Vincent Pont – President, Laboratoire Arrow, France



Generics companies need a wide portfolio to meet all of the generics needs of pharmacists and to be competitive

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Vincent Pont, president of Laboratoire Arrow,

explains the company's history, its collaboration with Aurobindo, the Indian generic pharmaceuticals group, the company's unique positioning as a leader in the generic hospital sector, and its future growth strategies.

Please begin by introducing Laboratoire Arrow a leading generics laboratory with nearly 20 years of experience and more than 850 references in France.

Laboratoire Arrow is a French subsidiary of Aurobindo, a major Indian generics company with a global footprint and strong presence in the US. Aurobindo will be the second largest generic player in the market by volume with the recent acquisition of Sandoz's US dermatology and generic drug assets.

Aurobindo has most of its manufacturing sites in India, but some are located in USA, in Portugal and now in the Netherlands resulting in the group's acquisition of Apotex operations in Europe. As a key market, France accounts for one third of the group's turnover in the region, followed by countries such as Germany, Portugal, UK, and Spain. In addition to our expansion in the Netherlands, the takeover of Apotex enhanced the presence of Aurobindo in the eastern market as well, giving the group a solid foothold in most of the major countries throughout Europe.

Arrow was created in 2000 as an independent laboratory and today has more than 200 employees in the company. Laboratoire Arrow joined the Watson Pharmaceuticals group in 2009 and became a part of Aurobindo in 2014.

What were the challenges in taking the role of the president at the time of the transition from Watson to Aurobindo?

Arrow was sold to Aurobindo in 2014 the time where the French market was not seen as profitable enough. Therefore, as a part of the Aurobindo group our first priority was to reestablish our business model and transform Arrow into a profitable company. One of the key strategic decision taken was to transfer the manufacturing of products (about 15%) to internal manufacturing sites. As we receive a rising number of new products from Aurobindo, this figure continues to grow. Nevertheless, most of our products are still manufactured by several European CMOs – between 80 and 100,

One of our key factors of success is having the ability to in-license products which are not developed internally. The Arrow portfolio has a good balance between licensed products and in-house products developed in a dedicated R&D site for Europe. Furthermore, investment decision can be taken for Europe or even at the country level. For example, in 2016 Arrow acquired the Orocal brand of Teva only in France.

Another key success factor in France is having a large portfolio of products. In the UK markets, for example, companies can be focused on being a leader in specific areas because pharmacies select products on an SKU basis. However, in France, pharmacists generally select one or two generic companies to establish long term partnerships. Therefore, generics companies need a wide portfolio to meet all of the generics needs of pharmacists and to be competitive.

What are the business areas which drives Arrow’s growth in France?

Our main business is in generic medicine, Arrow being the fifth largest generic laboratory in France for the retail market and first in volume in the hospital market, credits to our strong positioning in oral dosage forms. Arrow also has a large portfolio including the injectable oncology products.

We have been able to take such a strong footprint in fulfilling the specific needs in the hospital sector. For example, we have developed unique unit dosage blister packaging. A standard product

has a name, batch number, and expiration date on its blister. With unit dosage blisters, this information is present on every unit which allows for the secure tracking of each drug as it is distributed through the hospital. While this innovation was not produced by Arrow, we were one of the first companies in the market to make the strategic decision of putting a strong focus on pairing our generic products with this technology, putting us ahead of the curve in comparison to many competitors.

How do you assess the growth potential of generic products to further penetrate the French market?

In France, generic penetration is lower than in the UK or Germany. One explanation is that paracetamol is not included in the repertoire (list of legally substitutable generics versus originators). Another main reason is the lack of incentive for physicians to prescribe generic products. Between the national health insurance and the private coverage that some patients have, there is no additional cost in receiving an originator product for the patient.

For the past 20 years, it is clear that the generics market has been driven by pharmacists and the repertoire is a powerful tool in enabling them to switch prescription to generic. However, today France is at nearly 90 percent of substitution in the repertoire which leaves a small place for the pharmacists to improve this level. The scoop of the repertoire must be extended to other products to increase the penetration of generics on the market.

Next year, with the possibility of new regulations in place, the patients might be pushed to pay the difference in price if they choose to receive originator rather than generic. It is quite difficult to predict the patient’s reaction but also the reaction of the brand players to this new regulation.

