Interview with Samantha Du, CEO, Hutchison Medipharma

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You began your career at Pfizer, working your way up the organizational ladder, when suddenly you decided to come to China back in 2001, well before China was on the map for R&D. What drove you to make this choice, to take the risk and come to China?

It wasn’t a very straightforward decision and it also wasn’t an easy decision. In retrospect I could tell you that I did it because I love challenges, or because I predicted that China was going to rise. However, I don’t think my real motivation was any of these factors. My decision was about wanting to make an impact and wanting to make a difference. Pfizer gave me the platform to learn and grow in a relatively comfortable lifestyle and workplace. By my own definition I would call it a successful career. I started in R&D, moved into R&D management, and then into licensing. At every step along the way I was given the best opportunities that I could have possibly desired. So, my decision to come to China was really about making a real, tangible impact and also challenging myself and trying to see what I’m truly capable of accomplishing. I have always been somewhat passionate about China. Back in the Eighties I remember seeing the success of Japan and wanting it for China as well. I also always knew that if I gave it a shot and things didn’t work out, that someone else would always take me given my training.
In the end it was an abrupt change, and it took a recruiter six months to convince me to come back to China to start something. I always thought I would stay in the US and I loved Pfizer and never thought I would leave. Several very big biotech and pharma companies tried recruiting me with

very attractive packages, but I never considered leaving.

Has the company evolved into what you envisioned it would become when you first came out to China? Did things turn out the way you expected or have they gone in another direction?

My training was in innovative R&D, it wasn't in generics or biosimilars and it wasn't in CRO, so what I was trained in and what I am good at is innovation. This is my strength but you could also say that it is my limitation. Before I started the business I spent time traveling around the country and looking at various firms. I couldn't find a company that I felt comfortable investing in and trying to transform into a global quality biotech. I realized that I needed to start up a company myself in the oncology or immunology areas because of the market potential and unmet medical needs. That basic vision never changed. However, we started by using botanical sources rather than working with synthetics. When companies come to China they naturally look at what they can get from the treasure trove of Traditional Chinese Medicine. Thus the first step was setting up a team to evaluate various ingredients to see if there are tools that we can extract from traditional herbs and then bring them to the US. We now have a candidate in trials in the US for Crohn's disease and multiple sclerosis, which is going quite well and is at the end of Phase II. While we were working on this, I was also keenly aware that this is an unpaved path, these are mixtures and at the time there were no market approved botanical drugs. Coming from big pharma you know that from a licensing perspective, mixtures can be a challenge. I also thought that since we already had biological and pharmacological groups, why not simply build out a small synthetic group, to not only extract ingredients but also synthesize New Chemical Entities (NCE). This new group a play to mitigate risk in the business, but also as we evolve we are building expertise in NCEs and we are heading increasingly towards a focus on synthetics. Coming from Pfizer and working in the licensing group, the thought is that you can't do synthetics alone; you need a lot of collaboration. There are a number of organizations out there with expertise that we can contribute to, we initiated discussions with pharma companies ranging from Merck Serono, Eli Lilly, and J&J. Of course they have similar therapeutic interests as our company. When I was working in big pharma and working with biotechs, I liked their lean and mean organization, but on the other hand I fully appreciate the complexity of bringing a product to the market. That's why I don't want to take the one shot approach. I want to build a sustainable business, rather than the traditional model where you identify a NCE, bring it through trials, take it to market and IPO if you succeed. If you don't make it in the market with this one drug, the company disappears. I want to build a portfolio of different candidates, and I also recognize that in parallel to developing our own candidates there are resource limitations. That's why we have co-invested research programs, devoting internal investigation resources to optimize investment return and also build institutional knowledge

through our partners. We now have 200 employees. I was the original returnee, and over the past years we've had a number coming in, one by one. If I started building extensive infrastructure with expensive people, I could burn investors very quickly. That's why we have taken an evolutionary approach, with money carefully spent and resources carefully managed, all according to a clear set of milestones.

There are a number of companies trying to extract products from TCM, and derive active ingredients, but many are facing serious challenges. Clearly you've had some success so far, but how far can it really go and how many drugs do you think will actually result from TCM research?

Success is based not just on scientific achievement but also on regulatory issues. It depends on the focus. If we were China market focused, I think it would be challenging and not worth our current level of investment. But the US FDA has created a botanical division with guidelines back in 2001, which became official in 2004. When I was at Pfizer, we had a candidate in-licensed from Phytopharm, which was then in-licensed from a research institute in South Africa. Back then the pharma group was lobbying the FDA to treat these kinds of botanical mixtures differently. The new standards are a clear sign that the FDA welcomes these products. There are, of course, other important aspects such as marketing and launch management and so far these products are largely unproven. We want to see more products coming through this pathway and hope that we will be one of the next ones. I don't see it as a regulatory risk, but rather, growth is determined by know-how and by companies being willing to invest in the area. There are many factors, and of course there is also an element of luck.

The risk sharing, co-development model is very interesting and represents a sustainable way to grow the company. However, after a certain point will the focus shift to your own portfolio?

