

Éric Ducournau - CEO, Pierre Fabre Group



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Éric Ducournau, global CEO of Pierre Fabre Group, the second largest dermo-cosmetic company worldwide and the third-largest French pharmaceutical laboratory, provides insights into the group's on-going internationalization and its emerging markets strategy, while reaffirming Pierre Fabre's commitment to France's healthcare innovation ecosystem. As illustrated by the group's new motto 'Taking Care, Living Better', Ducournau also highlights the ever-growing convergence of the group's dermo-cosmetic and pharmaceutical verticals, documenting how Pierre Fabre's leadership in both areas puts it in a great place to better meet the needs of the patients, physicians, and pharmacists.

In 2014, Pierre Fabre implemented a strategic plan dubbed *Trajectoire 2018*. In retrospect, how successful has this plan been?

In terms of business achievements, our dermo-cosmetic arm saw sales growth of EUR 350 (USD 392) million during this period, which represents 75 percent of our original target. In our pharmaceutical division we struck a landmark deal with US biotech Array BioPharma for the development and commercialization of a combination therapy against melanoma and colorectal cancer in Europe and other countries, excluding Japan, Canada and the US.

Apart from strictly business objectives, one of the major goals of *Trajectoire 2018* was to strengthen support functions in order to lay a solid foundation for internationalization. Although we

are based in a small city in the South-West of France [Castres], our future growth clearly lies abroad. To achieve this goal, we have invested in the development of IT and digital capabilities and increased our capabilities in quality, regulatory affairs and pharmacovigilance, among other areas.

In dermo-cosmetics, Pierre Fabre's strategy is based on a strong focus on R&D, products made using natural ingredients, and distribution through pharmacies. As other companies begin to emulate this model and the market becomes increasingly crowded, how do you plan to stay ahead of the competition?

More generally, our focus is on medicalization. The three above-mentioned pillars are a consequence of this focus. In order to differentiate ourselves from competitors and remain the preferred partner of choice for pharmacies and patients alike, we need to be able to demonstrate our products' efficacy and safety to dermatologists. As a result, we must conduct robust clinical trials. Our expertise is reflected in the fact we are the only cosmetics company able to regularly publish clinical results in prestigious medical publications in the field of dermatology such as the British Journal of Dermatology.

Moreover, researchers from Pierre Fabre Dermo-Cosmétique's R&D centre are participating in scientific research covering cutting-edge topics such as skin microflora. Overall, strong R&D capabilities are a prerequisite to medicalizing our product portfolio. This is the reason why we invest relatively more in R&D than our competitors: roughly five percent of revenues from our dermo-cosmetics business line are invested in R&D.

Regarding our distribution strategy outside of Europe and particularly in Asia, we are more present in specialized department stores than pharmacies, because of the intrinsic structure of those markets. In order to develop our business in these countries, we therefore need to sharpen two crucial drivers. The first is strong merchandising capabilities, which will not only enable us to be more visible in the store but - more importantly - to efficiently express our focus on medicalization. The second is digitalization, as it will be increasingly crucial to making our products accessible to consumers everywhere and all the time. Overall, our mindset has evolved compared to our historical focus on pharmacies, which has prevailed during our development in European markets.

A key trend among mid-cap pharma companies around the world is to divest from non-core assets to finance inorganic growth in key focus areas. Looking at the pharma

business of Pierre Fabre, the company seemingly stands as an outlier in that it has kept a broad portfolio with medicines ranging from oncology to consumer healthcare and is essentially growing organically. What makes you believe this is the right strategy?

At Pierre Fabre, we believe there is still a place for mature therapies

As citizens of developed countries, we are extremely lucky to have access to the most advanced and expensive therapies, but we should not overlook the fact that those cutting-edge prescription products are not available in a large part of the world and, moreover, will not be for decades.

Most pharmaceutical companies are heavily focused on the US market – or, to a broader extent, on mature and developed pharmaceutical markets – as they represent 70 percent of the global pharmaceutical market. However, most people live outside the western world. Taken together, less than one billion people live in the US and Europe while the world population is above seven billion.

In this context, at Pierre Fabre, we believe there is still a place for mature therapies. For instance, chemotherapy remains a relevant treatment option in many countries where patients do not have access to the newest therapies. Navelbine, our orally-available chemotherapy treatment, has been available in China for the last two years and is successful in a context where it is more convenient and affordable for Chinese patients to be treated at home.

Moreover, at this time, we are too small to compete effectively in the US. The system is completely different, huge companies dominate the market and well-established biopharma companies are commercializing their own drugs. In Asia however, Pierre Fabre and its broad portfolio are very relevant – as a matter of fact, we have increased our pharmaceutical products sales by 30 percent in the region over the past two years.

Nevertheless, it is true that Pierre Fabre cannot simply rely on established medicines for future growth. Unlike the largest pharmaceutical companies, Pierre Fabre has been slow to shift to an innovation-driven model: between 1992 and 2005, we did not launch any new drugs at all, and we did not launch any new oncology drugs between 2005 and 2018. These are very long periods. In order to close the gap, we have formed partnerships with biopharma companies such as Array BioPharma and Puma BioPharma. Reciprocally, these biotechs came to us in order to help them penetrate the European and Asian markets as we have the expertise necessary to register and obtain fair prices for their therapies.

The consumer healthcare business is very different to that for prescription drugs. In most countries a national champion dominates the OTC market, which rarely has a significant footprint outside its

home market. On the other hand, Pierre Fabre's leadership is already quite well diversified, as we are well positioned in France but also in other markets such as Portugal, Greece and in the Maghreb region.

In some strategic emerging countries, Pierre Fabre is somewhat of a late entrant. What do you identify as your competitive advantages and challenges faced when entering these markets?

