

# Interview: Jean-Marie Arnaud - Senior Vice President & Head, Sanofi Generics; Soňa Porubská - MCO Coordinator, Sanofi CZ & SK, Czech Republic

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*A hybrid business model between a full generics company and an established products company.*

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*Zentiva is part of the generics business of the Sanofi group and an important player in the European market. Founded in the Czech Republic, it currently operates in fifty markets around the world. The Senior Vice President and Head of Sanofi Generics and the MCO Coordinator of Sanofi Group Czech Republic & Slovakia discuss the company's strategy and main priorities for the future.*

**Mr Arnaud, you've held the position of Senior Vice President for Global Generics since April 2015. What have been your major priorities ever since?**

**Jean-Marie Arnaud [JMA]:** Over the past few years, Sanofi's Global Generics business has evolved as Zentiva in Europe. We have moved from an organization with a regional focus in two distinct directions. Firstly, we have been investing to create a global generics franchise, better able to manage the business all around the world and leveraging the Sanofi footprint. Secondly, we have been investing in innovation to differentiate generic products with added value; this has led to the development of an innovative program in asthma and COPD for example.

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My main objective is to continue the process of globalizing our operations. Stemming from a narrow product base that was marketed and exported across Europe, we are now developing products with a global plan from the very beginning of the process in a way that reflects country or regional-related requirements and with a strong focus on patient needs. Beyond globalization, we are fostering various sources of innovation, for instance by supporting a dedicated strategic organization to drive portfolio innovation to the next level.

**Can you please outline the strategy you've implemented since taking up this position?**

**JMA:** Strategically, we are aligned with the overall mission of Sanofi. Our objective is not necessarily to be among the top three global generic companies, but we rather want Sanofi's generics to support Sanofi's overall strategic objective. We will continue to work in this direction thanks to a community of people, well skilled to operate in this business model, a kind of hybrid business model between a full generics company and an established products company.

**The future of Zentiva has been on everybody's lips since the start of the year, what can you tell us about that?**

**JMA:** Our objective is not necessarily quantitative, in terms of market share or of planned growth in the generics environment, because we exist as part of the Sanofi group and we help to achieve the company's general objectives. In this view, one of our main objectives is to be the leader in emerging markets and to stay that way.

We know that markets are growing fast and also that local companies are doing the same. Therefore, we need to be very entrepreneurial and grasp all the opportunities we have. One identified opportunity is innovation. We are making good progress in defining how generics will support this innovation management, and in which areas or countries it should focus. This is a very precise exercise, requiring individual analysis of countries. For Europe, as our CEO has communicated previously, we have initiated a review of the generics strategy in the context of the evolution of this market and this industry. We want Sanofi Generics to have a sustainable winning position in Europe. Although we are still in the middle of this review, we are making good progress. We are therefore positive about reaching a fulfilling resolution by the end of this year.

**What are the ambitions and targets you currently pursue and what role are emerging markets expected to play in achieving these targets?**

**JMA:** The first and most important principle is that we don't have double quality standards with regard to products, ethics and business integrity. We use this as a behavior handbook in all

markets.

Of course, we have to look at the local Sanofi strategy within each country, because we can't have a stand-alone generic strategy to support. In this integrated view, we have clustered the emerging markets around the world: the priority countries, in which we really want to win, and the lower priority countries, in which entry is difficult.

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We have done a lot of work to develop an adapted portfolio and identify which products we want to launch in which market. We do global development but locally adapted go to market models in the overall context of Sanofi's strategy in each market. This will help any country to develop a local strategy and define a master plan.

**The Czech Republic is the birthplace of Zentiva with its roots dating back almost 550 years. Today, Zentiva is the largest presence in the Czech pharmaceutical market. How would you assess Zentiva's economic impact on the Czech Republic?**

**JMA:** First of all, we need to be clear about what we call Zentiva: in the past it used to be a very strong regional company here; today it is mainly a brand of Sanofi Generics. Depending on the country, we select a brand for our generic product line. Zentiva is used in Europe and beyond, in countries such as Turkey, Russia and South Africa.

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The Czech Republic is a very important market for us in Europe. This is a great market because it has been able to develop its own industry. Generic product substitution in the Czech Republic is the highest in Europe, even higher than in many Western European countries. This system manages to keep prices very low for governments and health insurance companies, while still enabling a reasonably good market for the industry.

We want an industry that is able to keep investing in new products, to maintain freedom of choice for doctors and patients. We believe this market has created a balance for the health insurance model while encouraging industry to scale-up its production.

**This is a region you have longstanding ties with as it is the home of Zentiva and traditionally one of the most prosperous regions in terms of growth. How significant is the region for your global activities today?**

**SP:** All these markets—especially Slovakia, Poland, Hungary, and Czech Republic—have one thing in common: people still ask for a brand. These are “branded generic” markets. In Central and Eastern Europe, governments have implemented an international reference pricing system to look at prices across Europe to establish the price in its own country. This is completely different to Western European countries because it brings savings to the system and gives patients some degree of freedom to use the brand they trust. It also gives pharmacies the same opportunity to dispense products requested by patients.

A couple of years ago we realized that Central and Eastern European markets would develop in the same direction as Western Europe. The development will be slower than we thought because of the different pricing mechanism; but eventually it will happen.

