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Sandoz' Saynor Insists On Value Of 'Pure Play' Approach

CEO Also Discusses US Leadership Change And Importance Of Japan

by David Wallace

Sandoz is benefiting from its focus on a "pure play" generics and biosimilars model that is unique among its peers, CEO Richard Saynor tells *Generics Bulletin* in an exclusive interview.

Following annual results that demonstrated the firm's resilience in the face of unprecedented challenges from the coronavirus pandemic in 2020, Sandoz will pursue future growth by focusing on a "pure" generics and biosimilars model that is unique among its peer group of the off-patent industry's biggest companies, CEO Richard Saynor has told *Generics Bulletin* in an exclusive interview.

Reporting its annual results for 2020, Sandoz recently revealed that a turnover boost from its Biopharmaceuticals unit had offset a decline in retail generics, leading to a virtually flat sales total at the same time as the company significantly improved its core operating profit. (Also see "*Biosimilars Boost Offsets Generics Slide For Sandoz*" - Generics Bulletin, 27 Jan, 2021.)

Summarizing the company's experiences in 2020, Saynor – who was named Leader of the Year at the Global Generics & Biosimilars Awards 2020 (Also see "*Accord Takes A Trio Of Awards*" - Generics Bulletin, 3 Nov, 2020.) – described "a flat year in an incredible year, which to me says that it was actually a really strong performance."

"Clearly with COVID and everything else, all the disruption to supply, the uncertainty of demand, to be able to deliver a business that's flat on the top line, growing on the bottom line, and accelerating the biosimilars business, I was pretty happy."

The improvement in Sandoz' operating margin was due to multiple factors, Saynor explained.

There was "mix, as we moved into more differentiated or more complex products; efficiencies, as we have worked hard to take cost out of the business over the last 18 months to two years; and improved supply performance, because we have simplified our supply network [and] we are seeing improvement in our cost of goods sold. So it is really coming from a mixture of areas."

Also, he pointed out, there was "a natural saving within the business because of COVID," given reduced underlying costs in areas such as travel.

COVID-19 Effect Now Broadly Stabilized

Asked whether the effect of the coronavirus pandemic on Sandoz had now stabilized, Saynor replied: "I would say broadly. Obviously some markets are up and down at the moment as we go in and out of lockdowns, but I think that the second half [of 2020] has been relatively stable in terms of demand patterns and how we see that evolving. I think that trend will probably continue for the remainder of the first half of this year."

Meanwhile, Sandoz was also keenly aware of its responsibilities while the world was still grappling with the COVID-19 crisis. "Very early on in the pandemic, I think in February last year, we made a commitment that any products related to COVID we wouldn't increase price even if demand shot up and products became scarce, which is normally what happens," Saynor recalled. (Also see "*Sandoz Pledges Price Stability Amid Coronavirus*" - Generics Bulletin, 27 Feb, 2020.) "So I think that set the tone extremely quickly in terms of how we wanted to behave."

"And then on the back of that, through Novartis we have identified, with some of those products, that we would sell them into 80 markets globally, to some of the poorest nations, at cost."

These initiatives had produced positive results, Saynor said. "I think some of the pricing commitments early on, I don't think anybody else has done that. And that's something I think a lot of people have given us quite a lot of credit for."

"Normally the nature of this market is that when products go in short supply, then prices go up," he acknowledged, "so we've tried really hard to avoid it. It's sometimes impossible because products get sold through middlemen or distributors and then they take the rise, but our intent was clear and went out to all our country heads that this isn't about making money, this is about doing the right thing in the right way."

Aspen Japan Deal Gives Sandoz Scale In A Key Market

Turning to the benefits to Sandoz that had come from its acquisition of Aspen's business in Japan – which closed at the end of January 2020 (Also see "*Sandoz To Acquire Aspen's Japanese Operations* " - Generics Bulletin, 11 Nov, 2019.) – Saynor said the integration process "has gone really well," especially given that the transaction closed "just as COVID hit, and that caused some restrictions. The team in the old Aspen business has done a really good job integrating into

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Sandoz," he observed.

"And what it gives us is scale," he emphasized. "What is key to any generic market in this business is being a bigger player. Because then whatever products you bring to the market, you [have] the infrastructure and you can leverage the business far more effectively."

