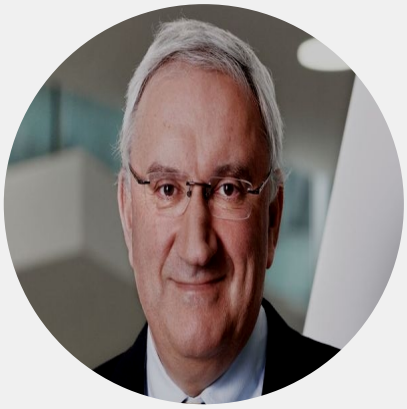
Jean-Paul Clozel – CEO & Co-Founder, Actelion, Switzerland



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Actelion's global CEO and co-founder, Dr Jean-Paul Clozel, discusses diversifying the company's portfolio, prioritizing internal research over inorganic acquisitions, and retaining a spirit of independence and innovation during a period of rapid growth.

2015 was a fantastic year for the company, the best yet, passing the USD two billion sales mark. This year, the half year performance has also been very good, despite the expiry of the patent for the blockbuster Tracleer, with Opsumit and Uptravi having registered a good uptake. How have you managed your portfolio transformation, transitioning your pulmonary arterial hypertension (PAH) business from being dependent on a single product, to moving out and building up a more diverse specialty care pipeline with a compound that is reflected across a range of therapeutic areas?

It is true that in the past, up to 80 to 90 percent of our sales came from Tracleer. This was the first drug that we registered as a company. We then followed this up with Opsumit, I believe a far superior drug, with a better safety record, based on more extensive data. Opsumit is slowly starting to replace Tracleer.

Our second new product, Uptravi, was successfully launched this year. It is a completely new drug, developed in partnership with Nippon Shinyaku. The product is to be used in combination with Opsumit. Likewise, Veletri, prescribed to patients for the late disease stage, was launched to the market a number of years ago, and has also been very successful.

From a pipeline of one product in the field of PAH, we now have three products. These new drugs have a very long patent life. As a company, we expect to continue to grow over the next ten years, but we are already preparing for the time when the products go off patent. It is very difficult to continually innovate in the field of PAH at the same pace – hence our shift towards other therapeutic areas, including cardiovascular, CNS, immunology and anti-infectives. Such products will complement our products in PAH, and perhaps even replace them one day.

What is it that makes you so confident that you will see ten years of continuous growth?

As a company we are not even 20 years old. It is typically very difficult to have even one breakthrough product. To have three is even more of an achievement.

What would you put Uptravi´s successful launch down to?

Uptravi addresses a big medical need by making prostacyclin-based therapy accessible via oral administration, with a long-term, outcome-based benefit. It replaces the cumbersome continuous infusion.

Is this also indicative of a successful market access and pre-sales strategy?

Yes exactly, no drug sells itself. Our marketing and commercial operations are very strong. Unique to a company of our age and size is the fact that we also have our own commercial organization, present everywhere in the world. We do not have to spend time liaising with partners across the world.

What do you see as some of the main potential challenges to ten years of continuous growth?

The question is not whether we will have ten years of continuous growth, but by what percentage we will grow. Challenges always evolve around issues such as pricing, market access and competition. There is always a challenge, but today we are in particularly good shape.

Over the last few years, there has been a lot of frenzy in terms of big pharma on the lookout for mergers and acquisitions, to the point where sometimes big pharma companies seem almost too big to fail. Actelion has always eschewed such big deals. Why has this been the case?

I do not see the value in such acquisitions. It merely shifts value from one place to another, but does not create anything new. If you put together a company with 20,000 scientists together with another company with 20,000 scientists, you do not double the output. There are advantages for big companies in acquiring smaller ones, in terms of synergies and savings. But when it comes to innovation, it is my belief that two researchers will always have more ideas than one. With mega mergers, research groups frequently get merged as well, and the result is fewer ideas.

Do you see your success as the result of maintaining your independence?

In terms of the level of our innovation, I am convinced that we would be less innovative if we were integrated within another company. As a matter of consistency, we do not pursue such an approach with other smaller companies. You do sometimes have companies that were not created to last. In such cases, acquisitions can make sense. Indeed, we recently acquired a company from the US for their product Valchlor.

How do you rate your ability to compete with the high number of deal-makings going on? AstraZeneca recently acquired ZS Pharma, a company that Actelion had been looking at. Is it particularly difficult for a company of your background and size to make such acquisitions?

If we had made an offer for ZS Pharma, we most likely would have been outbid by AstraZeneca. Our ability to compete with large companies is very weak. We have to play a different game. We have to be realistic. We do not have the size of companies like Roche, Pfizer or Novartis. Our strategy is based on internal research.

When it comes to size, you have grown Actelion from a start-up to a multi-billion market capitalization company. Actelion is the European version of a Genzyme or an Amgen. How do you manage such a transformation in terms of keeping your identity, independence and spirit of innovation?

A lot of people believe that size will destroy the positive aspects of innovation by creating additional bureaucracy. I believe such a view is deeply pessimistic. Such a trend is avoidable, but you must work very hard for that. The key is to remain true to your culture. The risky question of a big merger is whose culture to keep. Is it the culture of Sandoz or Ciba? When you rely on internal growth, it is far easier to foster and keep your culture. This is one of the reasons why I am sceptical of big acquisitions. Additionally, success can be the number one enemy of culture. When you are successful, people might try to abuse your success. You have to remain modest, never be arrogant, and keep your culture. If you stick to these three principles, then you can grow, and be successful, without losing your culture and values.

