

# Interview with Anish Mehta, VP European Genetics, Watson Pharmaceuticals UK

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30.07.2012

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**Following the acquisition of Arrow Generics by Watson in December 2009, what complementarities and synergies were generated from the transaction and where do you stand today with the integration?**

Since its creation in 1984, Watson was a generic pharmaceutical company that was predominantly US based until the acquisition of Arrow in 2009. The company did have a couple of manufacturing operations outside of the US, but overall it focused entirely on the US market and was extremely successful becoming one of the top 5 players in that market. As the pharmaceutical market evolved it became evident that expanding internationally was a key strategic imperative for the organization. Furthermore, the company established that the most efficient way to grow internationally was through acquiring a company with the right products and presence in the appropriate markets. Arrow proved to be an exceptional strategic platform for Watson. Following the completion of the acquisition Watson was transformed from being a one-market commercial operation to having commercial activities in approximately 17 markets. The idea was to use the Arrow acquisition as the first step of our globalization strategy as Arrow already operated in key markets, such as the UK, France, Canada and Australia.

As you probably know, integrating companies is never an easy task, but overall it has been a relatively smooth transition to combine the two companies. We still operate under the Arrow name in most of the markets because the company had built a considerable amount of brand equity over time, but we do have a strategy to eventually operate under one name.

One of the main differences we experienced during the integration came from Arrow being a private company whereas Watson is a US listed company. Perhaps the greatest indicator of our successful integration is our positive financial performance, which has exceeded expectations in the past year. Watson's strong balance sheet also places us in a position where we can continue to expand by acquiring the right capabilities around the world, both in terms of products and portfolios, manufacturing assets and R&D capabilities. The most recent example of this was our acquisition of Specifar Pharmaceuticals in May 2011, which further supported our portfolio base for the international markets. Watson recognizes that European markets can be very diverse and different from each other. Our priority at the moment is to establish ourselves in the right markets with the right products and commercial structure; particularly those that still have low generic penetration rates and offer high growth potential.

**The global trend for pharmaceutical companies at the moment is to focus on high-growth markets around the world, such as Brazil and India. Why has Watson chosen to focus on Europe as their strategic priority given more attractive opportunities around the world?**

Even as we are expanding our European presence at the moment, we are still looking to grow in other global markets. We are very interested in Latin America and also exploring opportunities in Asia Pacific. Just last year we announced a strategic investment in a Latin American branded pharmaceuticals company. That investment allowed us to partner with a local company that understands the marketplace and is building its capabilities to capitalize on the growth in the region, particularly Mexico and Brazil. This strategic partnership complements Watson's existing Arrow business in Brazil. On the Asian side, we have not made any investments to date in commercial businesses, but we are aggressively looking for the right opportunity.

As for our European focus, Watson strongly believe that it is important to be present in key European markets. Currently we have a strong presence in the mature Western European markets and plan to continue to maximize those opportunities. We would also like to increase our activity in Eastern Europe and the Mediterranean region. The truth is that we are very open to exploring new markets as long as the right opportunities and circumstances present themselves.

**Within the European region, what would you say are the greatest challenges that Watson is experiencing?**

The biggest challenge for us is the diversity of the markets. There are so many different market models in the region, and even though they might appear to be somewhat similar, they all have their own specificities that require a different method of operation. That is why you will always need the right kind of talent that understands the local market and how to best navigate the entire value chain of the industry. In Germany, for example, we work under a tendering model that can change every few months, so having the right people that can adapt to this constant change is essential for

our success. Beyond understanding the local market, our people also need to be comfortable working in a matrixed organization.

The other challenge we face in Europe is the sheer competitiveness of the markets. The competition is clearly fierce. You have the traditional generics players increasing their investments, big pharma also venturing into generics, either directly or indirectly, and biotech companies now exploring biosimilars. This represents a challenge not only because of the increased competition, but also because the war for talent becomes even fiercer under these conditions. Today we have more competitors than we have ever seen before. This is particularly true of very efficient markets such as the UK, where the free pricing model drives prices down. Clearly this is the goal of the government, and we support it, as long as the economics still make sense. The right incentives need be in place for all the players to continue what they're doing and ultimately improve access to generic drugs while stimulating innovation.

