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Europe is starting to realise that health - like energy, food, defence, and security - is a strategic priority that needs to be monitored and nurtured

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In a wide-ranging conversation, veteran general manager of Teva's Italian Cluster Hubert Puech d'Alissac explores the reasons for the company's growth in the region to become the generic market leader, post-COVID changes to the pharma industry, and the state of private-public relationships in Europe. Furthermore, d'Alissac touches on the responsibility of the private industry to secure the supply of medicines and signs off with his optimism for the future and desire to deliver on clients' needs.

What has changed at Teva Italy since your last conversation with PharmaBoardroom back in 2016?

The biggest change for Teva worldwide in the last six years was the global acquisition of Actavis, which has led to a reorganisation and optimisation of all our activities. Actavis did not have a strong presence in Italy but did in Eastern Europe, the UK, and the Nordics, and had a large production network. Teva created a global network operations strategy, which enables the company to optimize overall competitiveness and better align production capacity with market and patient demand.

Secondly, Teva leveraged its debt in order to acquire Actavis, and is now reimbursing this debt with the aim of recovering the financial stability to continue to grow the company, as any company after

an acquisition. We were in a challenging situation but have been doing an extremely good job, with a management that is highly disciplined in showing that the company is able to achieve a strong financial ratio and reimburse its debts in due time. In all of our reports to the market today, we remain on target.

Nowadays, Teva is by far the generic market leader in Italy and has been able to grow its retail market share from 22 percent five years ago to 24.2 percent today. In the Italian retail market, we are the third biggest company by volume and, to give you an idea of this size, we sell 200 packets of our product every minute.

What has been driving this growth and what are the operational implications of Teva's market leader positioning?

Teva in Italy has a portfolio of more than 300 molecules and covers 96 percent of the off-patent market. This huge coverage is being supplemented by an increasing focus on our clients over the past five years, moving from product management to client management.

We have different types of clients: wholesalers, pharmacies, hospitals, prescribers, and the institutional world. It is very important for us to be able to understand the needs of various clients, know them better, and work with them more collaboratively. With the sheer volume of products that Teva sells, the relationship extends beyond a simple vendor-buyer paradigm, creating better comprehension in order to improve treatment outcomes for many patients we serve, while making lots of savings for the community.

Data management has been crucial in this shift, better aligning the various stakeholders, but we are still at the beginning of a digital transformation journey.

Has this commercial leadership resulted in greater adherence to the Teva brand and a broader recognition of its quality?

Teva is now well recognised as the generic market leader, in the top three of the entire retail market, and the leader in terms of treatments per patient at the hospital level. Surveys have shown that over the past three or four years, retail and hospital pharmacists see Teva as one of the companies that provides the highest quality products and services in the industry. This can be attributed to the quality of our products and services as well as that of our people and their

interactions with pharmacists.

Hospital pharmacists also hold Teva in high esteem and have placed us as one of the top two companies for best partners to work with. For pharmacists, the priority is high quality treatment for patients, and the majority of patients are treated with off-patent medicines. While new innovative products in rare diseases or specific niches are fantastic for the patients that they treat, we should not forget the well-known treatments that treat millions and for which pharmacies need to secure sufficient stock of high quality and well-priced products.

Generics firms often take on the responsibility to supply the market or apply for tenders that are a loss-making exercise for the business. What has Teva Italy's approach to these tensions been?

We take this social responsibility very seriously and would never discontinue a product if it was the only one on the market. However, in the tender-based hospital market we have decided to discontinue certain lines due to the market arrival of competitors, usually from outside Europe, with extremely aggressive pricing strategies. Nevertheless, Teva has been able to return in several treatments when some of these new entrants were not able to supply their low-priced products as promised. When Italian hospitals find themselves in such a situation, the first company they call is Teva.

A common industry complaint around European hospital tenders is that they often only take pricing into consideration rather than long-standing relationships or supply capabilities. What is your take?

For public hospitals, tenders are the best way to acquire products. However, we feel that while pricing is important, it should not be the only criteria in these tenders. COVID has led to greater stakeholder recognition that undue pressure on pricing leads to products being sourced from outside Europe. As we witnessed in the last two years in times of crisis, these countries will keep products, prioritising their own populations and sell the surplus to others. Europe is starting to realise that health – like energy, food, defence, and security – is a strategic priority that needs to be monitored and nurtured. Health cannot be subcontracted out to others that in times of crisis may have different priorities. During COVID, after a crazy couple of weeks, Europe unified on this point and once again realised the importance of working together.

European manufacturing is a key part of this equation, and Italy, the bloc's leader in pharma manufacturing and exports stands as an example of what is possible. Given that Teva has five facilities in the country as well as collaborations with local manufacturers, what would you say are the advantages of manufacturing in Italy?

Italy is Europe's leading producer of medicines, which is due to its network of middle-sized and family-owned companies specialised in two or three focus areas as well as the multinationals with footprints here. There is a lot of manufacturing capability, capacity, and talent in Italy. This extends from both pharma products to active pharmaceutical ingredients (APIs); for example, Italy is Teva's second-biggest producer of APIs after Israel. Italian manufacturing is also closely tied to global markets; more than 95 percent of our Italian production is exported to both Teva as well as third parties.

Teva has a strong domestic manufacturing footprint in Europe, in both finished products and APIs. We have 26 production facilities and eight regional distribution centres in Europe. Its manufacturing facilities in Europe produce 93 percent of its finished products sold on the continent.

We at Teva believe that it is time for Europe to move away from the healthcare system's unsustainable preference for the lowest cost generic option, which does not account for companies' investments to both secure supply and comply with Europe's key transformative priorities.

