Interview: Eduardo Sanchiz, CEO, Almirall, Spain



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Eduardo Sanchiz took over as CEO of Spain's flagship pharmaceutical company Almirall in 2011, after Jorge Gallardo stepped down in this role while staying as Chairman of the Board. Many analysts expected no change in policy, but 2013 saw an important restructuring of the company and a return to growth. Sanchiz outlines Almirall's restructuring and strategies for growth in R&D and international expansion.

What have been some of the most important decisions you have taken in the last couple of years?

I became CEO in 2011, having already been in the company for seven years. Almirall has more than 70 years of history and my prior experience in the company helped me understand and follow on the strategy of Jorge Gallardo. Firstly, I updated our mission, vision and strategic direction for the company with the board of directors to provide internal clarity and to serve as an external guide to determine Almirall's profile and future. This helped to align with our employees and to define our direction and priorities, which mostly gravitated towards opportunities that our pipeline of new products represents.

I also took steps regarding how we wanted to move forward in terms of the cultural evolution of the company. This was based on indications and inputs from employees identifying our strengths, limits and areas for improvement. Part of my challenge is to ensure we act in ways that still leverage and build on our strengths while compensating for and paying more attention to areas in

need of improvement within the organization. Almirall identifies with four values: trust, innovation, partnership and personal accountability. We are emphasizing these values to the entire organization and particularly to management as ways to do business. This has been important as we are preparing ourselves for a significant opportunity to introduce new products, which is very exciting but also challenging given the economic crisis in Spain and across Europe. This has certainly had a major impact on developments in the pharmaceutical space.

Almirall has enjoyed success in its own research and development as well as strategic acquisitions and licenses. When is it best for you to focus on yourself, and when on partnerships?

I think that all pharmaceutical companies ultimately do both things. The percentage of products in a portfolio that come from external sources has increased significantly in recent times. R&D is a very difficult part of the business to tackle, as you are never fully in control and thus results can be unpredictable; thus you need to supplement internal efforts with external efforts. Consequently, you need clarity regarding where those efforts are focused. As such, we align our business development initiatives together with areas where we also have strong R&D interests. Almirall focuses on R&D primarily in respiratory and dermatology, but also does business development in those two areas plus pain and gastroenterology. Essentially, we need clarity in terms of what we want to accomplish in each area of the business.

Our strategic direction communicates a clear message throughout the entire organization in terms of where we want to focus resources and efforts. The first effort involves seeking innovative and valuable medicines through our own R&D together with external partnerships (licenses, acquisitions and collaborations), which is the driving force of any pharmaceutical company. Secondly, we want to be a top player in respiratory and dermatology with a focused interest in gastroenterology and pain. These are the areas that best define the company, so it is fundamental to leverage those elements while expanding our global presence. Since the early 2000s, Almirall has accelerated its international growth, which better prepared us for the economic crisis. In 2002, only 20 percent of Almirall’s sales came from outside Spain with just a few affiliates. We expect to finish 2014 with 70 percent of the business outside of Spain and in the meantime we have materialized two significant acquisitions plus one portfolio acquisition with 15 affiliates in place. While Spain is still our largest affiliate, we are not as dependent on this country as we used to be, which has helped to diversify risk.

Aclidinium has successfully received approval in some of the major worldwide markets; but what do you really look for in an R&D investment for a company the size of Almirall?

Almirall’s R&D investments are aligned with our innovative mission. We provide valuable medicines to people and future generations, who are linked to the fact that we have a reference shareholder, provides an important long-term perspective on the business. Our investors appreciate this, and it eases the life of senior management because it provides a long-term horizon and interest in the business. The idea of bringing valuable, innovative medicine that provides value to patients and physicians is our ultimate goal, as stated in our vision. We want to be recognized as an innovative pharmaceutical company placed among the top players in our strategic therapeutic areas. You may ask if that is truly possible in an area like respiratory for a company like Almirall, and the answer is a resounding yes! Our launch of Aclidinium, which comes in Almirall’s own unique device, has provided countless benefits to patients. This has been recognized by key opinion leaders and physicians as bringing a level of innovation that is recognized by the growth in the product’s market share. This product is now present in the majority of European countries, Canada and the US, and is moving into new markets, on top of a number of new launches this year. Aclidinium has become our largest product in the company and, combined with other platforms of growth, already represents 38 percent of total sales. By joining forces with other companies, as we have with Forest and Menarini, a mid-sized company can partially pay for research while also helping to collaborate in commercialization. This also allows you to compete with big players.