What is Arrow’s role in creating sustainability in healthcare and balancing increasingly expensive innovation?

I believe that innovative pharmaceutical companies should not see generic laboratories in a negative frame. The use of generic medicines in the healthcare system is a way of keeping resources at a reasonable level. In a global view, having a low price and a high-quality option is very important in creating the room for new products to be reimbursed at a high level to reward innovation.

I believe the administration is aware of the value that generics bring in reducing healthcare costs, but there is still a need for increased communication between the government, physicians, and the pharmacists to create a consistent strategy for substitution among all the health actors.

What will be the importance of biosimilars in the portfolio development of Arrow?

In the next few years, biosimilars will have a significant impact on the growth and development of Arrow. In three to five years from now, a new portfolio of biosimilars will be launched with a goal of developing 15 of them.

As for now, we see a mind shift in the hospital sector. Biosimilar products are often prescribed, which was not the case five to six years ago. While the volumes are increasing in hospitals, we do see the same trend on the retail market but with a delay compared to hospitals.

Biosimilars are different than the typical generic market. In five years, even if we are considered latecomer, we believe that there will still be room in the market as long as we can offer a competitive product in term of quality and price.

Last year, Arrow along with eight other laboratories were impacted in the recall of Valsartan, a generic blood pressure drug. How did this impact operations and the overall perception of generic products in the country?

This recall occurred at the pharmacy level, not impacting the patients directly. If the patients had been impacted, it would have been due to changing prescriptions or due to the shortage of valsartan at the pharmacy level.

Overall, the perception of generic drugs has changed a lot over the past few years in France. Patients got used to the products and knew its importance. However, in all countries, there is a small margin of the population which are cautious about generics including France.

Aurobindo is leveraging a major expansion strategy as we see through M&A activates around the world such as the acquisition of Apotex in five European countries, the US assets of Sandoz, and oncology products from Spectrum Pharmaceuticals. What impact, if any, is this growth strategy having at the local affiliate level?

Aurobindo is looking for opportunities that exist everywhere in the world. The French market can be a good scouting ground for both global and local acquisitions. These activities are a continuous process within the group and the upper management of Aurobindo is very good in identifying the best opportunities in order to expand throughout the world. As you mentioned, a lot of acquisition has been done in the past 5 years to support the organic growth of the company.

Arrow recently partnered with Docapost to develop a major breakthrough in the digital transformation of healthcare. Can you tell us more about this collaboration initiative?

We have developed different digital tools with Docapost, enables LA POSTE group enables the company to be seen by the patients via the pharmacists as a part of the healthcare continuum.

Our goal is to support the pharmacists in developing a closer relationship with the patients as a partner in health.

The patient can directly download the La Poste eHealth application and create his or her personal digital health record. It synchronizes health data from connected objects or by manual entry. These indicators are then classified and stored in the patient’s digital health record. This allows patients to have a complete, nomadic, and secured data with the health professional of their choice. This service is a development of our ABox Note app, access initially reserved for pharmacists, which allows the patient to monitor their physiological and biological indicators. This new version federates the different health ecosystems including hospitals, clinics, biology laboratories, general practitioners, or specialists and thus provides a powerful platform for multi-professional sharing. Arrow continues to promote the tracking platform to all pharmacists.

Furthermore, Arrow also has the aBox Memo, a free application which allows patients to manage up to six treatments daily. aBox Memo helps patients to have treatments with automatic reminders and improves the monitoring of prescriptions.

Arrow also offers other free mobile application such as aBox Index for DCI matches/originators and Carlos for tracking calcium intake.

What is your future vision for the affiliate moving forward as the top generics pharmaceutical player in France?

I believe it is an important aspect to have a healthy balance between all business activities. Even if some Business units are smaller than the others, brand, retail, hospital, and medical devices are still significant to our business. It is a key advantage to have several sides to our business to limit risk and to remain flexible.

Being a mid-size company, we want to keep this flexibility by staying closely connected to our customers and the patients. Fulfilling the needs of the stakeholders we work with is a core competency for Arrow.

In the next three to five years, we want to continue to grow with the same trend. Our manufacturing capabilities and full integration into Aurobindo will be strong drivers for Arrow. We want to enlarge our portfolio in areas like generics, OTC and biosimilars. If possible, we also want to expand into new activities in order to position Arrow as the best partner for pharmacists.

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