Interview: Mario Muniz – General Manager, Chiesi Mexico



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Internationalization and innovation are part of Chiesi's history. The general manager of the recently started Mexican affiliate discusses the company's priorities for the second largest market in Latin America and how the company plans to strengthen its presence through a portfolio of life-saving and innovative products.

Chiesi started operations in Mexico in 2012 and you were appointed general manager in January 2013. What mission were you entrusted with by the headquarters?

My mission for Mexico is multifold. First and foremost, to keep the business momentum of the neonatology product line by strengthening the penetration of Curosurf®, Chiesi's leading product worldwide for infants with respiratory distress syndrome, which has been in Mexico for the past ten years, as well as by launching Peyona®, the first caffeine citrate indicated for the treatment of primary apnea in premature neonates. Second, to launch the respiratory line with Foster®, flagship product in Italy and rebranded to Innovair® in Mexico.

A third responsibility is assessing the market environment for the launch of a brand new pipeline of products for rare diseases. Chiesi has the first gene therapy for the treatment of lipoprotein lipase deficiency (LPLD), which affects one person in one million. The drug is already approved in Europe and the company is currently assessing how the product can be part of the portfolio in different regions. Last but not least, part of my duties is to build the local operations, train the people and

make sure we develop the team, the company's most important asset.

Why were you the right person to lead the subsidiary?

I worked with Chiesi Brazil for four years and it was a great professional and personal experience. Since then I have maintained a very good relationship with Chiesi's management. Also, I have worked both with large multinational companies – such as Pfizer and Philips – but also with smaller companies – such as Chiesi and Merit Medical Systems. The opportunity to rejoin the company outside of Brazil was even more exciting to me and matched the development stage of my career. Already knowing the company made things much easier, as there was mutual trust and I knew the ambitions of Chiesi for this market. Also, the Brazilian and Mexican cultures have similarities, thus I felt I could relate very well to the local team to develop good results, not only from the commercial standpoint but also from the human aspect of the business.

Compared to other Italian companies Chiesi started its process of internationalization very early and today the company exports to more than 70 countries and international sales represent 77 percent of turnover. Why did the company start operations in Mexico so late compared to other markets?

It is true: Chiesi is already present in China, which is a highly complex market, as well as in other vibrant economies such as Russia and Turkey. As for Latin America Chiesi decided to enter Brazil first back in the 70s. Worldwide, Curosurf is the company's door opener, as it's a life-saving drug which today is distributed in more than 80 countries. Usually with this product the company develops a sales basis and once there is sufficient sales presence – even if not directly – Chiesi evaluates how the company can capitalize it to start direct operations. This was the case of Mexico, for instance.

A number of reasons led the company to enter Mexico only in a later stage. First, the country's regulation. In the past to distribute products in Mexico you were required to have a plant. Second, Mexico's respiratory market – historically Chiesi's main product line – is not well developed and very competitive. If you compare Brazil to Mexico, for instance, you have twice the population and four times the respiratory market. The decision of launching the respiratory line in Mexico took almost three years, but today represents the company's commitment to the market in the long term. And the bet is paying off: after eight months with the product line in the market we already have around five percent market share, which is an incredible result.

When we interviewed Hagop Barsoumian, he told us that Chiesi was preparing to become one of the major suppliers to the public sector in asthma treatment in Brazil, as

it already is the case for example in Italy and other countries in Europe. He also explained that asthma is not well treated in Brazil and competes for resources that are already allocated to hypertension and diabetes. What is the situation here in Mexico?

Also in Mexico asthma is not a priority for healthcare institutions. Diabetes and cardiovascular diseases are given much more attention, along with oncology. For this reason, so far asthma for us means private market. We really strive to match the country's needs with a good offer in terms of product innovation and asthma control at a competitive pricing, so it can be purchased by people of different levels of income. Neonatology, on the other side, is a priority and the government is investing heavily in neonatal and pediatric care.

Chiesi ended 2014 on a very positive note, with sales for EUR 1.4 billion, up 8.4 percent vs. 2013. How would you assess the performance of Chiesi in Mexico for 2014?