### **What is the economic impact that Zentiva has had on the Czech Republic?**

**SP:** Zentiva Czech Republic inherited some of the national values. We generate 30 percent of the value added by the pharmaceutical industry in the Czech Republic, directly employing 1,500 people and indirectly generating 2,250 jobs. Our contribution to the country’s GDP is significant. We also greatly value our brand recognition: more than 90% of people in the Czech Republic recognize the Zentiva brand. The phrase “Made in Czech Republic” on our products means a lot to local people: they feel our brand has a special bond with their heritage.

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### **2015 saw a sales growth of 4.5 percent in the Czech Republic with 41.5 billion packages sold and 20 percent market share. What was the strategy that led to this success and what were your best performing products?**

**SP:** I think the results have been driven by our broad portfolio, our presence in key therapeutic areas as well as the high quality of our products. Our first success was Zentiva’s presence in key therapeutic areas. Cardiovascular diseases are still the main cause of death among the Czech population and additionally 40 percent of people are suffering from high blood pressure. These are the key areas for Zentiva, so we have a portfolio to offer treatment alternatives for physicians to treat their patients better. In addition, evolving from plain or simple generics to added-value generics; eventually brings more compliance for patients.

**JMA:** We also created a new development organization, called the Value-Added Medicines Innovation Centre, focusing on value-added medicines. In the past, established products life cycle

management and differentiated generics development were traditionally treated in different parts of the organization. Today, we have adopted a combined approach in product development, leveraging all types of capabilities to move towards the added value market. It's something that started just a couple of months ago, but we are heading in this direction. We want to move to the next level to keep our competitiveness in the industry.

**Biosimilars as a generic segment are predicted to grow rapidly in the Czech Republic.**

**How does Zentiva position itself to use the potential of biosimilars to their fullest?**

**SP:** Biosimilars are penetrating markets differently in different segments: it really depends on the therapeutic area. We have some presence in biosimilars, but that's not our main strategy. Our strength is different: it is supported by a broad portfolio covering a wide range of therapeutic areas. Being part of Sanofi gives the strength to support not only generics, but also Sanofi products which, although they aren't patented, are well established and have strong brands. So we are combining these opportunities while Sanofi is able to bring real innovation to the Czech market.

**Zentiva, like Sanofi, is known for its outstanding R&D. A news release published in 2015 said Zentiva is planning to develop 11 new drugs in 2016. How strong are your innovation capabilities here in the Czech market?**

**JMA:** We have global generic development capabilities here, and we have the potential to start engineering generics 10-15 years before the patent expires, to find a non-infringing way to develop, taking into account the different patents associated to the product. It is very important to find your own way to manufacture the product, to develop a strategy for Active Product Ingredient (API), in order to have the freedom to operate. We have a great set of people here, a top-notch team of chemists, which can manufacture almost any product under any temperature and pressure conditions. We also have fantastic creative people who understand this patent environment, analyze the originator product, and find new ways of producing a medicine in a more efficient way. So you ultimately create a product which is more relevant and high-tech than the original.

We are a global company. We also have a development center in Latin America, which is obviously focused on the local market. However we work closely, because we produce global products, which have to be customized to meet local needs.

**What is the scope of the social impact that Zentiva has on the Czech Republic?**

**SP:** The trust in the brand is very high among patients. We really do care about the patient and have several patient-oriented programs and provide support for patient organizations, which

always respond with strong support and trust. We also collaborate with schools and medical organizations. The Czech Republic stands out for its highly educated people and the high level of schools and universities that can produce prepared professionals, a solid future base for the country as well as for Zentiva and Sanofi.

**Emerging markets are limited compared with mature markets in which rules and regulations are typically more transparent, politics stable, and the future predictable.**

**What is your strategy to navigate through that?**

**JMA:** In mature markets it's more about cost management in an aging population, and we have here hi-tech solutions, not only in medicine but also in surgery and so on. We have to be able to save money without compromising quality. OTC products as well as generics are one way to save money in a responsible and sustainable way. That's what we strive to do.

In emerging markets, the situation is quite different, because people cannot always afford all the treatments they would need. Providing a reasonable pricing while securing quality is one opportunity to give the middle-class access to the medicines they couldn't afford before; so it's a fundamental change for these types of markets.

Our greatest achievement is the people working with us

**What do you believe is the most valuable impact Zentiva & Sanofi's efforts have on the lives of patients around the world?**

**SP:** We have a program organized in four pillars: the first one being patients, the second one people, the third one ethics and the last one is the planet. In terms of patients we have big support in universities so we can prepare future health professionals, pharmacists and doctors, which potentially can also work for Zentiva. We support patients for the knowledge of therapeutic areas, so we cooperate with patient organizations to develop the know-how for these issues. We also have a program to support schools for first-aid education.

**Mr. Arnaud, you have spent significant time in Asia. What were the major differences in life and business you experienced and how was the adjusting period for you?**

**JMA:** I like the Asian region, because it's dynamic, diverse, very competitive, and people like to work intensely. Here in Sanofi Generics headquarters, we have 22 nationalities, obviously more Czechs, and I have found the team very competitive and fast. It is really a great team to work with, very adaptable. It's clear that people are quite different but we all share the same values.

**In all this time working in pharma improving the lives of patients, what are your proudest achievements?**

**SP:** Our greatest achievement is the people working with us, because without our team we couldn't manage to achieve anything. I am proud of the internal working environment we have created, where people are willing to contribute, to work together, and communicate because we are a very diverse company. All this is focus on our patients, because that is the real reason why we are here.

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