Interview with Harry Flore, CEO, HAL Allergy Group

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Our meetings frequently bring us here to the Leiden Bio Science Park, but more often than not, to meet with younger, up-and-coming companies. HAL Allergy, meanwhile, has a rich and proud history in the Netherlands dating back more than 50 years to its origins in Haarlem. What have been the core consistencies that have contributed to HAL Allergy's success over time?

PvR: The whole allergy industry is rather old having started in 1959 by Dr. Kuijper who was a pharmacist at Philips Duphar. Dr. Kuijper was the first man in the Netherlands to make allergen extracts, which at the time was a difficult process. From that small company in Haarlem emerged the big company that HAL Allergy is today. One of the main factors for our success has been a consistent focus on quality. While we are now operating in a very regulated world, the framework for this business back then was not very structured. What HAL Allergy has done, step-by-step over the past 50 years is improve our processes, products, and factory, which have been huge developments through the years.

HF: Another central focus has been remaining very close to the customer, be it the doctor or the patient. Patients are customers, of course, but we always have and always will work for doctors. This means that we are at the forefront of noticing what is going on in the field, which has always been very important for HAL Allergy. We get the feeling from the many doctors who come to visit us here that they cherish and very much like the attention that our sales representatives give them. The doctors appreciate the knowledge that our reps have and the way that it is funneled back into the main organization to meet client wishes.

How would you characterize the perception of allergies in the Netherlands in terms of clinical severity? Are allergies generally seen as a “lesser illness” compared to the chronic and rare diseases that traditional pharmaceutical companies usually treat?

PvR: I think that perceptions have changed throughout the years. Previously the common perception of allergies was merely associated with sneezing; something that hampers your life, but nothing life-threatening. There was past discussion to group allergy medicines with OTCs because of a reluctance for the medical system to pay for them.
Meanwhile, scientific studies have changed this perception over time. Amongst various self-assessment surveys, allergy patients often rank themselves as having a poor quality of life. If you do not sleep well due to allergies, for example, then you suffer from constant fatigue. Looking at the surveys, allergy patients give themselves even lower scores than asthma patients. Particularly detrimental for patients are seasonal allergies in which they are generally fine for 7-8 months but then have miserable reactions for the other four months – most often during summer.
HF: I think that is a correct assessment. The Netherlands did not, and still does not, have many allergologists. Spain and Germany, for example, have many more allergologists per capita and therefore a much greater awareness of what can be done against these diseases. You see that those countries are much more aware about what can be done to relieve symptoms. This type of knowledge is still ongoing in the Netherlands and that awareness is coming.

With its long history and ongoing developments in the industry, what role has HAL Allergy played in strengthening this awareness?

HF: I do not think that HAL Allergy, on its own, has the potential to strengthen awareness in the Netherlands. But we are a much larger player in Germany where we are more influential through congresses and in sponsoring scientific trials. We can be more adaptive and better able to push this awareness through to the public in the German market. However, everything first has to go through the doctors who are the ones making the connection to patients and advocating the use of the therapies that we develop. The doctors are the ones who have to make the link since a normal patient will not typically know about the long-lasting treatments for their disease apart from using antihistamines.
PvR: Despite therapies existing for over 100 years, there has only been a wave of excellent symptomatic treatments over the past 30 years. Around 1998 the World Health Organization came out with an important paper citing allergen extracts (allergy vaccinations) as the only causal treatment of allergies. From that study we built a new place in allergy treatment. While allergy treatment was previously seen as obsolete – and even threatening with its injections – it soon

became clear that there was a unique place for us in causal treatment. That gave a new wave of energy not just to us, but the whole industry which has steadily increased since 1998.
HF: Concomitant with industry growth has been an increase and expansion of scientific knowledge in this field. The amount of data and knowledge that have been gained in the last 10 years in the allergy field is tremendous. That increase will also help promote this kind of therapy towards the general public. Logically, if something is obscure, then it would not be prescribed. But as this field grows out of a niche role we are very excited by its potential to trigger a new stage of industry growth.

HAL Allergy describes itself as working intensively with prominent research institutes to optimally combine knowledge and experience. What are some of the research alliances that HAL Allergy is actively engaged in?