Our current portfolio is strong and already a major focus. We were the first company to get SFDA approval to use the new fast track program and have a pre-IND meeting. That drug is an oncology product that is100% internal. We also have another oncology pending filing this year and another for early next year. This represents a very strong pipeline and we think it is enough to really take us forward. Looking at the discovery pipeline, risk sharing is a very small portion of our activities. A big motivation for risk sharing is actually knowledge sharing. We are standing on the shoulders of giants and collaborating with them to create something valuable for both parties. We are also looking to diversify and mitigate risk. Investors are looking for ROI and cant wait 10 years for a return. Say you have 100 dollars and are investing in the R&D game. If you put 1 dollar in a basket, then you have a 1% chance of success. But if you spread 10 dollars into 10 baskets with revenue sharing, then your success may still be 10% but in the end, you aren't diluting your assets and

you’re actually earning royalties. Some of my royalties are in the double-digit, even for early stage collaborations. The reason we are able to take this approach is that we are an integrated biotech company as opposed to US companies, which are virtual biotechs. Thus we are able to not only manage internal portfolios, but also take a multiple shot approach. We believe that each target should have multiple trials. The traditional approach of taking one target, failing in Phase II, then pushing another into clinical, is a play that is only sensible in the US. That’s because of the cost of trials and limited number of patients in the states, but both of these roadblocks melt away in the Chinese market. Thus we are trying to establish poof of concepts with not just one molecule, but with backups as well.

What is your strategy for taking these products to market? Will you be setting up sales and marketing operations?

We would like to become a fully integrated biotech in China. However, we will be looking for licensing partners in the US and Europe as did the Japanese pharma companies when they began globalization. In terms of returns, working with a Pfizer or a Eli Lilly allows us to make a drug sell US$ 5 billion, while we might only take it to US$ 1 billion working alone, not to mention the costs of establishing those operations. However, we will eventually be looking to build out that capacity. Who can say what will happen five years from now, we might follow the path of Takeda and acquire those operations. However, that’s not the focus today. One key lesson I learned in my training was that portfolio drives infrastructure. Especially in China where its not very difficult to build organizations – manufacturing is easy and sales and marketing resources have already been trained by multinational firms over the past 20 years. What China really lacks is R&D capacity and we’re rapidly bridging that gap.

There is an explosion of R&D activities in China today with global CROs, pharma, and biotechs all coming and establishing activities in the country. This sets up a lot of competition in terms of talent, partnerships and market saturation. How are you looking to position Hutchison Medipharma in a much more competitive environment?

I think its good to have more players. If there weren’t more players, it wouldn’t be worth coming to China. There must be a very healthy bio-ecosystem for the industry to be successful in China. By having more people in the market, you need to do more innovation. As Hu Jintao said, you need to transform the industry from manufacturing to innovation. It’s by creating this critical mass that you can then drive IT and other key support industries.
When I first came and was thinking about setting up this company, people warned me that all the big pharma companies that were setting up in China would take my people. Since then, Roche,

Novartis, and GSK came to the market. Have they taken people from us? Yes, but as a very, very small percentage of our employees. CROs attract a very different type of people with different careers and ambitions. Big pharma R&D does need the same kind of talent doing innovation, but they are often very different kinds of people. We don't offer Novartis' package, but rather we provide long-term compensation. We give bonuses, options, and career opportunities and exposure that people might not get elsewhere. On top of all this is company culture and we take this seriously. We have a culture committee and at a basic level, we are looking to create a shared experience – 'one company, one dream.' Regardless of whether you are a returnee or a local, we work towards bringing innovation to China as pioneers who are competitive on the global stage. If you share that dream and are looking for long-term growth opportunities, then this is the right place for you. If you want a 9 to 5 job with a stable salary, don't come here. Its not that we cant offer this, but we don't encourage our people to work in that mode. I didn't come here to create a Pfizer. I want to build a young, dynamic R&D focused firm. Working at Pfizer I learned that you could never give people enough money to keep them happy and motivated. If you are paying top salaries, then you recruited the wrong people. I don't want top salaries but competitive salaries, so that we can work towards a dream. When I went to Pfizer I didn't even ask about the package because at the time Pfizer was like going to Harvard for an MBA. I felt that even if Pfizer didn't pay me I would be ok because of the value of the training.

What is your personal ambition for the company?

Some come to me and say, 'oh I'm amazed that you're just 200 people. I meet some companies and in two years they have 2000 people.' I tell these people that I never build a company to have a large number of employees. I build a company to be a leader in the field. In five years we plan to have a product on the market, and to have our synthetic chemical entities in Phase II or III. Our partner program will also be moving into that phase. In China we should have products approved by then as well.

This year you earned the award as the most entrepreneurial company in China. What did that award mean to you and for the company as a milestone?

I don't need recognition. I didn't even go to People's Hall for the ceremony but sent the finance person to go because I saw that he had been working hard all year without a vacation. This is a validation of what we have done and proof of what we can do, as past success is a predictor of future success.

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