A competitive advantage to gain market share in these markets is the breadth of our portfolio, as we are introducing both mature and new drugs, while many other companies came to these countries with only established medicines. In the meantime, we see that in both mature and emerging markets, patients and patient associations are increasingly expressing their needs to healthcare professionals and the pharma industry. In this regard, one of the key differentiating factors of Pierre Fabre is that we are perhaps more consumer-driven than the rest of the pharma industry, due to our experience in dermo-cosmetics and consumer healthcare. As a consequence, we know how to talk and engage with consumers and pharmacists through different channels, including digital ones. In Africa, digitalization has advanced at an incredible speed, while some Asian markets already stand as frontrunners globally - and these trends put us in a favourable position in those regions.

With regards to challenges, the first one we face when entering emerging markets is low awareness. For instance, in China, it was difficult to recruit talents because most people were not familiar with Pierre Fabre's pharmaceutical activities, while Pierre Fabre was strongly associated with our dermo-cosmetics brand Avène that is a best-seller on the skin care market in China.

The second challenge is to adapt to the local ecosystem and practices. Each country is very different in terms of market access, reimbursement, pricing and so on. It is critical to rapidly learn about local realities to be relevant. Finally, as a late entrant, we need to move fast because local and international competitors are already present. In order to do so, we need to deploy enough resources to be competitive, while ensuring those investments are sustainable for a group of our size. That is the reason why we focus resources on strategic, carefully selected emerging countries. If instead we dispersed our resources between too many countries, we would not reach success in any.

Pierre Fabre has an extensive footprint in France with four R&D centres, nine production facilities and 55 percent of the company's total global workforce. As the group continues to internationalize, why does it still make sense to maintain such a presence in France?

France was still the number one drug manufacturer in Europe in 2012 but has since regressed dramatically to sixth position. The fact that smaller economies like Belgium and Switzerland are ranked above France is perplexing. Moreover, several pharmaceutical companies have left France due to, in my opinion, the inflation of regulations, difficulties in establishing R&D partnerships, and an increasingly expensive workforce.

Fortunately, Pierre Fabre is in a different position to most pharmaceutical companies. Most of the shares of the group are owned by the Pierre Fabre Foundation, a not-for-profit organization. This structure allows us to take into account different factors beyond profit seeking when making decisions. In this regard, maintaining our footprint in France is particularly important to us, and we believe this stance is well aligned with both our company's ethos and our vision to be a globally competitive healthcare company.

In recent years, France has become an increasingly attractive ecosystem for innovation, especially in healthcare. We may have lost our first place in terms of pharmaceutical manufacturing, but France remains exceptionally relevant in terms of R&D. For example, the Gustave Roussy Institute in Paris is one the world's leading cancer-research institutes. Closer to our HQ, the Oncopole in Toulouse is a unique campus gathering a wide array of stakeholders involved in fighting cancer, from all specialties. This pooling of knowledge and resources enables a unique continuum between research, - including our main R&D centre- care and training. The Oncopole has recently become the first provider of Phase I clinical trials in France.

Secondly, we consider that evolving in a tough regulatory environment with one of the most demanding drug regulatory agencies, the ANSM, represents an opportunity. France's regulator is highly regarded around the world, and this is apparent in the fact that the US FDA and the ANSM have recently signed an agreement for mutual recognition of plant inspections in their respective countries.

Last but not least, France clearly stands as a frontrunner with regards to environmental regulations. While these regulations may act as a barrier for some manufacturers, we at Pierre Fabre are highly committed to protecting nature, biodiversity, and the environment as a whole. As both a pharmaceutical and dermo-cosmetic company, we therefore have the responsibility to be

concerned with the environmental impact of our manufacturing activities, and maintaining a strong footprint in a country like France also falls within this objective.

Moving forward, what is your vision to further enhance synergies between Pierre Fabre's dermo-cosmetic and pharmaceutical divisions?

Medicalization stands at the core of our dermo-cosmetic business model, which entails significant R&D investments – an approach typically associated with the development of prescription-based pharmaceuticals

There is a strong link between health and beauty. While many diseases have a negative impact on outward appearance, treatments can also produce negative side effects on the skin of patients. However, studies prove that patients who feel good in their skin are in a better position to fight disease and are more compliant with the treatment. Dr Mario Lacouture, director of the Onco-dermatology Program at the *Memorial Sloan Kettering Cancer Centre* in New York, was the first to point out that side effects and their impact on the well-being of patients must be considered to effectively combat cancer.

To better reflect our focus on patients' health and well-being alike, we have recently changed our company's motto to "Taking Care, Living Better". In line with this new vision, the two business divisions of the Group are becoming increasingly close to each other. This move is being nurtured by both patients' needs and market realities.

Medicalization stands at the core of our dermo-cosmetic business model, which entails significant R&D investments – an approach typically associated with the development of prescription-based pharmaceuticals. In oncology, the physician used to be the key stakeholder to consider for prescription drugs, and pharmacies were only seen as one part of the distribution channel; nowadays, we have to consider the entire chain, given that oncology treatments are making their way into the retail market. For instance, in France, cancer drugs are increasingly being delivered by pharmacies instead of hospitals. As a result, we now have to talk about oncology with pharmacists and their staff so they are able to advise patients, something Pierre Fabre has been doing for decades in the dermo-cosmetics and OTC areas. Taking into considerations these aspects, our ambition moving forward is to continuously integrate our two main business divisions to take advantage of these synergies.

What would be your final message to our international audience?

More than a French or even European company, Pierre Fabre is truly an international company and will become even more so in the future. We aim to reach EUR three (USD 3.36) billion in revenues by 2024 with 70 percent of the total generated outside France, compared to 63 percent today. By this time, Pierre Fabre prescription drugs and dermo-cosmetics businesses should be of the same size and with the same international footprint.

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