HF: We have traditionally focused on the Amsterdam Medical Center because of our proximity to Amsterdam when based out of Haarlem. However, we are now bridging more towards the Leiden Medical Center, which has very good research groups focused on allergies. As a matter of fact, the original discovery of house dust mite allergies took place in Leiden, together with Dr. Kuijper; so there was a long-time interaction between HAL Allergy and Leiden which has now come back full circle.
We also have good collaborations in the field of food allergies in Utrecht and Wageningen, which is a new area that HAL Allergy is branching into. Additionally, we are part of FAST – a European-wide consortium focusing on food allergies.
Outside of Holland we are much more internationally active. We are diversified, and we should be since the new registration requirements coming out of Germany forces us to do that. We are teaming up with many university centers to be able to perform all of our necessary clinical over the next 5-10 years. It is essential that we interact more.
It is good for us that the whole field of research is coming up more on peoples' radars, especially now that allergic links with asthma are emerging. Asthma is totally different. That disease certainly brings a lot of costs with it. If we could curtail asthma at an early stage by doing causal, rather than symptomatic, treatment, then I think we have a winner.

In 2001 HAL Allergy changed ownership to its present day structure. There was a strong, solid, well-established foundation in place at the time. How have operations been optimized and enhanced since then?

HF: I do not mean to suggest that we were not professional in the past, but we have become more pharmaceutically professional. We are now looking much closer at processes and understanding

our product. Our level of knowledge about these processes and the product due to our closer interaction with university research has been a major change. Admittedly, this has sometimes been difficult for people who have worked here for 30-35 years and are accustomed to long-standing processes. We are blessed with their knowledge but now have to utilize and expand on their knowledge through the use of modern technology.

HAL Allergy is present throughout Europe and even extending into Japan. Was there anything unique about the company's internationalization, or, like any good Dutch company, was it a natural process to grow out of the small market and gravitate abroad?

HF: Germany was always our main market because of a number of allergologists interested in our products. Previous management saw that if something detrimental happened to the German market then we would be left standing exposed and so they started expanding. In the future we are also looking at the US since it is not yet currently accessible to companies like us. The US has a totally different structure with its allergy business. It is a $75 million market because of the sales of intermediate, not final, products. The intermediate products go to the approximately 10,000 allergologists in the US who make their own final product at the bench from which they earn about $1.5 billion. There is a huge gap which is waiting to be filled by industry, pending FDA approval of course. Regulatory trials and the testing of final products would force US allergy companies to operate at the same level as us in Europe and open the US market to European companies. It would be very interesting for European companies to enter the US and we are in the process of building our initial contacts.

With few niche products – as opposed to a broad portfolio – yet exporting to many international markets, how would you describe HAL Allergy's global footprint?

HF: We are investing a lot of money in getting more registrations for more products in more countries. We believe that we have very good products, some of which were not registered yet. Once we have gone through that costly process – which we are determined to do – then we will be much better poised to attack other markets such as the US, Japan, and the BRICs.

Currently what are the main products that are driving growth both here in the Netherlands and in your main German market?

PvR: We have two lines – injection therapies and sublingual treatments which are a rather recent development for patients to treat themselves at home. The penetration of each line depends on the country, its reimbursement system, and what the culture prefers. Our main market is Germany in which over 80% of the market is injection therapy, our specialty.

Are your products favorably reimbursed within the current system in the Netherlands or has it proven to be a costly market to recoup investment?

PvR: In Germany, industry is given the chance for products to prove themselves. You get several years to reach certain milestones.
The Dutch system, however, changed very recently in October 2009. The authorities cleaned up the market in essentially one day. They simply determined which products would be reimbursed and which would not be. In effect, they did not give a chance for local players do make use of the registration process. Since then the world has completely changed.
How has this affected your bottom line so far in 2010?
PvR: The Netherlands is not our biggest market, which is fortunate in light of this change. We are relatively comfortable in Germany. The German market has gone down but we are still above that market drop.
Allergic causes and reactions naturally differ based on local environments and settings. Allergies in Japan are much different than allergies in Greece and the Netherlands, for example. How are you able to market the same products across disparate geographies and clinical profiles?
HF: It is a challenge and in some cases we cannot yet meet them. Indeed we do have gaps in our portfolio. What we also notice are quite a few allergies being “cross protective.” With a vaccine for allergy A you can also protect against Allergy B. We do capitalize on overlaps amongst certain allergies. For example, if you are allergic to apples then you are most likely allergic to birch since they are the same protein in some cases. Likewise, if you are allergic to peanuts it is likely that you are allergic to a list of other allergens. We cover the main allergens for all countries where we operate. If we do not have a specific brand of an allergen, then we do have one that will interact with the body and immune system in a similar way.
PvR: Cultural elements drive a big part of the product makeup in different countries. There will be some countries that prefer sublingual to injections or want to tailor the product to the individual prescription of the doctor. In a way, we have been and currently are a big pharmacy.

