

Interview: Georg Schroeckenfuchs â?? Country President, Novartis Italy



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Novartis Italyâ??s Georg Schroeckenfuchs discusses the impact of the companyâ??s global restructuring on the Italian affiliate, the significance of local manufacturing, new products, and how the Novartis has managed to become a market leader in Italy.

A lot has been happening with Novartis globally lately: with big changes to the product portfolio and plans underway to leverage cross-divisional synergies while generating efficiency gains of 1 billion USD per annum. How are these developments affecting the Italian business and trickling down to the local level?

Novartisâ?? global management board has been keen to create more priority and focus within our business area and the portfolio transformation that started last year with the divestment of some assets and acquisition of others is emblematic of the new approach that is being rolled-out. I agree wholeheartedly with adopting such a strategy and that it makes a lot of sense to be concentrating our efforts on the three core areas of pharmaceuticals, Sandoz generics and Alcon healthcare. That way we can play to our strengths and maintain our market leadership.

At the same time, it was very important to the company to identify strong solutions for smaller divisions like the OTC, animal health and vaccines parts of the business, all of which required completely different pathways over the long run. The idea was not merely to spin them off and sell them on, but also to find the best possible homes for them where they could perform at their best and ultimately attain number one status.

This was especially true in the case of the vaccines division where we possessed an important research center here in Italy in Siena. We were keen to guarantee the long-term future of that asset which is not only renowned for its excellence, but also for being a key contributor to the local economy. Transferring that division to GSK was therefore a very responsible move given that

company's dominance in that niche. Likewise divesting the animal health division to Eli Lilly was also a logical step given their own prowess in that particular field.

Meanwhile, Novartis's acquisition of GSK's oncology portfolio will go a long way towards further enriching our pipeline. At the local level, this translates into a much clear prioritization of our activities. Oncology is an area in which Novartis has always played a leading role, contributing decisively to the birth of target therapies, and now it is one of the most promising frontiers of medical and scientific research: our laboratories are actively engaged in developing highly innovative solutions, based on *precision oncology* and *immuno-oncology*.

Novartis Group already ranks number one in the Italian marketplace, but these steps should enable us to flourish. I am confident that these recent developments will allow us to maintain and even extend our number one positioning locally.

How easy has it been to roll out these new changes at the local level?

Change management is always challenging. It's important to strike the right balance between enacting internal reorganization and maintaining external focus. In Italy, we've been progressing well in streamlining our organizational structures so as to enhance performance, instill efficiency and become more responsive to the needs of patients.

What are the standout elements of the product portfolio in Italy? Where do you perceive the main growth drivers?

In the cardio-metabolic therapeutic area we have a standout product in Entresto, which has attained great success in treating chronic heart failure. Interestingly our worldwide production of this particular product is carried out here in Italy and demonstrates our local competitiveness in manufacturing vis-à-vis other Novartis manufacturing sites worldwide. Then for the respiratory segment, a new product called Ultibro for treatment of obstructive pulmonary disease has been performing well in trials. For the neuroscience field, we've also been bringing fresh solutions to market such as a new drug for migraines. All in all then, Novartis enjoys a very strong product pipeline.

We've also just entered into pricing negotiations with AIFA for another wonder drug called Cosentyx that may well herald a real breakthrough in the treatment of psoriasis. This new class of product has performed exceptionally well in trials with 8 out of 10 patients reporting clear skin. For the EMA registration it was thus awarded first line therapy status meaning fast-tracked approval and right now we are negotiating the authorization from the Italian reimbursement system. What makes this a real breakthrough is the product is also registering great results as treatment for systemic pathologies like active ankylosing spondylitis and active psoriatic arthritis which are more readily associated with the rheumatology pathway. We are confident that Cosentyx could become a real game changer in enabling patients to resume normal lifestyles and in enhancing quality of life.

Just how strategically important, then, are the Italian operations relative to what the company is achieving elsewhere?

Worldwide we rank number 5 for revenue generation, after the United States, Japan Germany and France. That makes Italy the third most important market for Novartis in Europe. One of our standout features is, of course, our local manufacturing presence. Also, because Novartis has been in the Italian market for over a century, we actually feel ourselves to be a local as well as a multinational company.

Tell us about your local manufacturing capabilities.

Our Torre Annunziata production facility near Napoli is one of our proudest achievements at the local level and demonstrates Novartis's contribution to the overall Italian economy. Southern Italy has been experiencing a difficult economic climate and Torre Annunziata ranks as one of the largest factories in the region creating jobs for over 450 and as many as 560 workers in high season. It also plays a key role in Italy's flourishing pharmaceutical export trade.

The fact that Torre Annunziata was ultimately selected by our global management board to be the epicenter of production for one of Novartis's flagship products, Entresto, is also testament to the very high levels of quality we maintain on the ground. Entresto is proven to reduce the rate of mortality from heart failure by 20 percent on top of standard of care and our target is to be producing 35 million packs locally over a period of 5 years.

How has Novartis managed to become the market leader in Italy? What are the secrets to this success?

We are in the enviable situation of enjoying a very strong product pipeline for almost all of the therapeutic areas where we are active. All of our recent products have excellent data to back them up so they're not just any kind of "me too" products. This works especially well in Italy where the authorities take such information very seriously. To secure AIFA approval your products have to pass the scrutiny of both a scientific committee and a pricing committee. This means the quality of the data and studies are really taken into consideration.

I also feel that the authorities view us as a genuine partner. Alongside our solid portfolio for base care, we are offering high quality generics through Sandoz and leadership on biosimilars as well. This allows us to contribute proactively to the establishment of an overall more sustainable healthcare system. The generics and biosimilars that we provide can go towards freeing up resources that can then be reinvested in real innovation. The current Renzi administration, which is adopting a more enlightened approach to public health policy, understands this.

In Italy, Novartis has been actively working with stakeholders to pioneer more sustainable models of healthcare. One example is our collaboration with Bocconi University over the past 5 years in developing a dedicated program on public health management in which stakeholders from industry and academia collaborate on studies to address specific issues such as identifying intelligent pathways to render hospital spending more efficient. We are keen to pull our weight in this arena because we believe that the issue of healthcare sustainability is a shared problem and that the responsibility and onus is on the industry itself to join forces with the authorities in identifying common solutions.

No doubt, the recent launch of your BioUpper program falls within the same paradigm?

Absolutely. When we met with the Ministry and PM Renzi himself, we discussed the importance of keeping scientific expertise and entrepreneurial spirit in the country and about fostering a culture of innovation in which smart ideas are rewarded. BioUpper is essentially the first Italian training and acceleration platform providing financial support for new entrepreneurial ideas in the field of life science. It's a project funded by Novartis in collaboration with Fondazione Cariplo and aims to actively participate in the economic development of the country by helping life sciences entrepreneurs translate innovation excellence into viable operating models to the point where angel investors can take over.

Where do you intend to take Novartis within the next five to six years?

My goal is to unleash the full potential of our in-country personnel to ensure that our innovations achieve market access for our patients and to externally become the most reputable partner for key

stakeholders across the Italian healthcare system.

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