Growth, COVID-19 Response & Essential Medicines Industry Reappraisal



It is vital to ensure that we have the right culture and that our employees have a good understanding of the different parts of the business

14.12.2020

Tags: UK, ADVANZ, Generics, Coronavirus, Strategy, Manufacturing

Graeme Duncan, CEO of ADVANZ PHARMA, highlights how the specialty generics firm has revitalized its operations since 2018 both culturally and operationally and introduces its growing specialty pharma portfolio. Duncan also touches on ADVANZ's response to the COVID-19 pandemic, key learnings for the future, and calls for a reappraisal of the vital importance of the essential medicines industry.

Can you begin by introducing your career background prior to joining ADVANZ?

I started my career as a graduate trainee at Glaxo Wellcome, which very quickly went through one of the biggest mergers the sector had ever seen and became GSK as we know it today. I was there for around six years and went through a variety of different roles, developing my skills, capabilities, and breadth of knowledge.

Then I was asked to join Ivax, an American branded generics company, which was an amalgamation of acquisitions. British firm Baker Norton was taken over by Ivax and I came in as commercial director. During my three years there, I spent my time building sales teams, acquiring 3M's respiratory business across Europe, and even had a stint out in Miami with the US team. That

was great fun and gave me great exposure to a branded generic environment, which differs greatly from the pure innovation and R&D side. Ivax was then taken over by TEVA, one of the largest generics organizations in the world, which was my first exposure to mainstream generics.

Following a six-year industry break building a tech start-up, I joined the management team of Europe's largest homecare company, Healthcare at Home. There I led the pharmaceutical segment and was also the global director of strategy. I was tasked with M&A and led the acquisition of some health informatics businesses and built out a business in Germany. During this time, we entered partnerships with a range of pharmaceutical companies launching hospital-led products throughout Europe and became a different distribution mechanism.

How did you come to join ADVANZ and what did the company look like at that point?

I came into the organization six years ago when it was AMCO to run the UK and Irish business, as well as the global marketing function. In 2015, the business was sold to a Canadian company called Concordia. At that stage, I was part of the executive team as president of the International segments responsible for the business across around 100 countries.

Between 2016 and 2018, the business was restructured, and the strategy was to redefine our positioning in order to place it on solid growth foundations once again. I was then asked to take over as CEO in 2018.

I was obviously excited and proud to be offered the role but it came with some provisos from myself, including being able to build a management team that I felt was capable of delivering the new chapter for the organization and being able to re-energize and rebrand the company, stamping a clear new style on it for the next part of its journey. Finally, I wanted to redefine the strategy and start to focus on where I thought we could add value from patients to payers and carve some clear whitespace for ourselves in the market.

With this restructured and re-energized new company from 2018 what is ADVANZ PHARMA today and what are its main areas of focus?

I'll start not with the business but with the people and the culture.

One of the reasons why I wanted to rebrand the organization and replenish the management team was in a very clear effort to create a new dynamism and culture within the organisation. Anyone that interacts with ADVANZ either as an employee, partner, or customer, now sees us as a very fast-paced, dynamic, ambitious, and collegiate company looking for partnerships.

This opportunity was a catalyst I didn't want to leave unutilised. From an organisational point of view, we did a huge amount, from changing working practices to be more flexible, changing dress codes to be more current, and changing the look and the feel of the offices.

As a company, in essence, we have two distinct commercial offerings. Firstly, we have a global established products business focused on niche generics, and off-patent established brands. These are products that we've either acquired over the years, are acquiring now, or are organically developing and launching ourselves. This is a business that continues to sell into close to 100 countries around the world, covers around 180 molecules, 600-700 SKUs, a wide variety of disease and therapy areas, and a range of channels, from primary to secondary and tertiary care. It is one of the most diversified, established niche generics businesses in existence and has stood the test of time, continuing to be incredibly resilient and stable throughout our history. We want to continue to add to this business unit with further niche generics and established brands. We are looking to acquire established brands and then use our distribution network and our sales and marketing teams around the world to continue to promote those medicines in key countries.

The second commercial unit, 'Strategic Growth', is newer but very exciting and fast-growing. This is focused on complex medicines within the hospital channel in the European market. Today it contains some inline products such as anti-infectives that we acquired when we bought Correvio Pharma earlier in 2020. It also has some of our key critical care products in the hospital channel, which we have continued to work hard to supply during COVID, because many of these medicines are used on patients in intensive care units.