How would you define Actelion´s culture? What are its characteristics?

We are based on both science and innovation. Patients are the focus, not the financial numbers. We have a hands-on, open door, solution-oriented culture. Every single person in the company is involved in the project directly, ensuring that they keep in touch with reality. The head of business will be part of the development of the product branding. The head of research is familiar with all of our ongoing projects. We are employing people with different backgrounds, internationally diverse, with our workforce spanning over 50 nationalities. We are a little bit Californian in terms of our spirit, where everything is big and good, but we balance our grand optimism with a sprinkle of scepticism, by being a little bit more self-critical at times!

And you are able to do that while maintaining operations in over 35 countries?

If you chose the right general managers, they will be the ambassadors for the culture of your company. If you select the wrong people, you must change them. We take great care in taking these decisions. Somebody once said that culture is strategy. Companies fail when they lose their culture.

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How would you describe your approach to emerging markets? We were discussing this issue at a recent pharmaceutical executive editorial board meeting. We were reflecting how in the 2000s, the buzzword was emerging markets. Today we have seen a commodity phase-out, with lots of people withdrawing their money from these markets. Pharmaceutical companies used to have an emerging markets template, which was seen as a prototype for all emerging markets. Now, they found that doing business in Japan and doing business in China are two very different things. How do you manage your emerging markets strategy?

As a company that focuses on innovation, we are not a generic company; we cannot be active in countries that do not have strong patent laws. We have taken a very prudent approach. We are present in China and Brazil, alongside several emerging countries. It is difficult. We have to be prudent and develop our approach progressively. Today, more than as a source of revenue, I would consider such countries as investments for the future.

How important is the US for Actelion?

It represents more than 50 percent of our sales today. It is very important.

We talk a lot about disruption in the pharmaceutical industry today, with the digital revolution and big data. The pharmaceutical industry is naturally quite risk-averse, naturally quite cautious. What does disruption mean to you in the pharmaceutical industry?

I would disagree with your premise. The pharmaceutical industry is not risk-averse. This is the industry where the risk is greatest. We take risks every day. Which company would be willing to spend 500 million dollars on a trial that could come to nothing within three years?. I would suggest the pharmaceutical industry is less risk-averse than all other industries.

That may be the case in discovery and R&D, but in terms of embracing change, does it apply as well?

The pharmaceutical industry is the first to embrace innovation. Molecular biology was not used in any other industry before Genentech invested in this field. Given that we are dealing with humans, what we do always has the highest priority. You must not confuse risk-averse with the time it takes to bring a product to market, and dealing with the regulatory authorities. You do not need five to ten years of clinical trials to know if a mobile phone will work. The pharmaceutical industry is unique in that there is a huge level of both innovation and risk. It is inhibited by the time it takes to collect the evidence that you need to ensure success.

What does Switzerland mean to Actelion? You have become one of the most widely acknowledged biopharma company successes. Could your story have started anywhere else but Switzerland?

I am convinced that it could not have happened anywhere else. Switzerland has a few characteristics that are truly unique. Here you find the right people with a broad skillset both driven by their education and their expertise acquired on the job. These skills range from science over marketing to facility management. With two pharma world champions residing in Basel, there is ample opportunity to move on, a factor that attracts talent. It is like going after fashion design, you need to go to Paris or Milan for that.

Switzerland is a small country, but by no means a dwarf among giants. From day one when you enter Switzerland, you know that this is not about the domestic market. You rapidly understand that you have to be open to the whole world. In the US, you have a lot of companies who are present exclusively in their home market. In Switzerland you have four different cultures united in one country, with four official languages: German, French, Italian and Romansch. As for Actelion, we have 46 nationalities working here in Switzerland. For pharmaceutical companies, it is very important that people from different nationalities can integrate. If you want to find a specialist in one particular research area, and you want the world´s expert, they will be very happy to come to Switzerland and will integrate immediately. Over five centuries the country has been able to integrate different cultures into the fabric of society. It is a very internationally friendly country; and moreover, it is a country that likes to work.

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Over the last 18 years, I have found that the administration is at your service. In some countries, you are at the service of the administration, here the opposite is true. We have been able to build Actelion, from day one, without any political interference.

Many of the large biotech companies have grown up in the ecosystems of Boston or California. How does the ecosystem of Switzerland compare?

I would say that Switzerland is even better. The country has excellent universities, including ETH Zurich (Swiss Federal Institute of Technology Zurich) and Ecole Polytechnique Fédérale de Lausanne (EPFL) . Many of our scientists will have spent some time at other top universities in Boston, California and other places, creating very strong links with them. You will not find all the experts you need in Switzerland. Crucially, today we can easily recruit people from countries like France or Germany. This must remain the case in the future. You need to be able to recruit people from other countries.

On a more personal level, you have been the CEO of Actelion since its IPO. What is it that keeps you motivated every day?

Science and medicine is what keeps me motivated. I have the best job in the world. Making a drug is incredibly interesting, it is incredibly motivating, and incredibly rewarding. We have the chance to do an interesting job, while helping patients. I am a cardiologist by background. My wife has also been participating in the discovery of drugs, she is a paediatrician. If we had continued as practitioners, we would have been able to treat a few hundred patients, maybe 1,000. With Tracleer, we treated more than 50,000 patients. We have the opportunity to help so many people at the same time.

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