Robert Braithwaite – CEO, LUQA Pharmaceuticals, China



The idea is that we take the hidden gems available globally – in the areas of dermatology, medical aesthetics and other skin-related areas that affect people's quality of life – and we unleash their potential within China to turn them into leading brands

13.05.2019

Tags: China, Dermatology, LUQA, Dermo-Cosmetics

Robert Braithwaite, CEO and co-founder at LUQA Pharmaceuticals, a China-based specialty pharmaceutical company focusing on dermatology and aesthetics, shares his inspiration for establishing the company in 2010 to bring 'hidden gems' from the global industry to the China market, their focus on establishing a strong expertise in skin and building a medical marketing platform to support the needs of physicians and consumers, as well as their ultimate mission of making life more beautiful.

Robert, could you share a little about the story of LUQA Pharmaceuticals' establishment in China in 2010?

LUQA started about nine years ago as a company established in China for China, motivated by a desire to bring the best solutions available globally to patients in China. Prior to that, I had been with the Spanish pharma company, Almirall, managing their operations in a number of geographies across Asia, Middle East, Africa and Eastern Europe. In that corporate setting, I saw the difficulties associated with fitting a global, corporate portfolio to different markets, particularly in a market like China where healthcare provision is very different from a Western European country like Spain.

That was the seed of the idea. This difficulty was also an opportunity to find and cherry-pick the best products globally to meet the needs of Chinese patients. There are so many great technologies and products available globally, so I founded LUQA Pharmaceuticals to bring, and

tailor them, to the needs of the Chinese market.

We decided on dermatology very early on as our core therapeutic area of focus. Since then, we have grown our portfolio but everything is rooted in dermatology or more generally, skin. We like to call ourselves ‘masters of skin’. The idea is that we take the hidden gems available globally – in the areas of dermatology, medical aesthetics and other skin-related areas that affect people’s quality of life – and we unleash their potential within China to turn them into leading brands. That is our ambition.

What made you decide to focus on dermatology and what was the market potential in China?

From a personal perspective, through my time with Almirall, I became very familiar with dermatology. In addition, ten years ago, there was not as much attention paid to dermatology in China and there was a lack of innovative products. In aesthetic dermatology, we also saw a very exciting opportunity within the Chinese market because this area was only just beginning to become regulated, and we foresaw a boom in this area in the future.

We chose dermatology as an area that we not only thought would grow quickly but where we could position LUQA as a winner.

What differentiated us from the very beginning was our focus on being experts in dermatology. Back then, China was still very much a commercially sales-driven market but we could see that the future would focus more on medical marketing. We expected that a critical factor for success, especially for companies like us, was the ability to build a strong medical marketing and sales platform.

We started with a focus on the medical therapeutics side and we have since evolved to enter the medical aesthetics side. About a couple of years ago, we also entered the Direct-to-Consumer channel, basically through e-commerce platforms as well as more traditional channels like retail and pharmacy. This business has been growing very nicely in the past few years and we have launched a series of different platforms to launch different ranges of products to cater to the demands of Chinese consumers.

Last year, 60 percent of our business was in medical therapeutics, with the remaining 40 percent in medical aesthetics and Direct-to-Consumer. By the end of this year, driven by the boom of our medical aesthetics business in Q1, I expect to see a more even split between the two business

units.

How do both business units complement each other?

Essentially, what we are doing is to close the circle completely. We have this slogan, ‘1+23’: one hour at the doctor, and 23 hours at home – because skincare is really a 24-hour job. Physicians see their patients in the clinical setting and provide the relevant treatments, but subsequently, patients may still need other products at home. The physician is a key gatekeeper here and we hope to be able to leverage on their expertise so they can recommend the appropriate homecare solutions to patients.

There is a very clear line between our homecare solutions and our professional products that can only be applied or prescribed by a doctor. Nevertheless, even for our homecare solutions, we believe that physician recommendations and endorsements will ultimately drive repeat business. Therefore, we are still very much a doctor-focused company. We spend a significant amount of our time with physicians in both hospitals and medical aesthetics clinics.

