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What other mid-sized multinational pharmaceutical companies present in over 80 countries still generate nearly 10 percent of their turnover in their home market?

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As the largest privately owned pharmaceutical company in Switzerland, IBSA remains committed to continuing to invest and manufacture in Switzerland. Head of Swiss Business Operations MaleÅ¡a Ulrico Sidjanski, MSc ETH, discusses the companyâ??s current priorities, values, and upcoming investments.

MaleÅ¡a, you have been with IBSA for over twenty years. How does the vision for IBSA today compare to the vision the company had when you joined?

When I joined IBSA back in the early 1990s, we started with a revenue of around CHF 5 million (USD 5 million) in Switzerland, and only a few million more coming from other markets, as the companyâ??s internationalization efforts were still at a very early stage.

Over the last two decades, IBSAâ??s international sales have grown tremendously, with our global annual turnover having reached the CHF 500 million (USD 500 million) mark in recent years. That being said, the Swiss market is still important for our company; this last year IBSA generated revenues of CHF 55 million (USD 55 million) in Switzerland, putting the company at 20th place in the Swiss pharmaceutical sales ranking. What other mid-sized multinational pharmaceutical companies present in over 80 countries still generate nearly 10 percent of their turnover in their home market? Moreover, as this is our home market, the Swiss organization continues to lead the

global group in terms of pioneering new strategies and marketing campaigns, which are then rolled out to our colleagues in other markets.

Today, as IBSA enters into its fourth decade under the leadership of our current President & CEO, the new frontiers for the company are the US and China. After years of working in the US via distributors, we recently took the step of renting our own office space and building up a team on the ground to handle the US market, and over the next few years establishing a robust IBSA USA organization will be a key priority for the company. Similarly, although we have had a presence in China with a raw material collection facility and our own distribution network, going forward we will be building up a more robust organization and focusing on driving sales growth in the immense Chinese market.

Given IBSAâ??s continued strength in the Swiss market, what are the companyâ??s key priorities in its home market?

A year and a half ago, IBSA joined four other SMEs in the pharma industry that still actively manufacture in Switzerland to set up an independent interest group called Swiss Pharma KMU. This step was needed as we felt the other pharma associations, the most relevant being Interpharma and VIPS, did not represent entirely the interests of Swiss owned companies producing in Switzerland and working with products based on mature molecules.

This is primarily because most pharma companies which belong to Interpharma or VIPS have significant manufacturing operations outside Switzerland, and the largest of course have sophisticated supply chain organizations. As such they have been able to move production of different products around to other manufacturing facilities in response to changing demand and external circumstances, such as the dramatic increase in the value of the Swiss Franc versus the Euro â?? which has led the cost of production to be 30 to 40 percent higher than in the EU. IBSA cannot do this to a significant extent as we very much continue to have our roots in Ticino, Switzerland, although having been forced by the above mentioned circumstances we have developed some manufacturing capacity in Italy over the last decade.

Thus, by joining these four other Swiss pharma companies whom are also manufacturing significantly or exclusively in Switzerland, we are aiming to ensure that we are able to receive reasonable prices for our products here in our home market. First, we are advocating for a price freeze on pharmaceutical products for lower-priced products; as our products are based on established molecules which have been known for decades, many have prices around CHF 20-40 per pack, even if they have important added values. What we are trying to communicate to politicians and the health insurance funds is that they can achieve far greater savings by focusing on controlling the prices of high priced products â?? those which cost thousands or tens of thousands of Swiss Francs per patient â?? and highlight that as products like IBSAâ??s have been under downward pricing pressure for many years and thus have already made a significant contribution to reducing pharma spending.

How sustainable is it for the IBSA organization to remain heavily concentrated here in Ticino, Switzerland?

Not only is it sustainable, but our continued existence here in Ticino is a key contributing factor to our companyâ??s success. It is also very important in terms of our companyâ??s core values.