"It strengthens our position in the hospital segment, which is obviously going to be attractive as we bring other hospital-based products to the marketplace. And I've always thought the Japanese market is an attractive one. It clearly has its challenges, but it's highly predictable, relatively stable – even though clearly with consistent price decline – and it's still a very large market, it's the third largest generics market in the world, and very attractive."

This was especially beneficial to Sandoz given that "not many multinational corporations have really successfully got scale" in Japan, Saynor outlined.

"I think it's hard to acquire pure local companies in a reasonable timeframe," he observed. "So I think the Aspen business is a very good strategic fit, virtually no product overlap, and it gives us strength in a whole different set of channels as we build the business going forward." Japan was also a "very attractive biosimilars market," he noted.

Biosimilars Business Broadens Its Offering

More broadly, Sandoz' biosimilar business was in good health, contributing strongly to the firm's annual results and growing towards a management target of $5bn-$6bn in sales by 2030. (Also see "*Sandoz Aims For $6bn Biosimilar Business By 2030*" - Generics Bulletin, 27 Nov, 2020.)

"We're working on an insulin portfolio in the US that we would hope to bring in the next couple of years (Also see "*Sandoz Forms Insulin Biosimilars Deal With Gan & Lee*" - Generics Bulletin, 19 Dec, 2018.); denosumab has just gone into trials and we're looking forward to bringing that to the market (Also see "*Sandoz Denosumab Biosimilar Progressing Faster Than Anticipated*" - Generics Bulletin, 1 Dec, 2020.); and overall we've grown the portfolio from about eight assets to over 15, in terms of development partnerships or in-licensing over the next few years," Saynor summarized.

Asked about how the firm was balancing internal development of biosimilars with in-licensed or partnered projects, Saynor said "it's a bit case-by-case, but like anything you don't want all your eggs in one basket and all of your risk in one place. Clearly there are some assets that we can identify where a partner may be further ahead, or is in a better position, [which] means that then we can focus our resources on other assets."

"So we've really shifted the business to focus much more on a broader, deeper biologics portfolio, whilst at the same time still identifying the opportunities in small molecules or difficult-to-make drugs."

New North America Head Will Build Up US Business

This broad-portfolio approach includes the US market, where Sandoz had at one point been planning to divest its oral solids and dermatology units to Aurobindo, before the deal was called off last April. (Also see "*Sandoz And Aurobindo Cancel US Deal*" - Generics Bulletin, 2 Apr, 2020.)

At the start of 2021, Sandoz announced the appointment of a new North American leader, former Novartis M&A global head Keren Haruvi, replacing Carol Lynch who had previously led the global Biopharmaceuticals division for several years and who has now moved into the role of chief business officer for Sandoz. (Also see "*Haruvi Takes Charge Of Sandoz North America*" - Generics Bulletin, 14 Jan, 2021.)

"Carol is somebody who has led biosimilars, has had a whole different set of roles, and we've always worked extremely well together in terms of thinking about the overall strategy of Sandoz and how we can strengthen that," Saynor observed, "so I was delighted that I could move her back to Europe to work more closely with me to think about that."

"And Keren is somebody I've always had my eye on, given her phenomenal experience in terms of business development," he indicated. "She has spent a significant amount of time with Teva, so has a very good pure generic mindset in terms of the business, her ability to do deals and understand the marketplace."

"The challenge we have realistically in the short-to-medium term is strengthening our small-molecule pipeline," Saynor acknowledged, "and unfortunately you can't launch what you have not developed – so how we address that is ultimately going to be through partnership, business development and licensing, or M&A."

Given this, he said, "really I don't know anyone better than Keren, to have the privilege of someone with deep generic experience and deep business development experience, and to bring her into my leadership team was a really exciting opportunity." Haruvi, he said, would offer "a fresh pair of eyes in terms of how we build the US business back to scale."

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Asked whether there were any further divestment plans following the cancellation of the Aurobindo deal, Saynor was clear that Sandoz intended to focus on small-molecule generics as a key pillar of its business.

“Ultimately my view is – it comes back to what I said earlier – you need scale, and you need to be able to bring products across an entire portfolio.”