In this regard, a Teva production plant is able to compete on price, but perhaps more importantly stands out for the quality, reliability, and transparency of its services and products. In Italy, the systems are well-controlled, transparent, and benefit from a high level of trust that perhaps some countries outside of Europe lack. Like in any country, problems can arise in the manufacturing process, but when these problems arise at Teva in Europe, our open and transparent culture ensures that they are immediately made known and addressed. Unfortunately, the same cannot be said of every region in the world.

The European Commission is putting together a Pharma Strategy for 2022, partly driven by the impact of the pandemic, with a key emphasis on access and control of the medicine value chain. What do you think European politicians should keep in mind when attempting to set strong framework conditions for a robust European pharma industry?

In one study conducted by Teva, patients were asked which criteria should be considered by health insurers when selecting pharmaceutical companies. The results highlight that 72 percent of patients believe that supply security should be the top priority. Although patients believe the pharmaceutical industry's biggest contribution is to provide effective treatments, 73 percent think it also has a crucial role to play in ensuring stability and reliability of medical supplies. The results demonstrate that the pandemic has triggered interest among patients on pharmaceutical manufacturing –seven in ten people now care about the origin of their medicines – and 76 percent of participants believe Europe is too dependent on other regions.

EU strategy should enable a framework which can encourage further investments in the pharma industry, especially in new technologies and R&D. For example, in France, there is a tax advantage for domestic R&D and production. Other European countries should adopt similar incentives. Teva believes three pillars are especially important for further development of our industry: support for a robust supply chain for medicines by addressing the economic and regulatory root causes which are pushing investments outside of Europe, secure European investment by maintaining an outward-looking and open trade system, and map Europe's pharmaceutical manufacturing capacity and capability and monitor investments.

Additionally, in terms of production we need to be much quicker and more proactive. As well as price, one of the advantages of producing outside of Europe is the time it takes to get authorisation for a factory and build it. While European stakeholders are cognisant of the importance of regional production, there remains a 'not in my backyard' mentality regarding factories. This means that the exercise of creating and approving processes of a new facility can take years rather than the months it might take in a country such as India.

Anyone should have the right to challenge the creation of new facilities, but the decision-making process should have clearer milestones to speed it up. As an industry, we take the responsibility to build facilities and run them professionally and with care. No organization wishes to damage the environment and there is far more scope to trust entrepreneurial ventures here in Europe.

How would you characterise the level and tone of dialogue between authorities and the private industry in Europe beyond broad top-down strategies?

Teva is active in Brussels, making its points of view known, but it is a long process. The intentions of all stakeholders are good, but aligning individual politicians, administrations, and countries towards common goals is not easy. Additionally, political leaders need to be able to drive initiatives

from A to Z without the constant roadblocks that they face today.

Pricing is always an issue. Health systems need to be financed and there are limits; however, the benefits that generics companies like Teva can bring should be better recognised. For example, in the Italian retail market alone, Teva is saving to the healthcare system nearly EUR one billion per year. This means that the healthcare system is able to reimburse innovative products which come at a high price due to the sophistication and cost of R&D today and the low patient number that these products serve. Patients who did not have any treatment available to them ten to 15 years ago now have treatments available, which shows that the system is working.

Finally, in terms of independence, we must ensure that the majority of products used in our continent are under European control. We need to understand that we are a big market and work more closely together. In addition to a tendering process less narrowly focused on price, perhaps, as in the US, a certain allocation of public spending should be reserved for products from European production, which can help maintain strategic independence. We should look at ring-fencing spending on European companies' products as a kind of insurance.

How have the requirements of the Italian government changed over the past few years, and how does this play into Teva's activities in the country?

Maintaining dialogue with the authorities is vital as they need to understand the pharma industry from various perspectives and learn what companies can or cannot do. The challenge at the moment is differentiating between the industry as partners and as vendors; For example, AIFA is the authority regulating our industry, but also the one buying from it. A separation of these two roles may be a good idea moving forward.

While the system is functioning well and patients are getting access to products, things can be improved such as the time required to put a product on the market. An element that should be adopted in Europe from the US is for companies to be able to proactively discuss the expected outcome of a product with the FDA during the early development stage. In Europe, both the EMA and national agencies can be more proactive and open to such discussions. This will help in many aspects, including R&D, the development of a pharma industry in Europe.

Looking towards the future what are your priorities for Teva Italy?

On a personal level I am, and always have been, an optimist. Even during crises, I have always worked with an eye towards tomorrow and what we need to continue to develop in regard to product, team, organisation, and people.

As a high investment company, we must continue to strive for top-line growth, ensuring that our shareholders remain happy. Thankfully, Teva was able to grow its retail market share by two percent in the last years, even during the pandemic, making us one of the few companies to do so. We have also had strong growth in the hospital business.

In specialty pharma, we are particularly excited about our migraine product, which was launched 18 months ago. Severe migraines are extremely debilitating, often preventing patients from working or even leaving their own homes for eight to ten days a month or even more. Where once the 25,000 severe migraine patients in Italy were alone, with no treatment options available, our medicine provides potentially life-changing hope. We have already received extremely positive patient feedback, which adds to the pride we take in our daily work.

Looking to the future, we will continue to work on being closer to our client's needs. This means adapting our way of working to each individual client and segmenting our clients according to their needs, knowledge, and loyalties.

What is the most important leadership lesson you have gleaned over the years?

Working with teams, listening to them, and making things happen is crucial. I have found that solutions generally come not from top-down dictates, but from teams themselves where the objectives are well communicated and well understood. If management is able to put in place the right systems and processes, teams will come up with the right solutions.

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