Purely in terms of competitiveness and commercial success, the â??made in Switzerlandâ?• brand is quite important to our communications strategy. Given our heritage and positioning in the market with â??supergenericsâ??, our success is very much based on our products as being known to be better in terms of pharmaceutical form, rout of administration, ease of use, side effect profile, and in other aspects than the original product and its generic versions. Given Switzerlandâ??s well-earned reputation for high quality pharmaceutical manufacturing, making our products in Switzerland makes it very easy to communicate the quality aspect. Operationally, it is also much easier to maintain that quality when working in a Swiss business environment with highly trained Swiss (and Italian) professionals, than it would be to achieve the same standards in many lower cost countries. Having our R&D and manufacturing activities all centralized in Ticino and nearby Italy makes it very easy for our management to visit and monitor quality aspects of all the sites continuously, and for the sites to support one another when needed.

This is why IBSA remains committed to keeping our development, production and distribution activities concentrated â??under one roofâ?• in Ticino and the nearby areas of Italy along the border, known as Insubria, so that we can ensure that we are able to deliver overall quality â??from the grape to the bottleâ?• so to speak. Moreover, in terms of values, IBSA is defined by four Câ??s; Courage, Coherency, Continuity, and taking Chances. As the largest privately owned pharmaceutical company in Switzerland, the company remains very committed to the community and families which exist around the company here in Ticino, and thus in terms of Coherency and Continuity we will continue to invest in our organization in Ticino in the future. This commitment runs so deep that our CEO and President has made the commitment to never fire anyone due to external reasons â?? even during the period following the 2008 financial crisis we never let anyone go.

Given this ongoing commitment to continuing to manufacture and invest in Switzerland, what investments is IBSA planning to make in Ticino going forward?

At present, we hold all of the necessary planning approvals to begin construction of a new facility next to our headquarters in Pian Scairolo, and will begin construction as soon as the tenants in the existing structure vacate the premises. We are calling this new project â??Core Pharmaâ?• and will be investing CHF 50 million (USD 50 million) to construct a new manufacturing facility for a monodose liquid form of our Tirosint (levothyroxine sodium), to be called Tirosint Sol. Tirosint Liquicaps are manufactured in nearby Manno, at a facility we constructed ten years ago with an investment of CHF 30 million (USD 30 million), which is Swissmedic, FDA and EMA approved; we actually just received the FDA approval for Tirosint Sol in mid-December 2016.

Taking your newly FDA approved Tirosint Sol as an example, what are the innovative benefits this product offers patients?

Tirosint Sol is a fantastic example of a typical IBSA product and the type of innovation that we aim to bring to patients, namely that we have optimized the delivery form of the medicine to serve a niche group of patients who have specific needs. In the case of Tirosint Sol, which is

the first oral-liquid monodose form of levothyroxine sodium to be developed, this product aims to serve two different patient niches for whom it is difficult to swallow a traditional pill: the elderly, and children. While we have not yet registered all of the doses available for Tirosint Liquicaps also for Tirosint Sol, we already have the most important ones for covering both of these patient groups.

Beyond the advantages of being an oral-liquid compared to an oral-solid, our clinical trials have demonstrated another advantage which is that Tirosint-Sol isnâ??t affected by being taken with food and coffee to the same extent as other forms of levothyroxine, which must be taken at least half an hour before breakfast or at least two hours after dinner. Being able to take Tirosint Sol with or without food or coffee will also make it easier for patients to properly comply with the therapy. Furthermore, we have some early but non-conclusive evidence which is showing that Tirosint Sol may still be effective when taken alongside proton pump inhibitors, and thus is not particularly influenced by the PH of the stomach â?? we are currently performing clinical trials to investigate this hypothesis.

Considering the increasing R&D investments by large generics companies based in lower cost countries, do you feel incremental innovation can remain a competitive strategy for a Swiss company?

Incremental innovation is not new, and has been the model of all midsized innovative companies for many years, as they have lacked the capital needed to develop new molecules. At the global level, yes some of the larger generics companies are investing more in R&D than in the past, but their competitive strategy continues to be driven mainly by speed to market, lean production and just in time delivery to keep low their prices as much as possible. IBSAâ??s strategy is instead defined by quality, brand equity, and delivering products that deliver significant added value to patients over the reference product.

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