Certainly, on the commercial side, our medical liaisons work with physicians while within the e-commerce business, we are working through distributors and sub-distributors. But from a synergy point of view, both businesses are driven by our medical marketing platform, which serves both professionals and consumers. Our people are experts in skin. They understand skin from all angles and perspectives, and this has been one of our key success factors.

We also provide significant value to physicians through our training and education platforms. Half of the success is a great product but the other half is in its application and usage. Medical aesthetics provides one of the clearest illustrations of cases where a great product can go terribly wrong with the wrong techniques and expertise.

How do you deliver expertise here in China?

We have both the LUQA Skin Academy, which focuses much more on skincare solutions, and we have our LUQA Medical Academy, which focuses more on therapeutic solutions.

The focus is to bring best global practices to the Chinese market. We organize training workshops and conferences where we provide physicians or other experts with a platform to share their experiences and expertise. It is not about promoting LUQA. We focus on letting physicians share

their learnings with their peers within China and also globally.

We are also very proud of the fact that, increasingly, our academies do not just bring best practices from global to China but are starting to deliver best practices from China to global. Many doctors and physicians in China are absolutely world-class talents, and they also see many more patients throughout their careers than perhaps doctors in smaller countries. As a result, we are starting to see some incredible new techniques emerging from China that should be shared with other countries.

Traditionally, the focus within the pharmaceutical industry has been more about what China can learn from the rest of the world but today, there is really a lot more that the rest of the world can learn from China. We are really proud to be growing with the industry here.

This value that LUQA offers within the fields of dermatology and medical aesthetics is really important because in these areas, particularly in Asia and China especially, we often see many new entrants offering new skincare solutions based on current fads or that may not otherwise be supported by medical research. How does this affect the playing field for LUQA?

Competition in the medical aesthetics area comes and goes very fast. We have certainly seen a lot of movement within the industry here, both in terms of new entrants but also exits, all within a very short space of time. Over the past decade, LUQA has proven to be stable and strong enough to weather the storms. I am confident that our partners, whether they are other companies, hospitals, physicians or service providers, know us as a highly professional company that brings quality and certified products into China.

That said, in general, the industry has also self-regulated. We are all holding ourselves to higher standards.

Compared to other pharma players within dermatology, I think LUQA also has the advantage of being relatively smaller and therefore much more agile. The beauty of our model is this flexibility to choose the right products for the Chinese market – which, as I highlighted, was the reason I founded LUQA in the first place. When we see a product or technology that we like, we can start the relationship with the owners immediately. Our success rate in terms of target acquisitions is really very high. This helps us compete with bigger organizations that may have to navigate layers of corporate bureaucracy and approvals. In addition, sometimes a China-only deal may not be that

feasible for larger multinational players.

This really sets us apart. We are very focused on China. We believe we understand the needs of patients, physicians and hospitals here very well and we possess the scale that allows us to be faster and more flexible than more established players. This has also been bolstered by our strong shareholder base, which has supported the company in our growth and acquisition strategy.

Within your portfolio then, could you highlight some key drivers or most interesting technologies?

We have a very balanced portfolio. We are currently marketing 16 different brands on our medical aesthetics and direct-to-consumer side. In terms of medical aesthetics, our focus is on offering a portfolio of solutions. We like to use the analogy of a paint palette: we offer all the different colors and shades to the hospital so they can choose the best for their patients. This is a very exciting proposition and also one that is rather new to the market here.

Traditionally, the Chinese aesthetics market was more focused on ‘one size fits all’ with what I call a ‘cookie cutter’ concept of beauty. Today, there is more of an awareness that everyone’s skin is different. What works on someone who is 45 may not necessarily work for someone who is 25. This is why we offer a full range of solutions so that physicians can work with more tailor-made solutions to individual patients. There are so many new and innovative technologies available today so we want to offer this choice to both physicians and patients.

On the medical therapeutics side, we have a number of great products. For instance, we offer a solution for varicose veins that is a globally leading technique called sclerotherapy with a product called Aethoxysklerol. This is a very simple procedure that takes around 20 to 40 minutes, after which you can go home. By the next day, your varicose vein problem is solved. Varicose veins are a problem that have a very medical origin but also a very aesthetic impact on the patient’s life, especially if you are a woman because of how much it affects your day-to-day confidence and comfort. This is one of our niche areas and expertise: the convergence between the medical and the aesthetic.

