


Interview with Thierry Teil, Managing Director, UCB Russia

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mentioned that you assumed this position in 2009, to help UCB Russia recover from a flat spin in the wake of the financial crisis. What areas did you specifically target for improvement, and how did you turn this affiliate around?



The most significant issue that we faced was related to distribution. We had large overdues and with the credit limits in place we could not re-import new products; so we found ourselves in a situation wherein we were almost blocked. Our first task was to return our distribution system back to operational form.

We of course also had to put everything back in motion—particularly on the medical, marketing, and sales fronts. The sales component was probably the one that had been the most stable throughout this challenging period. It is thanks to our strong sales team that we have been able to recover quickly.

You have strong ambitions on the sales front. At the announcement of your recent Memorandum of Understanding with local manufacturer Binnopharm, you were quoted as saying that you would like to triple sales to 150Mn EUR by 2020. You noted that local production with Binnopharm would be an initial step in this direction. Can you describe the strategic importance of your cooperation with this company, and how it fits into your overall growth strategy?

As you know, the Russian Federation has named the localization of the pharmaceutical industry a key objective of pharma 2020. I strongly believe that the authorities will indeed succeed, and they will secure strategic agreements that will lead to broader local production.

As one can see, many companies, especially those that have been quite successful in Russia, are building new plants and are investing. I think this is a direction that nobody can ignore today. And neither can UCB! We have a large part of our Russian business, 75-80%, coming from a mature portfolio that has a lot of value in this country. This is the first part of our local manufacturing strategy: to localize those mature products.

Localization of production also fits in very well with the overall UCB global strategy, which is to refocus on our new products, and gradually steer away from the mature portfolio. We have found that Binnopharm, as a manufacturing partner, is the best choice, because they are investing in a future that is in line with ours: they are also investing in biotech. On the base of an initial partnership for the mature portfolio, we will see how we can together tackle localization of the new products. One

thing that is for sure is that our partnership will evolve.

Binnopharm has built a brand new GMP compliant plant that was constructed by a German company; their operations conform to the highest standards. Their plant is not yet at full capacity, but I believe that they will ramp up production and secure further partnerships. They are professionals, hosted by a very important group in Russia—Sistema. Sistema's executives are also capitalizing on the national trend toward production. Having a partner of this kind is very important for us.

Hence, our strategy is addressing both the Russian trend toward local manufacturing and UCB's global strategy toward increasing our focus on new products. The odds and the stars are aligned for us to do well together and UCB in Russia is executing upon this concurrence.

UCB is betting that biotech is the future of medicine—not only in Russia, but globally. However, is very well known that there is an extremely complex technical chain involved in biopharmaceutical treatment programs. Do you see that Russian healthcare has the advanced foundation needed to support biopharmaceutical therapies?

We can look at a program like the Seven Nosologies (7N). 7N is one of the vehicles that Russia has put in place to address the biotech segment. This program is not specifically designed to support biopharmaceutical treatment options, but it is looking at diseases that are expensive to treat and most of the treatment options for these illnesses are indeed biopharmaceutical. By and large, the 7N enables access to biotech products for Russian patients.

Russia has actually been acknowledged, among the BRIC, as the biotech star. This is cited in a Data Monitor report. This is mostly due to the 7N program. Aside from the Seven Nosologies, there are some other government-funded programs—in diabetes, for example—that have also secured better access to expensive treatments for Russian patients. So the vehicles exist!

Let's look at the upstream component of Russian biotech. At the time of the Binopharm announcement, UCB's global CEO, Roch Doliveux, said that beyond production, it is the company's strategy to partner in Russian research. Of course, this is line with Pharma 2020's ultimate goals. How do you plan to collaborate with local stakeholders in this regard?

I must first of all be clear—this is not a place where we are collaborating in Russia yet. However, this is a dimension that is quite important for us. UCB is known worldwide for its partnerships. For example, recently UCB signed a research partnership Harvard that is worth approximately \$6MN per year. We would be thrilled to identify working groups or universities—or a mix of academic institutions plus private start-up groups—with whom we can partner here in Russia, and build research programs. This is certainly an area where we will be very diligent and alert over the next few years.

Prime Minister Putin recently said that he would like to increase Russia's share of the worldwide biotech segment from 0.2% to 5%. Is that realistic?

