

Carsten Hellmann - President & CEO, ALK



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Speaking after the recent completion of a three-year strategic transformation plan, ALK President and CEO Carsten Hellmann outlines the progress made by the Danish allergy giant under his stewardship, including deeper penetration of the US market, shifting from injections to tablets, and driving digitalisation and efficiency. Hellmann also outlines the key trends shaping the global allergy market today, what Denmark continues to offer as a base for ALK's operations, and the legacy he hopes to leave behind.

ALK recently completed its three-year strategic transformation to establish a broader presence in the allergy market and stimulate a new period of sustained growth. What has and has not been accomplished over this period and what comes next for ALK?

To put our work in context, 500 million people globally have respiratory allergies, of which 10 percent (50 million) should be receiving immunotherapy, but only one percent currently are. ALK is by far the largest company within this space, with a global market share of around 40 percent, but this is only 40 percent of the one percent of people currently receiving allergy immunotherapy.

Therefore, there is a huge unmet need for people living with allergies that we are trying to address. Historically, allergy has either been treated with symptomatics – on which EUR 40 billion is spent out-of-pocket every year – or immunotherapies given via injection. These medicines tended to require weekly visits to a doctor who would blend a mix of allergens and administer a shot.

ALK has moved beyond this paradigm by investing in the development of a complete portfolio of sublingual immunotherapy tablets which can be taken orally. This product is much more straightforward than injections for patients to take and one for which the globalisation possibilities are much greater. Our tablets have gone through extensive clinical trials and are now fully registered and approved by the US FDA, EMA in Europe, and the Japanese PMDA. We expect to receive approvals in China and elsewhere shortly. Additionally, these are green products with the allergens extracted from plants before being standardised and manufactured.

Instead of looking to make one more product, our focus has been on understanding the life of an allergic person, what their biggest problems are, and how we can help them. After conducting an anthropological study to better understand these issues, we realised that many allergy sufferers struggle for six to seven years managing their allergy alone and even if they do visit a doctor, help might not be forthcoming.

Our strategy has therefore been, firstly, to clean up our portfolio and remove a substantial amount of products not registered or clinically proven. This took out almost 10 percent of our turnover immediately. Since then, we have built our strategy around four pillars to turn this potential to our advantage.

The first pillar is to enter the US market and, over time, capture it. There are 27 million people in the US who should be receiving allergy immunotherapy but currently are not due to a reluctance to go to the doctor to get a shot. On all our pillars we are growing quickly and performing well, but I have been a little disappointed by our ability to penetrate the US market, where allergists can make a lot of money from blending their own shots and do not have the financial incentives to switch to tablets. To counter this, we have invested in a fully digital healthcare provider, where people with allergies are funnelled in and can get online consultations, home test kits and so forth.

Secondly, we needed to complete our tablet portfolio and get it fully approved everywhere, including for children, as it already has been in countries like Japan where 80 percent of our new patients are under 18 years old, and 40 percent are under eight. Allergic parents tend to have allergic children, whose probability of getting asthma – which can be a huge burden on families – is very high. By giving children immunotherapy with a clinically documented product early on, the chances of them developing asthma can be significantly reduced. Additionally, getting children to take tablets is much more straightforward than trying to convince them to sit still for a second injection.

Thirdly, we needed to go digital. The 500 million people globally struggling with respiratory allergies need to be made aware of whether they are one of the 50 million that should have immunotherapy and put in touch with a doctor that can give them the right help. For this purpose, we developed a complete ecosystem called Klarify. This is not only an app with allergy information; it has data about pollen in the air, the weather, and the wind direction, but also utilises AI algorithms that can predict how the patient will feel in the coming days. Moreover, Klarify holds over 70 clinical articles, allows patients to find a doctor to get a test. There is a lot that can be done to engage with people with allergies and help them gain a better quality of life.

The fourth pillar was becoming more efficient. This involved taking out a lot of things that did not help us in our daily business.

Performance has been good, and we are forecasting year-on-year growth of over ten percent for the next ten years with a good level of profitability. Looking to the future, over half of our visits are now to ear, nose, and throat doctors, meaning that we are entering other segments, and we are also investing a lot in trials for children to build a stronger footprint in paediatrics. Additionally, we have sought to accelerate our development programs and are now investing a lot in food allergies.

What does innovation look like to ALK today? Is your R&D more focused on incremental innovations like moving from blended shots to tablets or does it go beyond that?

We must continue to invest in finalising the registration and clinical trials for the tablets. These products are our future and the only products which can be globalised. However, we are not giving up on our old portfolio. Moreover, it is easy for stakeholders to understand why a sublingual tablet is a better platform than a weekly injection in a doctor's office, so we are continuing to invest there, and seeing how we can use the platform to enter other allergy areas. ALK has 100 years of history and a lot of knowledge about allergies and the immune system.

The first new area is food, which is huge; 2.5 percent of the global population has food allergies, and they put a great burden on families. Parents of children with peanut allergies, for example, are placed under great stress and need to be constantly vigilant. On top of that, for patients in anaphylactic shock, we have launched a rescue pen, for which volumes have doubled in Europe and a deal has been struck in China with Grandpharma, the country's biggest adrenaline company with a market share of over 50 percent. ALK will be launching the first and only rescue pen on the Chinese market and we also plan to launch in the US. There is a lot in the pipeline to be launched after 2025, even though we are predicting rapid short-term growth.

ALK is perhaps unusual among its peers in that a full 73 percent of its revenues come from Europe today. Does this reliance on what tend to be more mature markets in Europe restrict the firm's opportunities for growth?

