followed by France and the UK with 33 and 15 percent respectively. US investors have increased their participation over recent years. When I joined Ipsen in 2010, they made up only 22 percent of our shareholders.

Besides chairing Ipsen, you hold many functions including the head of the G5, a think tank for the Pharma industry in France. Last year you were elected as VP at EFPIA (the European trade association) and head of the Innovative Drug Initiative. Can you tell us more about this initiative and its goals?

The field of medicine is an extremely exciting one. The pace of innovation is starting to accelerate. The biggest challenge we face is to ensure that the system evolves, adapting to the technologies of the future. In my various functions, I hold discussions with both the French and European authorities, to help governments think prospectively about how we can change for the better when it comes to operating in this field. Our role through such trade associations is to build a constructive dialogue with the authorities and ensure patients receive access to the most innovative treatments.

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