

16 May 2023 | **Analysis**

# Will Teva's New Strategy Shift Towards Innovation?

*CEO Francis Talks Up Branded Assets Ahead Of Investor Day Reveal On 18 May*

by **David Wallace**

Teva is just about to unveil a fresh strategy under new CEO Richard Francis, who has emphasized the firm's "emerging innovative business" and talked up the company's branded assets ahead of an investor day on 18 May where full details will be revealed.

What next for [Teva](#)? That is the question that will be answered by CEO Richard Francis and his management team at an investor day on 18 May, a little under five months since the former Sandoz chief executive took over leadership of Teva from Kåre Schultz at the start of 2023.

While details of Francis's new strategy have been kept fairly close to the chest, the CEO commented early in his tenure that although he did not expect his strategic overhaul to constitute "a revolution" for Teva, "it's also something that is not going to be marginal." (Also see "[Teva's New CEO Francis: No Revolution, But New Strategy Will Not Be Marginal](#)" - Generics Bulletin, 12 Jan, 2023.)

Francis has already shown his willingness to depart from targets previously set by his predecessor, indicating earlier this year that "I obviously don't have history" with a goal of delivering at least \$1bn in North American generics sales per quarter, "so I can leave that behind from my perspective." (Also see "[Teva Promises](#)

[New Strategy By The Summer, Washes Hands Of \\$1bn US Target](#)" - Generics Bulletin, 9 Feb, 2023.)

## **Five Things Facing Teva's New CEO Richard Francis**

By **Dean Rudge**

24 Nov 2022

In Q1, Teva's North American generics sales were down by 8% to \$824m. (Also see "[Francis Takes Stock Of Teva Ahead Of Revealing Fresh Strategy](#)" - Generics Bulletin, 12 May, 2023.)

Despite Teva's recent decision to leave US brand industry body PhRMA – as part of the firm's regular review of “the effectiveness and value of engagements, consultants and memberships” (Also see "[What Does Teva's Exit From PhRMA Suggest About Its Priorities?](#)" - Generics Bulletin, 7 Feb, 2023.) – innovation has lately appeared to be a key concept in Francis's mind.

As Teva celebrated its recent US approval for its hybrid long-acting risperidone injectable, the CEO said the development was “a testament to advancing our robust biopharmaceutical pipeline of innovative medicines,” embodying Teva's “commitment to bringing innovative advances to patients.” (Also see "[Teva Prepares To Launch LAI Risperidone After US Approval](#)" - Generics Bulletin, 2 May, 2023.)

Meanwhile, promotion of the upcoming investor day during Teva's recent Q1 results call underlined that the event would introduce a “new strategic framework and key priorities focusing on growth and innovation.”

Speaking during the call, Francis said that the firm would be “taking decisive actions to address some headwinds, mainly through improved portfolio mix driven by our innovative products and supply chain enhancements,” with these actions expected to “improve our gross profit margin in the coming quarters.”

Promising that the new strategy would “build on Teva's strong foundations, key strengths, and set the stage for long-term growth,” Francis said management had “worked hard over the last few months to challenge ourselves, look at how the market is evolving and how we can create substantial value both for Teva and for patients.”

“I am really excited about the outcome,” he proclaimed: “A new roadmap where we will make decisive choices and focus our resources to drive growth and innovation.”

### **Teva Is 'More Than A Generics Company'**

Offering his impressions after 120 days as CEO, Francis pointed to Teva's “strong commercial portfolio” of “Austedo (deutetrabenazine), Ajovy (fremanezumab-vfrm), Uzedy (risperidone) and upcoming biosimilars.” He also highlighted the firm's “promising innovative pipeline,”

With Teva clearing up early who will replace outgoing president and CEO Kåre Schultz, *Generics Bulletin* looks at five issues that await his replacement, the former Sandoz head Richard Francis.

[Read the full article here](#)

suggesting that the firm was “underappreciated currently.”

“I know most of you think of us as a generics company,” he said. But “in truth, we are more than that. We have an emerging innovative business, primarily driven by Austedo and Ajoyv, but recently about to be supported by Uzedy.” Teva is also developing a long-acting injectable formulation of olanzapine with MedinCell, the company’s partner on LAI risperidone. The product is currently in Phase III trials.

“This is going to fuel continued growth going forward,” he described. And already this is 10% of our total revenue.”

Moving on to address Teva’s pipeline, Francis said “I definitely know this is not fully known and understood, but I can tell you we have some exciting assets here. And as I’ve dug deeper, I’ve seen some unique capabilities in our R&D organization, particularly when it comes to antibody design and formulation expertise.”

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Meanwhile, Teva’s biosimilars portfolio was “an opportunity to benefit from \$4bn of brand value coming off patent in the next few years,” Francis highlighted.

The firm already markets Celltione’s trastuzumab and rituximab biosimilars Herzuma and Truxima in the US, as well as selling in the UK Formycon/BioEq’s Ongavia ranibizumab biosimilar, known as Ranivisio in the EU.

On top of that, Teva has Alvotech-partnered adalimumab and ustekinumab biosimilars under US Food and Drug Administration review, as well as rights to Alvotech’s Simponi (golimumab) and Eylea (aflibercept) rivals that are at the Phase III stage, as are Teva’s own in-house denosumab and omalizumab assets.

“I think what I’ve said in the past is you need to have a good pipeline and a good portfolio to succeed in biosimilars and to have a good commercial footprint,” Francis summarized. “I think you can see we have both of those.”

However, despite focusing so much attention on Teva's branded assets, Francis did not altogether ignore the firm's generics segment, which he called "our core business."

"This is a strong global business," he said. And "this is more than the US. In fact, 60% of our business is outside the US, in Europe and in emerging markets. And this is a strong business that generates significant cash, which obviously we're currently using to pay down debt."

### **Allocating Capital To Drive 'Profitable Growth'**

Overall, the CEO said of his soon-to-be-revealed strategy, "I'm excited by the outcome. We have made some clear choices in this strategy, some clear prioritization, and we have a focused company going forward where the capital allocation will follow this."

And responding to a query over how the firm was choosing to allocate its resources, Francis reiterated that the company was "making sure we prioritize and allocate capital to where the opportunity is to drive growth and profitable growth."

"We have some really exciting assets that we think, to a certain degree, are de-risked or validated," he summarized. "So, to allocate capital to that seems a very sensible thing to do."