# Interview: Olivier Laureau – President, Servier Group, France

***"A commitment to therapeutic progress for the benefit of the patient is our key concern."***

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*Olivier Laureau, President of the Servier Group, discusses how Servier´s economic model is based on considerable investments in R&D to provide for a better future and on a strong international footprint; and how their ambition is to grow from total revenues of 4 billion euros (4.46 billion USD) today, to 5 billion euros (5.57 billion USD) over the next five years. Mr Laureau also reveals how Servier's particular set-up, as a foundation, allows them to have a long term view when it comes to achieving such an objective.*

**The pharmaceutical sector in France has gone through some challenging times in recent years. What can be done to restore the image of this industry?**

A commitment to therapeutic progress for the benefit of the patient is our key concern. With a population that is ageing and requires access to the latest healthcare innovations, it is vital that the patient, both in France and in Europe, has a better impression of an industry that is allowing them to live both longer and healthier lives. Both the authorities as well as industrial actors have an important role to play in the regards. The reputation of our industry is of considerable importance. Notwithstanding issues these last few years, such as pricing, the level of reimbursements or unintended secondary medical effects, we have to ensure our sector regains once again the public's confidence and trust.

Coming to Servier’s image, unlike many other pharmaceutical companies we are a foundation. The foundation’s role is to guarantee the sustainability of Servier, its unwavering and strong commitment to research, and its policy not to make dividend payments. Our vocation is to be engaged in delivering therapeutic improvements for the benefit of the patient. However, like any business, money is the means for us to accomplish this. The independence that we have provides us with an important degree of freedom when it comes to our decision-making and long-term strategy, that many pharmaceutical companies do not possess. Such freedom comes with consequences, namely that we must self-finance all our global development projects, and our growth across the world.

**How would you characterize Servier´s economic model?**

Servier is above all an international, research-driven pharmaceutical company. We are over 21 thousand employees, 5 thousand of whom are based in France. As a new management team, from April 2014, we have sought to instill four main values: a willingness to innovate, an emphasis on looking out both for our employees and our patients, an understanding that being engaged is critical if we are to succeed, and lastly that we will only grow by sharing.

Our economic model is based on considerable investments in R&D to provide for a better future, long-term growth, and a historically strong international footprint. We have a presence in over 140 countries, allowing us to spread our risks more broadly. When we speak of a strong international footprint and a priority given to innovation, the statistics speak louder than words. Each year Servier re-invests 25 percent of its revenues, twice the average in the pharma industry, in R&D. Over 37 percent of our drugs are produced in France, but over 92 percent of our innovative revenues are derived from our international business. Indeed, our commitment is that while we are a global company, France will always drive our innovative portfolio.

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**Servier recently announced an objective to reduce by 25 percent, over three years, its production costs. What do you hope to achieve by such a move?**

A Servier manufacturing site, no matter its location, must be performing at the highest level when it comes to the quality of production. After a phase of considerable investment over the last decade in our Loiret (pharmacy) and Normandy (chemistry) sites, and in our overseas sites, notably in Russia, to meet our new drug development needs, industrial investment will now be more modest and is in large part earmarked for the maintenance of industrial equipment. Production costs must be competitive. After taking over as CEO of Servier in April 2014, and in conjunction with our executive committee, I conducted a general and thorough review all of our activities. With the COMEX, we decided that it was necessary to conduct a reorganization of the Group so as to guarantee our independence. We launched a transformation plan with four main ambitions: first, to launch a new molecule every three years, secondly, to become a reference player in oncology – we have decided to dedicate 50 percent of all R&D investments to this field – and lastly, from revenues of 4 billion euros (4.46 billion USD) today, our objective is to reach 5 billion euros (5.57 billion USD) with the next five years and lastly, achieving an 8 percent operational result within 5 years.

**Servier has sometimes been characterized as a rather isolated actor when it comes to collaborating with other stakeholders in the industry. What role will partnerships play in your future growth objectives?**

We began to expand our partnerships with academic centers in the 1990s. We then developed collaborations with biotech and pharmaceutical companies. The impression of an isolated Servier is misplaced, this has never been the case. As you know, access to innovation is key, and is the reason for our partnerships strategy. Our ambition is to develop new alliances with the outside world. Today over 50 percent of our innovative portfolio is in partnerships, including the academic and biotech worlds, and other pharmaceutical companies. As an example, in December 2015 Servier announced the expansion of our collaboration with Novartis for the development of anticancer drug candidates targeting apoptosis. Novartis exercised an option to expand its research agreement to include Servier anti-Mcl-1 drug candidates. Mcl-1, one of the most frequently amplified genes in cancer cells, is involved in cancer cell survival, but no selective and potent inhibitor has yet been developed. In 2014 the two companies entered into a strategic global collaboration to develop and commercialize specific Bcl-2 inhibitors. This significant collaboration with one of the leaders in the field today reinforces Servier innovative approach in oncology research. We have also agreed to develop and commercialize an anti-cancer drug with Japan’s Taiho Pharmaceutical. Servier will co-develop and commercialize Taiho’s TAS-102, an oral anti-cancer drug for colorectal cancer in Europe and several other markets, excluding North America and Asia. Such licensing agreements will contribute to our ambition to provide innovative drugs to cancer patients.

