Interview: Frédéric Duchesne – President & CEO, Pharmaceuticals Division, Pierre Fabre, France



04.03.2016

Tags: Pharma, Pharmaceuticals, France, Oncology, Pierre Fabre, Frederic Duchesne, Innovation, Operations, Growth, Profit, Emerging Markets, Europe, Africa, Interview, Insight, Exclusive, Executive, Free

Frédéric Duchesne, President & CEO of Pierre Fabre's pharmaceuticals division, talks about the

the four main pillars at the heart of Trajectoire 2018, a strategic plan approved in December 2014: improving competitiveness, renewing innovative capabilities, increasing operational excellence, and lastly, furthering international development. Mr Duchesne also reveals how in 2015 their total revenues were 2.2 billion euros (2.49 billion USD), a growth rate of five percent compared to the previous year, with the pharmaceuticals division representing 42 percent of sales.

How would you characterise the performance of the Group in 2015?

Before talking about our company results, let me start with a brief introduction to our business. Our company positioning is what we call the “from health to beauty” continuum of activities, something which has always distinguished Pierre Fabre. We are an extremely diverse healthcare company, with both a pharmaceuticals and a dermo-cosmetics division. Diversity, complementarity and overlap are three key words to describe the interactions between the two businesses. Mr Pierre Fabre’s vision was to develop a company catering to all the requirements of a pharmacist, from the care of your hair, skin and teeth, to prostate inflammation and lung cancer. Such diversity comes with both opportunities and challenges. Over 70 percent of our turnover is non-reimbursed, and therefore is not affected by the shifting regulatory environment. During the lifecycle of the

company, having two business has allowed us to compensate for the inevitable ups and downs.

In 2015 our total company revenue was 2.2 billion euros (2.49 billion USD). This corresponds to a growth rate of five percent compared to the previous year, with the dermo-cosmetics division representing 58 percent of sales. Pierre Fabre is getting more and more international with nearly 60 percent of our revenues generated outside France. When it comes to our pharmaceuticals business, Europe accounts for 75 percent of our turnover. In France, our dermo-cosmetics business has been growing by midsingle digits, while declining on the pharma side. Internationally, our dermo-cosmetics business has been growing by about 15 percent, and by about 6 percent on the pharma front.

What are the focus areas when it comes to your pharmaceuticals business, where do you find the main growth spots?

Within our pharmaceuticals division, we have three commercial business units. First, Oncology, representing around 20 percent of total turnover. In terms of R&D, acquisitions and future innovation investments, oncology is our primary focus. We have a history in this field, providing the full spectrum of expertise, from R&D and manufacturing, to marketing, market access, medical and sales. Contrary to our business as a whole, 90 percent of Oncology sales are achieved outside France. Pierre Fabre is a truly international player when it comes to Oncology. Our second business unit, consumer healthcare, is composed of OTC, oral care (mouthwash and toothpaste) and natural health (including aromatherapy and phytotherapy). Our third unit is what we refer to as the Ethics franchise, specialty and GP products in all fields excluding oncology, namely urology, cardiology, diabetes, CNS, gynaecology and rheumatology. Our R&D activity is also organized into 4 innovation units :oncology dermatology, CNS and consumer healthcare. In CNS we have two products that have been licensed-out to Forest (now Allergan) in USA. The dermatology R&D innovation unit acts as the bridge between our pharmaceuticals and dermo-cosmetics division which is in charge of Pierre Fabre Dermatology RX.

Pierre Fabre is the second largest private pharmaceutical group in France, yet the pharma division is sometimes perceived as the weak link. Can you explain why this is and how you are trying to address it?

I would not use the word “weak” to characterize our pharmaceuticals division. It is true that our pharmaceutical business needs to be further developed. This is essentially a portfolio issue, where we had a number of challenging years on the R&D front. To address this, we have for example developed a partnership strategy based on co-marketing and promotion deals. We have a number

of commercial deals, both in France and Europe, complementing our portfolio by acting as a partner of choice for international companies looking to co-market or externally promote their products. Within our portfolio we have the leading anti-diabetes drug, Sitaglipine, marketed under the name Januvia/Janumet by MSD and Xelevia/Velmetia by Pierre Fabre. In France, this partnership is worth 70 million euros of sales (79 million USD). We have similar such deals with other companies, such as Recordati in cardiology, Menarini for respiratory diseases, Roche and Novartis for Oncology, BMS for Inflamation diseases, andPfizer for Urology disease. Over the last few years we have been focused on renewing our portfolio.