**As the head of Watson's generics in Europe, being located in the UK, how do you attract and retain the best talent that will ensure the company's success here?**

There is definitely a war for talent here in the UK, but also in other European markets. We find the UK to be a critically important market for us and it will continue to be so as we decided to set up our regional office here. Part of the reason for setting base here is that we already had the talent and an office through our acquisition of Arrow. Nonetheless, we have added dozens of heads to our UK businesses and throughout Europe because we are investing for growth in the region. I believe that Watson is a very attractive company to work for because we are fast-growing and have ambitious plans to expand further. From 2004 until today, we have grown almost \$3 billion in revenue and are targeted to reach \$4.5 billion at the end of this year.

Watson is also differentiated from its peers because we are an integrated, global pharmaceutical company. In the past we were largely a generics company, but today we are also a branded company. Additionally, we are building a biologics business, have our own API manufacturing and clinical research center in India, and have a distribution business in the US. When you put all these things together, and consider that all of these different parts are growing at a different pace, then Watson becomes a very interesting company to work for. This is what we consider exciting and attractive for our employees. Furthermore, while we are growing very rapidly, we are still small enough to be nimble and fast moving. Ideally, we look for entrepreneurial minds that understand where we are going and want to be a part of it because we need to run faster than our competitors. Ultimately, this is what attracted me to Watson when I joined in April 2010, because I was excited about Watson's potential and the possibility to be a part of its global expansion.

In line with this, we just launched a major initiative called "Our Winning Behaviors". Its aim is to create a single, global Watson culture that talks about behaviors rather than values. These

behaviors are directly linked to our vision and mission and are what drives our employees' actions. They are simple enough for people to relate to and think of in everything they do. From hiring talent and interacting with each other to dealing with our partners, we wanted to ensure that we had full alignment in our behaviors. Those core behaviors are "Challenge, Connect and Commit". Ultimately we want any talent that we attract to share these behaviors.

**Considering that the UK already has a generic penetration rate close to 85%, how much more room for growth still exists and what will be the growth drivers for generics companies?**

Undoubtedly the main growth driver in the future will come from biologic products. Watson is positioning itself to play a very important role in biosimilars in the mid to long term. The regulatory pathways are still unclear in a number of markets. There are still questions regarding adoption of biosimilars and what kind of clinical trials will be required. Part of our strategy has been to wait and watch for the regulatory environment to settle, and then quickly learn from others to determine what our operational model will be for these markets. We still plan to participate in the second wave in a strategic way, particularly through our branded business that focuses on women's health and urology. As a matter of fact, we just closed a deal last year to put our first product into the clinic, and that is an rFSH (recombinant follicle-stimulating hormone) drug for infertility.

In the shorter term, we do expect tough competition in the UK and low growth rates in the single digits as a result of that. The real penetration rate of generics will depend on what data you look at, but I do not believe it is as high as 85%. Nevertheless, there are still some opportunities in drugs that are still prescribed for their brand even though a generic option is available. This will have to change through legislative reform and more awareness of generic products. I also think that the regulatory environment could be improved if the Medicines and Healthcare products Regulatory Agency (MHRA) had access to greater resources. The MHRA is already one of the most experienced and respected regulatory bodies in Europe, and because of that, the agency is in increasing demand for use in Pan-European procedures, where they are often used as the reference member state. Ultimately, this has led to delays in dealing with national procedures, as those procedures are not bound to a specific timelines and it is the same resources managing both procedure types.

**Surely the need for the NHS to cut £20 billion from its budget over the next three years also represents a great opportunity for Watson. How do you plan to capitalize on this opportunity?**

This is a trend that we are seeing all over the world, from the US to France, and Germany. The end goal of governments is to improve the quality of healthcare by focusing more on patient outcomes and streamlining healthcare systems so that they become more efficient. A great part of this will

require making the healthcare systems more cost-effective and Watson supports these initiatives. We work very closely with the British Generics Manufacturers Association (BGMA) as our primary mechanism to work with the NHS and the Department of Health. Overall, we are very supportive of the changes that are being implemented by the UK government because we believe that they have to happen. Undoubtedly one of the greatest levers that exists for cutting costs is to increase the use of generics throughout the system. Generics already save the NHS between £7-8 billion annually and there is still more room for greater cost savings.

**What is your final message to the readers of Pharmaceutical Executive?**

I would like to say that while emerging markets are extremely exciting for the industry, the UK will always play a critical role for global healthcare companies. The UK is a trendsetting market that has evolved through different healthcare models to achieve a high level of efficiency and high penetration of generics. Due to this, Watson is extremely committed to the UK and is looking forward to be a part of the positive momentum that we are seeing with current changes to the healthcare system. An essential part of that change will come from the role that generics will play in bringing savings to the system and providing greater access to drugs for patients. This is also why we have chosen to increase our investment in the country and base our regional office here as a strategic point for our global expansion.

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