In terms of your revenue split, how much is coming from this established business, how much is coming from the new business, and how would you like to see that evolving?

Currently, the bread and butter of our business is in our historically strong established products business which accounts for more than 80 percent of revenues. That said, our Strategic Growth business unit is rapidly growing and will go way beyond 20 percent very soon. Our priority focus is

to bring our pipeline products to market effectively. I also want to continue investing in M&A within that Strategic Growth phase, which will accelerate growth even more. Looking forward five years, I foresee a split which is far closer to 60-40 percent.

In a moment of growth looking out for opportunities all around the world and diversifying into more complex areas, what challenges is that throwing up in terms of talent and infrastructure?

Starting again with the people, it is vital to ensure that we have the right culture and that our employees have a good understanding of the different parts of the business. Many of them will have started their careers in legacy ADVANZ businesses and will understand the niche generics market, established products, and the branded generic sector very well and their knowledge of the Strategic Growth unit, which is more complex and specialty focused, is still expanding. That said, in building the management team, we knew this was the direction we would be moving into, so we hired people – including myself – with a significant amount of innovator, R&D, and specialty pharma skill and capability.

That was then accelerated significantly with the acquisition of Correvio, which has enabled us to bring in a team of over 80 individuals with specialty pharma in their DNA. These people are particularly focused on European hospitals with skills and capabilities within anti-infectives and endocrinology. Now the task for the organization is making sure that both parts of the business blend, work well together, and understand that they both have critical roles in the company’s future growth and stability.

What are your key markets today and what are your focus geographies for growth?

Again, they are split into the two commercial areas, because the types of partnerships and the geographic focus differ. In Strategic Growth we are looking for partners that have products, either already on the market, or which they are looking to bring to market imminently. Their target customers would be in the European hospital channel and their therapy areas would be anti-infectives, endocrinology, or critical care. Many of the small biotechs developing such products do not have on the ground sales, medical, market access and medical capabilities; we do, which we

are using to grow our own current inline products. We will be launching our own pipeline with this capability, but it is also a platform that can be the commercial front end for these partnerships throughout Europe.

In the established business area, we are more focused on acquisitions and looking to work with large-cap or mid-cap pharma companies. Many of these firms want to divest some of their brands that have maybe gone through patent expiry. We are a natural divestor target for those types of businesses, taking on those brands on a truly global level, looking after them, and probably giving them more love and attention than they otherwise would have. In certain instances, we can even put sales, marketing, and promotion in place to grow these products in some brand-loyal parts of the world.

We have a history of these activities going back decades and some of our fastest-growing products today are over 30 years old, providing critical treatment to patients around the world. One of our key values as an organization is to continue to revitalize and invest in these essential medicines.

What is the significance of your Indian operations to the global group?

Mumbai is a fundamentally differentiating factor for us. More than 50 percent of our staff today are located at our Mumbai Centre of Excellence. Many organizations have Indian shared services back offices, which is how this location started out, but now the majority of our global regulatory, quality supply chain, and finance work is done out of our Mumbai office.

> Mumbai is a fundamentally differentiating factor for us

It gives us a talent advantage because the Indian pharmaceutical market has continued to grow year on year. As an organization, this is what enables us to take products either in our Established Business unit, or in our Strategic Growth business unit, to market efficiently, knowing that this platform already has the skills to handle technical issues around regulatory, quality, or supply chain in almost 100 countries.

What was ADVANZ’s initial response to the COVID-19 pandemic back in March?

Firstly, I set out three priorities for the company. Number one was the safety, health and well-being of all employees, which meant instantly navigating changes to our working practices in all of our offices around the world, in geographies as diverse as Sweden, Australia, London, Chicago, and Geneva. Government obligations and the epidemiological situation was different and shifting in all of those countries, but the one constant was to ensure that not only were we compliant with government regulations, but that our employees were in a safe, healthy, working environment. We transitioned very quickly to working remotely, which may sound simple now that we have all been doing it for nine months, but especially given that over 50 percent of our workforce is based in Mumbai, India, it has not been straightforward. As you think about connectivity, population density, and living environments, we did whatever we could to ensure that they were safe and healthy, both mentally and physically.