How has the acquisition of Aqua Pharmaceuticals in the US helped to strengthen your dermatology portfolio?

This has certainly accelerated our growth in dermatology, which helps to balance costs and risks. We made a similar push in that direction in 2007 with the acquisition of the top dermatology company in Germany called Hermal, which was very well positioned in many European countries. Consequently, we maintained a very solid position across Europe while continuing to license some other products. Altogether we remained first in Germany and seventh across Europe in prescription dermatology. But we were still missing a presence in the US. Eventually we found the right company, which is well established and respected in the US. The Aqua acquisition represents not only a significant business opportunity in the short-term, but also a platform for growth in the long-term, nourishing new products leveraging the R&D we currently have in dermatology for developments in both Europe and the US.

You have also said that you are considering Brazil and China. Of course, big pharma has to be in markets like these. How do you evaluate opportunities in a country like China for Almirall?

Ultimately, you have to determine where your portfolio and future pipeline can fit, rather than focusing on emerging markets for the sake of it. You need to ask yourself, where can I have a relatively fast uptake with sufficient sales? That helps determine where to go next. For example, we have been present in Canada for a year and a half. Canada may not be the largest country or have the largest market growth in the industry but it has the sixth largest respiratory market in the world and therefore represents a great field for our portfolio. We did everything ourselves to be well positioned and to introduce new products there having recruited strong, experienced individuals. However, we might take a different approach in another country where the modus operandi is vastly different from ours; such would be the case for Brazil, where we would initially look for local partners. Ultimately we have to be careful for a company our size; launching new products requires a very substantial investment in the short term for both R&D and commercialization, while establishing new countries like Canada is also quite a financial undertaking. You have to determine how far you can go without financially overstretching yourself. Internationalization has played a key role in obtaining our current position, and has made us ready to maximize new product opportunities.

What competitive advantages does Almirall have in today's market?

Irrespective of size, Almirall has very good capabilities in its key therapeutic areas. We have know-how all across the value chain, from discovery to commercialization in both respiratory and dermatology. Simultaneously, we must use external resources to supplement our strengths; by establishing strong partnerships you can still compete properly. Nowadays you need to have particular know-how and capabilities in all key elements of the value chain that derive value for the company. Almirall has this, from R&D to business development and industrialization and commercialization. Furthermore, we manufacture for our partners worldwide. Our manufacturing sites are FDA-approved and have good capabilities in formulation and in pharmaceutical and clinical development for US and European regulatory standards.

France has Sanofi, Germany has Bayer, and the UK have GSK. What is lacking in Spain's ecosystem that has not allowed a Spanish company to become a giant the way those others have?

Germany, UK and France have bigger populations and bigger market size than Spain has. This country enjoyed good market growth before the crisis, but is still behind some of these other markets. Moreover, there needs to be some strategic support from the state towards moving in that direction. For example, the French government actively assisted to create a significant pharmaceutical champion in France. Whether that helped the rest of the mid-sized companies is

debatable, but it certainly helped Sanofi to become what it is today. Maybe the same drive has not been promulgated in Spain. I think we need to have a much more stable and predictable healthcare environment before such a push can occur. There is a need for a higher recognition of the value of pharmaceutical companies in Spain in terms of being a magnet for attraction and development of highly educated professionals internally and in the periphery. Additionally, local R&D will ultimately lead to exports of products that benefit the trade balance in the country, and keeping significant essential goods in an area like pharmaceuticals can help as well. I think some of those elements have historically helped to produce very strong companies in those countries and I would like to see more of that taking place in Spain.

Could Almirall become the pharmaceutical Zara?

Our life cycles in this industry are certainly much longer than a company like Zara. They have leveraged very well a set of capabilities and actions that can take advantage of globalization, and the same thing does not take place in the same way in the pharmaceutical market. We undoubtedly have an aspiration to become bigger, to become a reference company in Spain and to continue to bring to the market good products with good quality in a growing number of markets around the world.

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