Does the country have a chance? Yes. But what all governments—not only the Russia government—must realize is that for most biopharmaceutical products, one facility is sufficient; sometimes two. These types of facilities fuel demand throughout the whole world. When discussing biopharmaceuticals, we are not talking about products that warrant mass production. We are talking about products that are somewhat restricted in use. (Aside from vaccines and insulin: because of the prevalence of diabetes and the broad use of insulin. Localization of insulin manufacturing is already happening in Russia, and will only grow.) Even though the products can be significant in terms of

revenue, we are not looking at a huge number of patients.

I will not comment on the needs of other companies, but at UCB, we are actually in the process of building a biotech plant in Switzerland for our future products. Will this plant be enough to secure all of our commercial needs? Perhaps not. We may sub-contract, or expand the plant, or build another one. We will see what the future brings. But certainly, we will not require a plant in every country.

What is the likelihood that an additional plant, if UCB needs it, would be built in Russia?

I cannot answer that question right now. Russia would be competing with other regions, including the U.S. and Western Europe.

Russia's push to develop its biotech production capacity is a great ambition. But it must go along with real market opportunities and with strengthened local ability to manufacture. I believe this can be developed.

Today, I believe that very few companies would consider building a large manufacturing plant for any biotech product here. After all, 60-70% of those products are consumed in the U.S. But as the biotech market in Russia continues to grow, the next-generation plants may come here.

Russia must also contribute to the research. Bioengineering, and biopharmaceuticals, have a long way to go. There is much to be discovered in spheres like scaling up bioreactors. If Russia plays a role in this respect—which I believe they have the capability to do—then production will naturally come here.

Improving the processes themselves, that is the intellectual power.

When you look at the Bay Area in San Francisco or Boston, there is a wealth of collaboration between universities, venture capitalists, state National Institutes of Health (NIH) programs—and it leads to the creation of fantastic companies and enterprises. These areas have the social tissue and the educational tissue. It is fostering research in universities, fostering private spin-offs, and the creation of start-ups. All of this is the virtual circle that has been the success of America in that field.

Do you see the possibility in Russia for the replication of this chain?

I think Russia has a great chance to do so because they have the universities and this is the starting point. On the frame of the universities and the education system of Russia—which is a great educational system that will continue to improve—and on the frame of a large population that is still quite young, Russia can put this virtual circle in place. It is a matter of policy, legislation, and investment.

Investment can be government driven in the beginning. Look at the NIH today in the U.S.—more and more NIH grants favor collaboration between the industry and academia. Ten years ago, most grants were given to academic researchers. Now you have a better chance to get a grant when you have this kind of collaboration. This is a direction that Russia can facilitate too.

What about the brain drain? Will Russia be able to keep its researchers from heading west, as they have done in past years?

I believe that Russia is the next dream country in terms of entrepreneurship. It is a large domestic market with great resources and a well-educated population. It is a bit like the U.S. was in the previous century.

How so?

Russia has a large population, with extremes of both rich and poor. I hope and believe that the current government will succeed in further developing the middle class that is currently emerging in Russia. And this middle class will create the strong base of this nation. Life expectancy will increase, resources will increase, and entrepreneurship will increase. Few other countries will see such middle-class growth. And I believe that this is certainly one of the key success factors on Russia's path to becoming one of the richest and most prosperous countries in the world, over the next 30 to 40 years and beyond that.

Oil & gas and other natural resources will be able to fuel this growth for years to come. If Russia builds correctly on top of these resources, and if the wealth is shared properly among every strata of the population, the middle class will create Russia.

What about remaining hurdles like social prejudice? Russian epileptologists estimate that 92% of Russian patients with epilepsy do not receive proper treatment. This seems to be largely because it is an "unusual" disease with very "unusual," adverse behavioral affects. Will this change as the new Russia matures?

I hope, of course. This is the tough part of epilepsy, which has such a stigma. This stigma is dying hard. There are still some people that are frightened by epilepsy. We now understand that it is simply a matter of faulty electrical discharge within the brain. This can be treated and it can be managed.

So yes, hopefully, thanks to better education, we can combat social prejudice such as this.

What role is UCB playing in this kind of education?

We are very much involved! We are not only involved with the education of the physicians themselves, but also with patients. It is a bit of a chicken-and-egg story with epilepsy. Patients are reluctant to speak about epilepsy, because they do not want to be labeled and be subject to the prejudice of this stigma. It makes it very difficult for them.