Last year we took an important strategic decision, re-engineering and downsizing our R&D by 30 percent in terms of the number of employees and refocusing our efforts on our four innovation units. By downsizing and re-focusing our efforts on a small number of products, the ambition is to be more open to the external world. Pierre Fabre was previously overly focused on its internal network and we have looked to reverse this. In this light we very recently launched the Pierre Fabre Fund for Innovation, accompanying biotech companies, startups and research laboratories specialized in oncology, onco-dermatology or dermatology, in order to speed up the development process of new products currently at advanced preclinical stage or at early clinical stage. We also launched our Nature Open Library, a unique Open Innovation program that will allow us to share our expertise with industrial players and innovative projects initiators, for the research, development and industrialization of plant assets.

Can you tell us more about the plan to build a competitive edge when it comes to the pharma business?

As part of Trajectoire 2018 we have downsized our large commercial footprint in France by 40 percent in terms of number of employees. At the heart of this plan are four main pillars: first, to improve our competitiveness, second, renew our innovative capabilities, third, increase our operational excellence, doing more with less resources and lastly, further our international development. When it comes to expanding our international footprint, we have one particular franchise with further room for development, namely consumer healthcare for which France presently accounts for more than 70 percent of its turnover. We are the number one actor when it comes to oral care in the French pharmacy canal. We are also number one in Portugal and Greece and have selected 17 markets worldwide where we want to further develop this business. The ambition is to develop our consumer healthcare franchise from one focused on a few select markets in Europe to a much more international business.

In terms of business development, we have strengthened our capabilities with the recruitment and development of an experts team. We are therefore increasingly active when it comes to acquisitions partnerships and licencing agreements. While our dermo-cosmetics business should continue to grow mostly organically, on the pharma side we will rely on external opportunities through partnerships and acquisitions. In this regards, in November 2015 we have announced a development and commercialization collaboration with Array BioPharma, a US biotech company, for two oncology molecules, phase III Mek inhibitor binimetinib and phase III BRAF inhibitor encorafenib, in a deal worth 30 million dollars up front, plus up to 425 million dollars more in milestones and royalties, for European, Asian and Latin American rights.

Our ambition is to continue with similar deals, primarily in the Oncology field, but also in our Consumer healthcare and Ethics franchises.

Pierre Fabre Pharmaceuticals already has a presence in the world´s main growth spots, notably the BRICS. Yet the situation in 2016, especially in emerging markets, is increasingly challenging. How are pharma companies like Pierre Fabre revising their emerging markets expectations?

Over the next five years we have to build on our strengths. These are primarily in Europe, but we are also strong in Africa. Indeed, in North and West Africa we are among the top five pharmaceutical companies. In this light in July 2015 we signed an agreement with Sigma-Tau to exclusively licence Eurartesim in 32 African countries, a drug with proven efficacy in combating malaria, a major health scourge on the continent. Our commitment in Africa is long-standing, and strengthening it is a key priority in our strategic plan Trajectoire 2018. We are also strong in certain Latin American countries, such as Mexico. Regarding the US, we already have a partnership for our CNS drugs with Allergan, and are looking at how we can develop our business further in this market through targeted acquisitions. We do need to further develop our presence in Asia, and have recently kicked off an important investment plan in Oncology in China, as well as a manufacturing investment in Vietnam. Our emerging market strategy is a focused one, selecting market by market our product portfolio.

The Pierre Fabre Foundation owns the majority of Pierre Fabre Laboratories. What does such a structure mean for the development of the Group?

In terms of our governance, the Pierre Fabre Group has a unique shareholding structure that guarantees its continuity and independence. The majority shareholder is the Pierre Fabre Foundation, whose President is Pierre Yves Revol, owning 86 percent of the shares.The Pierre Fabre

foundation is a government-recognized public-interest organization. The Pierre Fabre group has also developed its employee stock ownership plan, and employees thus form the second-largest group of shareholders. Upon his death on July 2013 Mr Pierre Fabre donated all his assets, both professional and personal, to the foundation. A new CEO, Bertrand Parmentier joined the company,, although he had previously been for a long time with Pierre Fabre. We renewed our board of directors with a focus on reinforcing our expertise in the global healthcare industry, particularly with regards to pharmaceuticals executives. In December 2014 following the work made by the executive committee, we reaffirmed our health to beauty positioning resulting in our commitment to develop both divisions, dermo-cosmetics and pharmaceuticals. During the last 35 years, our dermo-cosmetics business has been built upon pharmaceuticals roots, providing us with a clear competitive edge when compared to our pure cosmetic competitors. This will remain the case for the future.

Click here to read more articles and interviews from France, and to download the latest free pharma report on the country.

See more interviews