Even though Europe makes up over 70 percent of our revenues, this is still 70 percent of the one percent of the 40 percent of allergy sufferers which are eligible for *and* receiving allergy immunotherapy. Therefore, there is still a lot of growth potential in Europe, especially since many patients want to switch from injections to tablets and doctors want to move to a documented and clinically approved product.

Markets like China are relatively small for ALK today, but the potential there is also great. We have also been investing very heavily in the US for years and – while the growth there is not yet at the level we hoped for five years ago – it will come. Our aim is not to take patients away from their allergists, but to serve new patients coming in. There are also a lot of new doctors we interact with – in ear, nose, and throat and in paediatrics – which are open to using tablets to treat their patients.

28 years ago, when I was working at Novo Nordisk, that company was the same size as ALK is now. The path ahead of us is laid out, we just have to go for it.

Has COVID-19 helped increase the level of stakeholder understanding around the burden of allergies and are you seeing a greater receptiveness to ALK's value proposition?

There is a significant level of understanding and an upward trend. For example, in 80 percent of the German regions, new patients are only allowed to take clinically documented products. Naturally, however, governments always want to save money, so there is a balance to be struck.

In terms of COVID's impact, we have seen a greater interest in home-based treatments which remove the need for patients to repeatedly attend their doctor's offices. This makes sense during a pandemic when healthcare systems are under pressure. At the same time, this can be combined with fully digital healthcare provider systems, leading to a much more efficient system.

We have priced our immunotherapies relatively cheaply at around USD 1,000 per year. If we can prevent just one child from developing asthma – 50 percent of allergic children develop asthma –

the savings are huge. We have a very positive dialogue, which often originates with doctors who then, within their own systems, advocate for greater focus on certain treatment patterns.

Allergy treatment seems to be increasingly moving from doctors' surgeries to patients' homes and becoming a consumer-driven B2C business. What is ALK's stance on shaping and adapting to this new paradigm?

There are, of course, legal aspects to consider as we produce prescription medicines. This means that in many countries we are not allowed to brand our company or product names.

What we *are* doing with the Klarify digital universe is engaging with people, getting content from them, and having a dialogue about allergies. While we are not able to promote our products or brand, if, for example, a patient downloads the Klarify app, reads about tree allergies, and realises that they are very sick, we might ask whether they know that there is a clinically proven and documented product that can help? Another patient might read that 87 percent of patients who take immunotherapies for dust-mite allergies now sleep perfectly at night, which is the main side effect of the allergy.

This leads to a dialogue and the patient is often able to find a doctor via the app. We are looking to change the paradigm from patients buying antihistamines and simply surviving one month of the year to putting them in focus and giving them choices that lead to a better quality of life.

Despite its modest market size, ALK's home country of Denmark punches well above its weight internationally on several life sciences metrics. How would you characterise Denmark's significance to the global group today?

The Danish life science industry has soared in the last ten to 15 years and exports now stands at over EUR 20 billion with projections to grow to EUR 30-40 billion in the next eight to ten years. The four or five larger national companies that exist here are backed up by an enormous ecosystem of academia, spinout biotechs, as well as service providers like CROs and CMOs. For example, I was previously the CEO of Fisher Scientific – now Thermo Fisher Scientific – which was the biggest producer of life science consumables in the world and is now looking at super innovative fields such as growing cells in 3D.

People really want to come here because there are a lot of companies with big potential and others with proven technology. Denmark in general – apart from being cold in the winter – is consistently rated as one of the top five expat destinations globally and has fantastic levels of quality of life, safety, and transport. Additionally, in today's world, where young people are much more attuned to purpose, equality, and diversity, Denmark has a lot of selling points.

However, the government could help companies like ALK by easing its restrictive immigration policies. Even bringing a good biologist from Germany into Denmark takes a long time, within which they might take a job elsewhere because we were unable to secure the permits. There is still work to do, but excellent fundamentals are in place.

Culturally, Denmark and Scandinavia have a reputation for flat hierarchies and collaborative, discussion-based management cultures. As ALK expands globally, what adjustments have to be made to different cultural contexts?

It is not beneficial to think about culture in a nationalistic way. All countries have different cultures, but as a global company, we must be clear about our goals and principles. No one goes to work in the morning trying to do a bad job, but sometimes things are not working well, meaning that there is a need to identify the cause; whether the collaborative model is wrong, the management has issues, the strategy is not clear, or they are not resourced correctly. Once the problem is established, then we can figure out how to leverage what we have as a company to solve it.

Agility is very important to any company. To use an analogy, no football team would perform well with 11 attackers or 11 goalkeepers. The team needs to be agile and able to perform well against all opponents – our competition on the market. As the coach/CEO, I must make sure that I have the right people depending on the situation. Under COVID our ability to be agile came even more to the table. The companies that struggled the most were those which had very fixed and non-flexible cultures.

Success is also crucial. ALK needs to win, and this is the most attractive thing for people in a company. We want to be part of a good company with good people, take good care of the world around us as best as possible. This is attractive globally and is borne out by our numbers; we have more than tripled our market value from EUR 700-800 million to four billion.

What legacy would you like to leave from your time at ALK?

When I am 80 years old, I would like to be able to look back and say I played a part in building a big Danish company that conducted a lot of R&D and created many jobs. I was part of the Chr. Hansen story, which we turned around to become a great Danish company, and performed similar jobs at Meril and on the executive committee of Sanofi.

ALK is a 100-year-old company and I would like it to last for many more hundreds of years. Being a CEO through the bursting of the dotcom bubble, the 2008 financial crisis, many geopolitical problems, and now the COVID pandemic; I have learned that while crises come and go, the fundamentals remain the same. My objective is to make a sustainable, honest, and true company that serves a genuine purpose. If we can help people with allergies, then the company will flourish. To do that, we need to have the right products, the R&D, culture, and people.

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