As for neonatology, we did great both with Curosurf as well as with Peyona. We really penetrated the market, were able to access hospitals and make sure physicians understand the importance of treating infants with our products. Peyona, for instance, is the first caffeine citrate in Mexico and studies show that it is the most used products in intensive-care units because of its benefits and safety for babies. The base of the population pyramid in Mexico is still large, meaning the number of newborns each year is still high as it is the one of premature babies. We are taking advantage of the demographics as well as the support of the government, which sees neonatology as a priority, thus is investing heavily in it.

In 2014 we launched the respiratory line, which was more challenging because we had to present the company, the products and their differentiators. As for Innovair, for instance, we started explaining to physicians that the product is able to reach peripheral airways in the lungs, which are 5,000 times larger than central airways, and as demonstrated in some clinical trials, allow 50 percent more asthma control compared to old drugs. Selling this concept – before selling the medication – was the key point to make the product succeed. The medical community in Mexico has proved to be very accessible and keen to understand what is new and where exactly can they benefit their patients. However, I think the most important aspect is having people who really believe in Chiesi, in what we offer and why we are here.

How are you working with the government to make sure your drugs are included in the national formularies, thus reimbursed?

In Mexico it is a complicated situation. For orphan drugs, for instance, in 2012 the government passed a law to put more attention to orphan diseases. The regulatory authority Cofepris sped up

the process to help bring new drugs to the market. However, having it reimbursed is a completely different story. We have been able to penetrate the national insurance scheme *Seguro Popular* and the hospitals that rely on a local budget because they understand the cost reductions they can achieve in not having a baby in an intensive-care unit with ventilation for a long period of time, but it is not easy.

We showed IMSS they could save around USD 3,000 for each baby by using our product instead of the one currently in use. Alas, the answer we received was that most resources – the physicians, the oxygen and the equipment – are already there, so acquiring the product would not represent any savings. This is a lack of understanding: unfortunately, the system is often not designed to see the process as a whole, because the department which plans the budget for medications is only interested in comparing costs of drugs, not the treatment as a whole.

How would you compare this situation to Brazil?

I would say it is pretty much the same and it depends heavily on the health agenda for the country. With regard to cystic fibrosis, a product line we will launch in the coming years, Brazil is much more developed than Mexico. Here only the Institute for Social Security and Services for State Workers (ISSSTE) provides the drug, which is life-saving and increases the life span of patients from 15 to even 50 years.

Chiesi is a company dedicated to R&D: it invests almost 18 percent of sales in research and 75 percent of the company's turnover comes from products developed by its own R&D division. What can we expect for Mexico?

We plan to launch several products of Chiesi's pipeline in Mexico. Within the respiratory line, in 2016 we plan to launch our dry powder formulation in extra-fine particles Foster® dispensed by the NEXThaler device. Chiesi invested several years in understanding what would be the perfect device and build in all features other devices miss. For instance, many may think that a drug without taste could be better for the patient. However, the industry discovered that it can be a problem because he or she may forget having taken it, thus risking overdose. A further important feature is the sound of the device. If the patient does not hear any noise, he or she may think it is not working appropriately. Chiesi built a device, which really takes in consideration all patients' needs. In 2018-19 we plan to launch a very innovative drug for chronic obstructive pulmonary disease (COPD). Chiesi is the first company to start Phase III clinical trials for such a product and today we have about 7,000 patients enrolled, including Mexico. It will be the first extra-fine triple combination in the market for COPD, so we are very excited about it.

Besides the respiratory line, we plan to launch our products for cystic fibrosis (Bramitob and Hyaneb) and rare diseases, including the first gene therapy for lipase deficiency. Our ambition is to reach USD 32.5 million in five years. The main motivation to make this happen: we really believe Chiesi's products are life-changers and really add value to patients' lives.

How is it to be a Brazilian managing a Mexican team?

It was a journey, because we are very similar but each culture has its own idiosyncrasy. For instance, it took me time to understand what *ahorita* (right now) means to Mexicans, as it may refer to some minutes, one hour or even one entire day. But I have adapted fast, we developed a very strong relationship and we are all learning together. And we are also learning how to deal with Italians, who are more formal and who are more formal than Mexicans. However, the communication process is very effective, because Chiesi is really taking care of each one of its affiliates.

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