But gradually, things are improving. UCB helped to organize the first patient-key opinion leader epileptic conference Russia has seen, in November of last year. This was the first time that epileptic patients came together with key opinion leaders in this country to speak about epilepsy in a more open way. There are not yet well-structured patient groups for epilepsy in Russia—we are trying to help in this regard.

A number of patients could be great and inspirational leaders to others. Patients that take their lives in their hands, have a high level of education, and have learned about the disease on their own. Education truly helps patients achieve better outcomes and it is an important social effort.

Of course, the best that we as a pharmaceutical company can offer is medication that will cure epilepsy altogether. We believe that this may actually be possible. We are developing future models of compounds. They are in the very initial stages of research, but we hope to see great results in the years to come.

Can you give us some insight into UCB's pipeline?

UCB's pipeline is actually one of the reasons I am extremely motivated by this company. It is a pipeline that is leveraging, at the same time, the expertise of small molecules, and the new platform of monoclonal antibody and protein-protein interaction. UCB is developing some very interesting models, to have the job of proteins done by small molecules. We are advancing, and we have a great platform from which to do it. We understand the intimacy of the relationship between receptors and their activators and inhibitors, as well as internal cell signaling, and the entire cascade of events

that are triggered by receptor-protein interactions.

We are investing in that field and we have been investing in that field for a long time. We have engineered our antibodies in a very different way, when compared to others. For example, we are launching Cymzia in Russia right now to follow its launch in the U.S. and other countries not long ago.

Also, we recently issued the results of a phase II study for an anti-Sclerostin last week. This product will bring hope for people suffering from osteoporosis. Today, treatments for osteoporosis mostly stop the mechanism of bone loss. If we are successful all the way to commercialization, our drug may be the first to actually rebuild healthy bones.

For this project, we are partnered with Amgen, one of the leading biotech companies in the world and Amgen is leveraging their expertise in osteoporosis and bone disease to bring tremendous value to the project.

Indeed, UCB, over the last several years, has become a pure-play high-tech biopharmaceutical company having changed its image from that of the traditional pharmaceutical company that it once was.. As a manager and face of UCB, how are you helping to convey this new image in Russia?

We need to be successful with our biotech products! That is our bottom line.

But truly, in terms of conveying our new image, I believe that we have been quite successful within the investors' world, as well as within the analysts' world. I think everybody understands UCB's portfolio and great promise for the future. Now, we need to be commercially successful in this sphere. If we are commercially successful with Cymzia and with our other upcoming products, we will have proven ourselves.

One of the things that we have heard throughout our interview process is that some international companies have been quite nervous about committing to this market. As a manager that has been here for one year and a half now, what is your advice to a manager heading an international affiliate in Russia for the first time?

First of all, I think Russia needs better managers than the ones we have seen over the past years. Russia is a difficult environment to do business in; managing business in Russia means managing a level of complexity that is very often higher than in large European countries. Unfortunately, because of the historic small size of the market here, managing that complexity was often left to inexperienced or junior people. You do not often put your more senior managers into small markets such as this. Some companies did invest in good leaders, and it made a difference.

Concurrently, because of the level of complexity and the opportunities for disappointment, there are many senior managers who do not want to tackle this market, and expose themselves during their career. So, Russia was tasked, traditionally, to young managers. Some of them succeeded very well, and some made grave errors.

Entrepreneurship pays in Russia. This brings us back to our discussion of Russia being the next hub for entrepreneurship. In my opinion, managers in Russia need to represent a balance between this entrepreneurship, and wisdom.

You can do business in an ethical and compliant way in Russia. That would be my best advice to anybody coming here. It may take a few more years, but what is one more year in the story of a company? And even in the story of one's career. The objective is building to last.

What is your final message on behalf of UCB Russia to the readers of Pharmaceutical Executive?

Come to Russia! I believe that there is real space in this market, and it will take all of us to shape it the right way. It will take all of our energies and it will take all of our investment to make Russia a successful market.

The next two to three years are the right time, for all those who have not made this investment yet, to consider it very seriously. Of course, the volume will come only later, but the outlook is terrific.

For that matter, companies do not have to come on their own right away. UCB would be very happy to work with people who want to establish themselves in Russia. Do not hesitate!

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