Interview with Norbert Oppitz, Senior Vice President Latin America, Nycomed: A Takeda Company

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Big news last year; Takeda bought Nycomed in what has been seen as a game changing acquisition for the pharma world. How have you seen this acquisition affect Nycomed's Latin American operations as a whole?

It was not a game changer, it was THE game changer. As a brief history, Nycomed has been in Latin America since the 1950s as a fairly traditional company, and business in the last few years was primarily driven by one patent-protected molecule: Pantoprazol. We are still the market leader in Gastroenterology and Pantoprazol is absolutely key. Over the years, we have also successfully developed, and put on the market, local products in Mexico which is quite unusual for multinational pharmaceutical companies. On the down side, Pantoprazol inevitably fell over the patent cliff and copies of varying qualities and origins have sprung up eroding business. The Nycomed pipeline was not overly strong for a Latin American business, and we basically excelled on pushing the life cycle of existing products that gradually became branded generics.

Another key driver for Nycomed in Latin America has been Business Development Relations: we've been able to generate opportunities through developing some excellent quality goods with line extensions and incremental line innovation. Business Development to a certain extent has even defined our strategy because we've adapted to the needs of our partners and made sure we could find the respective teams to go into certain therapeutic areas. It has always been my dreams to have two different sets of people queuing outside my office door: I want to see the brightest

professionals trying to become part of the team, to make sure I have the best people, and secondly I want to see other companies identifying us to be their ideal partner- to be trusted with their molecules, to put them on the market, and to do them justice. Historically, Business Development has always been to Nycomed what Research and Development has been to other companies.

Suddenly, Takeda appears with a fantastic pipline. In fact, if you had asked me one year ago which three therapeutic areas I would have loved to either continue growing in, or expand into, I would have said Gastroenterology to remain the market leader; Cardiometabolic because it is one of the fastest growing and most important therapeutic areas in Latin America; and Oncology and Specialty Care. These three allow you to have very strong clinical differentiation. With Takeda, suddenly all the elements were available to us at the same time and we have already, with local partnerships between us, accelerated time to market substantially. Dexivant was launched last year, and we are now preparing 5-7 new launches for the next 15 months. The merger transformed things for us.

On the flip side, Takeda acquired Nycomed because of its people. Takeda was looking for capabilities to successfully roll out their business into emerging markets, and it was a brilliant move to save time by doing everything at once. This was a remarkable move considering Takeda is a company with a several hundred year old tradition; they have a tremendous history on one side, and now with the merger business has become more dynamic.

According to the latest IMS ranking, Nycomed is positioned Number 20 in the Mexican market whereas the company globally holds the 48th position according to our Pharmaceutical Executive ranking. From having met Nycomed throughout the world, we know the company is always very well positioned in emerging markets, but more specifically, what role do you see Mexico taking for Nycomed – Takeda?

Mexico is the largest market in Latin America after Brazil. If you look into the late 1980s and early 1990s, you would have seen the rise of the “Asian tigers” like Korea, coming up in the market and if you had taken a calculated decision you might have walked out of Mexico and straight over to invest in Korea. But you cannot look at Mexico in the short-term; Mexico is, and always will be a top tier market for almost all significant industriess, it has a considerable influence over Spanish speaking Latin America and works as almost a connecting agent between some Latin American countries and the rest of the world. If you look at intellectual capabilities, the quality of science and of professionals, you will find that Mexico is not only an economic leader, but a thought leader. We will benefit tremendously from the process of integration with the United States, and regardless of the current political landscape, I believe Mexico will continue to be the most important link

between the Northern American countries and the Latin American countries.

It is absolutely imaginable that Mexico will not only play an industrial role, or be a market in which to produce and sell, but that Mexico will evolve into a strong market of clinical development and clinical studies that will greatly impact northern countries with a fast growing Latin American population. It is not just about economies, but clinical subsets of patients that are becoming increasingly relevant for future US populations. In industry we tend to think in the short-term about quarterly results and long-term about product lifecycles; and this is how we try to make money. But if you stop to think how things will look in two or three decades, I believe we will have a transformed world with Mexico to some degree in the center of the Western hemisphere.

This is why we decided to put our Latin America regional headquarters in Mexico and not Brazil. Today, Brazil is the most important economy, but in a regional context Mexico will be the most important player for decades to come.

As Brazil is the largest right now, what do you think Brazil has that Mexico doesn't?

Brazil has always lived the same periodic cycles that all of Latin American has gone through; exchange rates, productivity, and inflation- today it is up again, just like it was in the late 1980's and early 1990's. Brazil is a very monolithic economy and to a large extent auto-sufficient. They do not depend on strategic imports; and they have also had strong development in education, social welfare and infrastructure.

But Brazil is Brazil! It's a unique country, and the recently discovered oil reserves in Brazil will also make a strategic difference. It is a superpower, but in a geographical location where they are able to act much more independently than Mexico. Mexico will always have it largest border with the United States; the United States' fastest growing population is Latin American; direct transfers from the United States into the Mexican economy continue to be important; and certain industries in Mexico will continue to be economically dependent on economic cycles across the border. Mexico cannot escape its future of continued integration: this is globalization at its best. If you go into an electronics shop in Miami and ask for something in English, you might not get the best price. It's omnipresent, but positive, because it is happening sustainably and at the end of the day, be it economically, educationally, socially: it will be to the advantage of several hundred million people.

We need to understand as an industry that in the long run we will also have to adapt our strategies, structures, and regional activities because we are coming into a new reality. It's absolutely feasible to think that we are developing products in Mexico now that will be very shortly FDA approved, and importantly we must realize the possibility of launching large-scale state of the art production

activities in Mexico that will enable companies to cover the entire needs of the US and Canada, building competitive industrial advantage.