The establishment of partnerships with biotech companies is clearly a priority. Servier already has 19, and this number will only grow. In this regards, in the field of immuno-oncology our recent licensing agreement in cell therapy with the French biotech firm Cellectis, to fight blood cancers, is key. We exercised an option to acquire the exclusive worldwide rights to Universal Chimeric Antigen Receptor (UCART) T cell therapy targeting the CD19 antigen, which is about to enter initial

Phase I clinical tests. We will be working in partnership with Pfizer and Cellectis to develop innovative Allogenic CAR T cells in hematological malignances and solid tumor focusing on three targets. Servier is also collaborating with Amgen to bring potential new cardiovascular treatment options to patients in both the US and Europe. Why do such companies choose to partner with us? It is due to the quality of Servier employees, our long-term perspective and our genuine interest in the companies that we collaborate with.

**Within the next few years China is forecast to cement its positioning as Servier´s number one market. Yet the Chinese market is currently experiencing a slowdown in growth and faces some particular challenges. Another emerging market that Servier is targeting, Brazil, is also going through economic and political difficulties. Are such emerging markets a reliable and sustainable source of growth for Servier?**

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China is already our number one market, generating revenues of around 290 million euros (315.31 million USD) per year, and this leadership position will continue to be the case for the foreseeable future. While it is true that emerging market growth is starting to slow down, according to the IMS, such markets will still grow by eight percent over the next five years. There remains enormous potential in China, a market where 75 percent of pharmaceutical companies are Chinese, and only 25 percent are international. When it comes to Russia (where our business is worth 250 million euros) it is true that we have been hit by the devaluation of the rouble, but this is still a market that is expected to grow by 7 to 10 percent by 2020. Looking at other emerging markets, Brazil is also at the heart of the Group’s strategy. For the year 2014 the subsidiary achieved revenues of 76 million euros (82.63 million USD), up 18 percent from the previous year. Today 60 percent of our business is derived from emerging markets, 40 percent from mature markets. In mature markets our portfolio is evolving from a focus on primary care to secondary care, becoming a specialty pharmaceutical company. In emerging markets our focus will remain on primary care and will be supplemented by our specialty pharma developments within the oncology field. Lastly, it is important to note that in terms of volume our overall business grew by two percent in 2015

**What is the importance that you attach to your generic businesses when it comes to an international growth strategy?**

While 3 billion euros (3.34 billion USD) of revenues are derived from our innovative business, our generic subsidiaries (contributing 1 billion euros) is also a key driver of our success. Collectively, Biogaran France, contributing 650 million euros (706.72 million USD) in revenues, and Egis (368 million euros) based in Hungary but with a presence across Eastern Europe, experienced a volume increase of 10 percent over the last year. Quality when it comes to our generic portfolio remains the key. Egis, in particular, has been impacted by the depreciation of the Russian rouble, Russia having been its second biggest market after Hungary. What has been impacting us in recent years has been the pressure on prices, primarily when it comes to our innovative portfolio, and currency exchange rates but also our generic activities.

**Looking forward, what do such pricing pressures mean for pharmaceutical companies and for the future of healthcare systems more globally?**

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The key issue will be the capability of investors to continuing increasing investments in R&D. We understand the need to make a country´s healthcare expenditure more efficient. Nevertheless, the pharmaceutical industry cannot be expected to bear the heaviest burden when it comes to reducing the overall budget deficit. A more global perspective, concerning all the relevant actors, is required. When it comes to France, drug reimbursements account for 15 percent of total reimbursements; yet when we look at the authorities’ cost-saving measures, we are expected to contribute around half of total savings. France is a country with one of the best healthcare systems in the world. We should not undo such a system for purely short-term gain. A key question for the authorities today is defining a fair price for innovation. With more medical breakthroughs forecast to arrive in the market in the coming years, the issue of the sustainability of such a system must be addressed. For a company such as Servier, with 92 percent of business conducted internationally, this same question arises across the world. Our research continues to create value in France but only thanks to our strong international presence. For us it is clear, the key will be to always put the patient at the heart of our industry.

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