“We’re a generics company. And interestingly, of the three big generics companies, we are the only one that is effectively a pure-play generics business. Teva clearly is focused on more specialty pharma now to replace its Copaxone (glatiramer acetate) business; Mylan no longer exists, it’s now a hybrid generics/mature brands business. Whereas we are a pure generics company.” (Also see "*Viatris Plots ‘Significant’ Restructuring As Mylan-Upjohn Merger Completes*" - Generics Bulletin, 16 Nov, 2020.)

This purity of focus was possible in part due to Sandoz’ relationship with its parent company, he explained. “We’re owned by Novartis, there’s no need for us to become another innovator pharma company. Novartis is doing an extremely good job of that.”

“So it’s quite liberating in a way, because it means our job is being a really good generics company, which is unique at this scale globally. And that’s what we want to focus on, and that’s how we deliver growth and that’s how we benefit patients. And that’s where we’ll continue to focus.”

“So the strategy hasn’t changed, but it does present a really unique opportunity, I think, at the moment.”

Asked whether there was a happy coexistence of Sandoz’ broad portfolio of small-molecule generics, complex generics, injectables and biosimilars, Saynor reflected that “to me they’re all generics. There are some antics around the definitions, but the reality is that they are copies of an originator product, brought to market at a lower price point.”

“And in some markets they’re branded, in some markets they’re not – that’s more of a market dynamic – but the strategy is super clear. There is $350bn-$400bn worth of products coming off-patent in the next few years, that’s our pipeline.”

Mutual Benefits Seen From Sandoz-Novartis Relationship

On the subject of further M&A deals for Sandoz, Saynor declined to disclose details of business areas where this might be a possibility, but acknowledged that “we’re always looking for opportunities.”

“We’re always looking at the right opportunities and where we can build on our strengths, whether that be through M&A or in-licensing depending on the market or the opportunity."

And on the recurring question of Sandoz' position within Novartis – following the parent company's recent confirmation that it intended for the generics unit to remain an autonomous business within Novartis, as previously indicated (Also see "*Novartis Emphasizes Message On Spinning Off Sandoz*" - Generics Bulletin, 1 Dec, 2020.) – Saynor offered his perspective.

"The reality is that we're run pretty much independently, we have our own supply chain, our own development organization, we have all the operational freedom that we need, and the resources and support of a very strong MNC pharma company. Which as I said earlier, helps to clarify our purpose."

"Novartis gives us significant benefits," Saynor explained, "in terms of access to capital, access to talent, resources, science, and I guess a stable business over many years."

And "what do we give to Novartis? We treat millions of patients: eight out of ten Novartis patients are Sandoz patients. We treat more patients in Europe than any other pharmaceutical company. We save billions of dollars in healthcare, we deliver more social impact than Novartis' new products create in costs."

"There are so many benefits that we bring as a holistic healthcare company, but clearly we're not an innovative science company and that's not our role."

Working Towards Growth As Patients Return After Pandemic

Looking to the future, both near-term and further ahead, Saynor offered his thoughts on how the impact of the coronavirus pandemic would continue to affect Sandoz as it sought to move towards future growth.

"We have made the assumption that the first half [of 2021] will look like the second half of last year," he noted, "as patients remain socially distanced and under some form of lockdown, elective surgeries are not happening so much, patients aren't being diagnosed, antibiotics are slower because people are socially distanced, all of those things. And I think that trend will continue."

But "clearly it's not going to stay like that forever," he stated. "The patients haven't gone away, and if anything I think there's a huge bolus of patients who are under-diagnosed, under-treated, under-supported. So you've got to believe that in the medium and long-term – and your guess is as good as mine when that will be – those patients will return."

"What we need to focus on is to keep doing what we're doing, focus on bringing a pipeline and launching new products, and supporting the patients that are there," he insisted.

In terms of Sandoz' financial outlook for 2021, he acknowledged that "clearly this year, we're expecting flattish." But "our focus is still to get this business into mid-single-digit growth and slow margin accretion. And we've got the pipeline to do it, and the capability and the talent within the organization to deliver it."

"So all things being equal, the plans are pretty robust in terms of us getting into that place. And my focus over the next two or three years is getting Sandoz delivering that."