Amongst the many companies that we are meeting, HAL Allergy is unique in that it has manufacturing operations here in the Netherlands. You come in with 50 years experience in manufacturing systems and quality processes. How have these processes been enhanced since you came on board?

HF: We have implemented much tighter controls of our production process and are looking much more closely at the 120-150 biological products that we use to produce our extracts. We have implemented 5S and are now adopting lean management to make sure that we know at every

point exactly where we stand with our delivery situation. We have improved our overall performance in that respect. On the other hand, we are looking closer at how our products perform both in clinical trials and the lab bench. Those two go hand-in-hand, and we are convinced that we will keep heading in the right direction.

There is a fairly large staff here of over 180 people. The manufacturing component adds a separate division that most pharmaceutical companies here do not operate with. How do you instill a common corporate identity across a large group?

HF: Every CEO has to come to grips with this question. I talk to my respective counterparts from other companies in this science park and we all have similar challenges. We try to and do a good job of keeping the old HAL Allergy family feeling within our corporate culture. There is a unique family quality about the culture here which even the doctors recognize and remark about when visiting us. I know nearly everyone by name here, reflecting our feeling that only by working together as a group can we manage the tough challenges and requirements that come our way. On the other hand, I believe that we need to become more professional so we have hired people from large pharmaceutical companies who come in with a very different set of knowledge, rules, and corporate cultural backgrounds. We have to merge the two to keep the best of both worlds, which is difficult at times. Sometimes we have discussions in which people question why they have to change a procedure that they have been doing for 30 years. But our hope is that the new people can convince the veterans of the benefits of the change for both personal work and the company at-large. We had the extra challenge of moving offices from Haarlem to Leiden. It can be traumatic for some people to move venues and change their long-standing routine, even if it is just 40km south. Relocating was difficult, but we successfully managed it with the positive attitude and ambition of our staff.

While realistic of the challenges ahead of this company, there is certainly a bright future to look forward to given new product developments and strong research alliances in place. Where do you see HAL Allergy being positioned in 5-7 years?

HF: I do not have a crystal ball and the industry can change dramatically as we have seen over the past two years. There will be a consolidation forced on the industry from the requirements that are coming in. This in itself is good since it will lift the whole industry out of its niche role and more into the limelight. HAL Allergy has a firm and focused objective of becoming a top three player in the European market; we are currently 4th. Our owner is giving us the financial backing to achieve that goal and I am very positive about this company’s future. There is no doubt that we have some tough years ahead of us, but we will come through them better positioned than where we were 2-3 year ago. Also, the knowledge gain that we are all experiencing from the Dutch university research

culture will be a driving factor of our growth. We are on our way to knowing what causes allergies and to understanding how to better combat them.

What have you been most proud of in your three years here?

HF: Answering it a different way, what I would be most proud of when I do eventually leave is being able to keep together the family feeling that people are working towards a common goal, but at a higher level of expertise. Other goals such as more products and greater market share naturally emerge from that central objective. I strongly believe that only on the basis of people working together professionally and as a family can we ensure that we will be the thriving company that we are now in 5-7 years.
To give an example, once a month I have a lunch with people from different departments. Considering how much HAL Allergy has grown, many people do not know what their new and old colleagues have done. I try to explain how everyone fits into our corporate strategy. It is a very enriching experience for me since everyone comes to understand how and why we move as an organization in a certain direction.

What would be your final message to our readers about HAL Allergy and it contributions to the pharmaceutical industry in the Netherlands?

HF: I can only wish that the entire pharmaceutical industry will prosper and make use of the scientific knowledge that is everywhere at the moment. I have been reading about the sad and frustrated mood in the Netherlands because of the closure of Organon and Abbott’s R&D centers. My message is to not feel too bad about it. Research is very strong in the Netherlands and we always need talented researchers and good pharmacists. People are getting older, new medicines are needed, there are 500 different types of medicine on the market, and 12,000 more in the pipeline; there are a lot of opportunities to move forward. The industry has a lot to look forward to and HAL Allergy will participate in and make use of this growth.

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