You mentioned starting state-of-the-art manufacturing activities here in Mexico that could provide the US and Canada with a complete portfolio of drugs. What do you think are the strengths of Mexican manufacturing? Why would Mexico be chosen, apart from the geographical proximity?

If you look at Mexico, it’s in the heart of everything; there is equidistance between northern and southern hemisphere markets. Mexico has access to the sea on both coasts, it has a large professional and scientific talent pool, a dramatically improved legislation and legal security which is important for foreign investment and it is politically and economically developed, not to mention the free-trade agreement. You can also find a number of different climates in Mexico including some very dry, clean air which is important, and not something you can find everywhere.

Mexico is not cheap anymore and sometimes I wonder if it really is an emerging country. This is something that the future will tell us, because if you look into the democratic development of the Mexican society; the huge effort the government has made to include more people, not only into health and social security, but also into housing, into education; if you look at the age pyramids; if you look at the prevailing and predominant diseases; if you look at the growing importance of new industries such as science and hi-tech manufacturing- capital happy investments, and nothing to do with agriculture and indirect income or tourism- you can see how society has changed from just 15 or 20 years ago.

Mexico is an important industrialized country and emerging only in the sense that it will outgrow the traditional North American, European, and Japanese economies. Mexico today is much more consolidated than many of the other so called truly emerging markets, it is a more industrialized and modern society than many people realize. Things are moving here, and one of the most dangerous things we can do as a multi-national company is not to understand it.

What would that mean for Nycomed Takeda in Mexico?

We are harnessing Takeda’s molecules in Mexico which fit the needs of the market almost perfectly. We will meet unmet medical needs and provide new and clinically differentiated solutions for relevant therapeutic areas. Mexico is the regional hub, we will grow our business from here and gradually enlarge our rich input into Latin America, so we will not only be growing our portfolio, but also our regional presence with Mexico as the leading entity for all other Spanish speaking Latin American countries. I can say that we actively understand the location of Mexico as a turntable for the region and not only will we look inwards, but we will look south. If there is one country in the

world where you can have a constant 360 degree perspective, it is probably Mexico.

Rafael Gual said that he wants to make pharmaceuticals the most important manufacturing sector in Mexico over the next 5 to 6 years. It currently represents 7% of the manufacturing GDP. What are the steps required to make this a reality? Do you think this is possible?

Yes of course. From a static point of view you're talking about infrastructure, which means you need to be able to get the right technology, architecture, and whatever else you need to build a first-class, industrial, competitive production plant. It is just a question of money and leverage by investment- if you put in more money you can ride economies of scale- and it's obviously a bigger advantage to have $500,000,000 USD than $500,000 USD.

Having said that, economy of scale is not everything. You need legal security, infrastructure, communications, transits, supply chains, ingoing and outgoing logistics, you need a country that is fairly stable, and obviously some highly qualified workers. We are a quality driven industry so we depend very much on the general education of the people we hire, and I believe Mexico is the Latin American representative that fulfills all these criteria. Mexico can have each and every element of the value creating chain in the industry, and manufacturing will be visible because people are always fascinated by big plants!

I am not sure how Biotechnology will establish itself in Mexico in the long run because geographic position takes a less important role, but in terms of traditional manufacturing and generics, yes Mexico can be a hub: with clinical trials, medical education, and product development from the core. We can do nearly everything in Mexico dependent on the continuous development of legal security, political and economic stability, the level of education, and the availability of professionals.

With Mexico's proximity to the United States, many people believe it can be transformed into Latin America's clinical trial hub. In your opinion and experience as Senior VP of Latin America for Nycomed, can this be achieved, and what do you see as the main challenges?

It's not a goal in itself; I believe it is the other way around. I think the need for clinical trials will increase with the increasing Latin American population across the border, and Mexico has the infrastructure and the quality that already fulfills requirements to run these clinical trials now. This is not the case for all countries in Latin America. Mexico's location, size and development make it the ideal place for a clinical trial hub to grow naturally.

You were in Mexico for 3 years between 1994 and 1996. What has been the biggest change in the industry over those 15 years, and what do you think will be the biggest change in the next 10 years?

In the last 15 years Mexico has made a quantum leap, in such areas as infrastructure, availability of goods and services, and security. From my perspective, Mexico City has improved a lot and there has also been a great improvement in environmental protection. Mexico has come a long way in protecting and preserving the environment and actively improving quality of life- this has to continue because otherwise, the city will not have a future. Mexico City is the key engine for the economy and you cannot just ignore that, you have to have an integrated view, I believe that future progress will be less of a quantum leap, but incremental progress: Mexico is now taking small, but important steps.

You've managed teams across a variety of countries in Latin America including Venezuela, Peru, Brazil, Colombia and Ecuador. Would you say that each one has influenced your management style today?

They all did. People always ask me which country I liked the most, and I loved all of them, but they are completely different lifestyles, schools of thought, and societies. You have to adapt to a country, the country does not adapt to you, so I'm trying to contribute by using what I learnt in organizing, influencing, teaching, and developing things here. I am much more Latin than European, so perhaps I have been lucky to be able combine the ingredients of the Latin countries I've lived in, and get a good working mix.

People tend to see Latin America as homogenous, and there is a certain Latin American prototype that many people believe in- but it does not exist. It is dangerous to take a one-size fits all approach because the belief system, social structure and politics are all so varied. What makes you successful in one country does not necessarily make you successful in another.

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