Interview: Gianluigi Frozzi – CEO, Angelini Farmaceutica, Italy



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Angelini CEO Gianluigi Frozzi speaks about the company's diverse portfolio of products, the "Made in Italy" brand, and the company's continual global growth anchored strongly in innovation.

Can you please give our readers an overview of Angelini's operations, both globally and locally?

First, I want to explain to our audience that Angelini is not only a pharmaceutical company. Pharmaceutical is *one of* our activities, which comprises 50% of our operations, but we have capabilities in other sectors as well. We currently have two joint ventures with Procter & Gamble to market personal care products, mainly diapers, and to produce diapers with machinery. Our activities in perfumery and wine are also important and growing. Altogether, our operations span about EUR 1.5 billion globally, and the pharmaceutical accounts for more than EUR 800 million last year. We have a coverage of 20 countries in Europe, as well as around the world, such as the USA and Pakistan.

In terms of pharmaceutical segments, given your diverse portfolio in APIs, generics and food supplements, could you please describe the nature of your operations in these areas?

One thing that characterizes our company is that we have a wide range of products in our portfolio, from pharmaceuticals and prescription medications to hospital products to mass market. Thus, our strategy is different from most companies. For example, in terms of cosmetics, we are present in the mass market, with products such as deodorants and feminine hygiene products, which have a turnover of more than EUR 50 million just within Italy. We also have food supplements, which we market both directly to consumers, as well as to physicians.

Despite these different approaches, our main strength is that we put strong scientific basis in everything we do.

We are actively involved in projects in pain and inflammation disorders, CNS and anti-infectives. The area of drugs for mood disorders is the field where Angelini reached great success and recognition worldwide. Our interest in the area of anti-infectives has also become a priority in order to solve the problem of antibiotic resistance.

In recent years, Angelini has been implementing an internationalization strategy both through targeted acquisitions and by expanding existing structures abroad. How would you describe the integration process of these transitions? Additionally, what do you consider to be your main criteria for which companies to acquire?

For the majority of the countries, integration was not necessary given that once the acquisitions became complete, they were already a part of Angelini and therefore needed to align with our company culture and structure

Nonetheless, there was a case in Portugal where we bought companies and thus, integration was necessary. We aim to acquire in markets where we currently do not have a presence.

The principal criteria that we consider for acquisition is that the company must operate in business area close to ours in order to facilitate corporate alignment. The company size is also another factor to consider as we are looking for medium sized companies. Furthermore, an important element is the type of products they have in the pipeline, as R&D is a key factor for us.

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How would you describe your operations in Italy? How important is your presence in the domestic market?

We have three production plants located in Italy: in Ancona, Aprilia and Casella. 30% of this production is dedicated to the international market and has grown by 20% over the past five years.

The Ancona plant is our largest one, boasting a capacity of more than 150 million units per year. As a company, we rank in the top five companies in terms of volumes sold in the Italian market.

Overall, our split for production for pharmaceuticals is 70% in Italy and 30% in the rest of our locations. On the other hand, the opposite is true for APIs where we produce 30% for Italy and 70% globally. We do not necessarily want a shift in this split, although we are expecting an increase in the units themselves.

What value do you believe the “Made in Italy” brand speaks of? What do you believe are its main advantages?

Quality is definitely inherent in the “Made in Italy” brand and it is a perception that transcends beyond Italy and Europe. Our partners recognize the power of the Italian production. Some are asking us to produce here so they can convey the Italian quality in their products.

We care deeply about our Italian roots and we strive to continue employing here. Currently, we have about 1,500 employees in Italy. Over the years, we had many opportunities to move production abroad but we believe in investing in the Italian market.

Angelini is a leader in self-medication products, such as Tantum Verde, which has driven for strong brand recognition in the country. Which areas do you see as the main growth drivers for the company?

Key driver for the company is to grow globally. Currently there are certain products that are only local, but we are truly pushing to have widespread growth for our entire portfolio internationally. We want to capitalize on the strength of our brand, because building another brand in the OTC field will be a huge challenge.

What do you believe is the main advantage of having such a wide array of products in your portfolio and being able to be a player in the different segments of the market?

Our business model, which is diversified across all targets and sales channels, is our strength and our competitive advantage over the big pharma companies. Generics is a market where we do not compete as much. Our R&D is particularly intensive in pharmaceuticals, in our direct-to-consumer products, in food supplements and other mainstream consumer goods.

We have had several products launched in the recent months that show our innovative approach. The latest one in our pipeline is an antibiotic that is far more efficient, and the patient only needs to take it once a week for two weeks instead of three times a day. Innovation for us is making our

patients’ lives more comfortable as well.

On the note of innovation, there are two main types of innovation that pharmaceutical companies typically do – either large-scale breakthrough innovation or incremental innovation. Do you believe that incremental innovation can lead to breakthrough innovation as well?

Our recipe for success today might be the incremental innovation but considering our history, we actually are working in major breakthrough innovation. Today, we aim to have large scale innovations through all stages of R&D as we want to continue to be recognized as one of the best companies in the Italian pharmaceutical industry.

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In terms of bringing these innovations to market, how do you navigate through the Italian bureaucratic environment to gain market access?

It is always an interesting experience for us for every product we launch. The retail budget is more or less under control, our challenge lies in the hospital budget. There are many new products ready to enter in the market for serious medical conditions. Therefore, we need to find a new governance to allow patients to benefit on them.

There has been an increase of large companies lobbying against the government for its stringent rules the past few years, but there has also been a trend in a more transparent way of doing business. How would you describe your relationship with the government?

Our relationship with the government today is far better than it used to be in the past. The Italian healthcare system has been working well for a number of years but we are all aware of the changes that should be implemented. Budget constraints are one of the main issues because the national healthcare budget is significantly below what is needed.

Angelini is also part of the Italian Drug Discovery Network, where Italian pharmaceutical companies, as well as public companies collaborate. Can you give us an insight of how this project is going for you?

The focus of our research in the field of analgesia embraces central and peripheral aspects of pain. Ongoing projects are mainly engaged in the study of central control of pain (we use to say “no brain, no pain”) in order to implement our knowledge into new drugs and products that will mark a

significant progress. We have already a good reputation in the field of pain control, due to products we currently market, and this is something we want to keep up in the future.

Which are your strategic priorities in the next 3-5 years?

In our vision, the goal is to be a European company, targeting physicians, pharmacies and the mass market with our three main type of products: prescription medicines, self-medication and non-pharma health related products. We want to increase our presence in Europe covering at least two additional major countries and we want to increase our capabilities in the United States. We want to stabilize both our ventures in Turkey and in Greece.

Angelini is historically a family-owned business that has followed the trend of bringing in non-family members into executive management leadership. How do you believe this impacts the business model and operations?

The family is very much involved in the strategic direction of the business and always looks for the overall well-being of the company. The heritage of the Angelini family is always present. The key of our success is the innovation and this is what we continuously strive for. We aim to have a strong international presence, but we still want to be perceived as a family business that meets the health related needs of families around the globe.

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