The second priority I set the organization was the continued supply of our medicines, many of which were going to be critical to save lives as they are used in intensive care units for critically ill patients.

The third priority was to continue with our strategic journey. This was the first time in my career as a CEO that my strategic focus and goals had to play second fiddle to other priorities. We set up a COVID-19 Task Force across all our offices which included senior managers and our vice president of HR dialoguing with the executive leadership team on what they needed and what decisions needed to be taken.

I am pleased to say that throughout that entire process we have not been out of stock once on our key assets and are continuing to supply essential medicines to hospitals around the world. I couldn’t be prouder; this has taken a huge amount of time and effort, with employees staying up night after night to solve complex supply chain issues. I have been humbled by the performance of my staff.

I have also been humbled by the efforts of our partners; we do not work alone, but with various contract manufacturing partners and distributors. As I reflect on this, I can see that we have built a truly COVID-resilient business where operations continue, staff do their jobs to the best of their ability, and we are able to supply our medicines for the benefits of patients in hospitals.

Are there learnings you can take from the COVID-19 crisis and apply to your operations moving forward?

There absolutely are. However, I would say that it is not all good news and we have lost things from the work environment because of COVID, not just at ADVANZ, but across the industry.

Two months ago, we launched a brand new global agile working policy, which enables every single worker in every single office, wherever they are around the world, to now work remotely three days a week.

We have learned that for many of the process-driven, administrative, and finance-driven parts of the organization, we do not need to demand people to commute. Now, this is very much down to employee choice, with greater flexibility given to them. I believe that they benefit from a better work life balance and the organization benefits from not having someone that spends that amount of time commuting to a central workplace.

Some of the things that we have missed the most – and this is coming from the staff – are the softer, more human interactions. The technology is not yet at the same level as human interaction in terms of the ability to lead, motivate and strategize. That is why we have not gone full-scale work from home forever. When an organisation's culture is strong and good, there must be a way to feel that pulse.

For example, I took my leadership team to an off-site meeting down in Surrey in September just before the latest stage of restrictions, where we spent two and a half great days reviewing what we've been able to achieve over the last two years and what the task in front of us for the next two looks like. This is something that couldn't be done via TEAMS or ZOOM.

With many countries now understanding the vital importance of essential medicine supply, how would you like to see companies like ADVANZ perceived?

Our sector can feel like an undervalued part of the pharmaceutical supply chain at times. Having worked in GSK, when you launch a blockbuster, everybody knows about it, there is a lot of press coverage, and there is a feeling of the disease landscape changing. While I applaud the work that those innovative organizations do, the reality is that there are a finite number of resources in this world and healthcare systems are struggling to manage budgets. If it wasn't for the generics and essential medicines sector, this would never be possible. In the UK, we save the NHS billions of pounds every single year when products come off patent, with significant price erosion almost

immediately. That is what makes healthcare affordable in the UK.

> Our sector can feel like an undervalued part of the pharmaceutical supply chain at times

Secondly, the difficulty of maintaining these assets is not well enough understood. These are usually older products with older manufacturing mechanisms and for which the regulatory dossiers need constant work and upgrading.

I implore all healthcare sectors around the world to look after their generics and essential medicines industries, because ultimately, without them, there will be no sustainable and financially secure healthcare system.

These are challenging times, with a second wave of COVID-19 underway and Brexit looming on the horizon, but exciting ones for ADVANZ, with these new business lines and the company very much in growth mode. What are your short and longer-term goals?

In the short term, 2021 is going to be a massively exciting year for the business, where we will be back to growth as well as back to a growth mindset. We are all focused on launching some very exciting products as well as acquiring other assets and securing partnerships.

Secondly, we'll see the Strategic Growth business unit rapidly become a greater percentage of the organization's total revenues and act as a stepping-stone to the longer-term future. Once we have demonstrated the continued success that we can achieve with our own inline products, our corporate goal is to be the go-to commercialization partner for launching complex medicines in the European hospitals market.

We have seen other organizations do it in certain therapy areas, but I fundamentally believe there is a clear space for us as a company. There are huge generic businesses and huge innovative businesses out there, but there is a space in between them, where innovators without the sales and marketing teams, but with an eye on the European market need access to a platform, that enables them to take those products and successfully grow them in the market.

See more interviews