This was a relatively new technique in China so we introduced something novel and now again, we are growing with the market. We have also been working extensively with many well-respected doctors and hospitals to support them in the adoption of this technique.

We also continue to offer more traditional dermatology products like antifungal solutions or for atopic dermatitis, etc. More recently, we have actually started a new business unit that focuses on gastroenterology, so we are broadening our scope as well. But I see this as an extension of our focus on products that deal with patients' 'quality of life'. We are looking to offer products for Irritable Bowel Syndrome (IBS) or gastric pain, for instance.

Moving forward, we will certainly continue to explore new therapeutic areas for LUQA in line with our focus on improving the quality of life of patients.

What profile of companies and/or assets is the best fit for LUQA?

We look at both the profile of the company as well as the therapeutic areas in question. In the areas of dermatology and aesthetics, I personally think Europe has some fantastic and more dynamic companies and products. Southern European countries like Italy, Spain and France have a very strong tradition of excellence in skincare and aesthetics, which, coupled with some really innovative development capabilities and perhaps also the more favourable regulatory environment, have allowed many great companies to flourish.

Culturally, we are looking for companies that want to partner with us for the long-term, not just one single product or brand. For instance, our partnership with Ferrer, a Spanish company, started in 2014 where we signed a deal for a single product just for the Hong Kong market. This relationship has grown over the past five years and in October 2018, we signed a strategic collaboration agreement where we became their partners in China for all current and future skin-related products. Just two weeks ago, we announced our deal for Ozenoxacin, a very innovative topical antibiotic that they just launched in the US and in Europe. This is a very unique product with a very high unmet need. That is the picture perfect partnership model where we started small and since evolved step-by-step with one more product, one more therapy and one more channel.

Another is Mesoestetic, another Spanish company, with whom we started our collaboration on one product or channel, and now we offer their entire portfolio from clinic to home. What is even more exciting is that we are now leveraging on their formulation development and manufacturing capabilities to develop tailor-made products that fit the needs of the Chinese market, whether in terms of packaging or formulation. This is a natural evolution of our partnership with them, where we can now act as idea generators and support our partners in creating tailor-made products that fit the needs of the Chinese market.

We are also keeping an eye on the Chinese innovative landscape. We have seen some interesting technologies in their early stages and I am sure these companies will evolve further with the industry.

How do you find the financing and the investment environment in China?

The biotech investment model is very cyclical, to be honest. Certainly, over the past few years, we have seen an increase in investor interest in China's biotech industry. We have also seen more interest in our company as well, which is related to LUQA's size and profitability. In February 2018, we raised USD 15 million in a Series B round.

Our business model is different from many, if not most, of the emerging Chinese biotechs because we have a stable and recurrent source of revenue. We are already a profitable company, but we also see high growth.

This represents an opportunity for potential investors. Innovation is extremely expensive and many of these new Chinese biotechs are still pre-revenue. From an investor perspective, I think LUQA offers a great investment opportunity to balance their portfolio.

As you approach your 10th anniversary, what do you want to achieve for LUQA in the next three years?

Our ultimate goal is to make life more beautiful. We really want to be recognized as a leader in both the medical and the aesthetic fields. Personally, bringing those two worlds together is also an ambition. There is still a lot that can be done. These two are still seen as two separate worlds sometimes. That is also one of the functions of the Academy; we hope to bring the best key opinion leaders from the more medical side to collaborate with the players on the aesthetic side.

In terms of our growing Direct-to-Consumer business, I am very excited to hopefully have a couple of well-known brands in that space, brands recognized by most of the urban consumers in China that are household names.

I have been in China for a long time and I am a great believer in the potential of this country. There is still a great need for healthcare here. My message to the global industry is to forget all their prejudices. China offers a great opportunity. There are many different routes to market, from a more 'Do It Yourself' approach with establishing your own Chinese affiliate to a partnership model

with a local player like us. There are some great companies to partner with in China and of course, in the areas of dermatology and medical aesthetics, LUQA Pharmaceuticals is a great choice.

See more interviews