

interview

Peter Hug on the Roche philosophy to partnering

Interviewed by Stephen Carney

Could you tell me a little about your benchmarking partnering capabilities and strategies. Which criteria do you use to benchmark potential partners?

What we do is we look at it on three levels. The first level is to look at the strategic fit. What is this partner offering? How does it coincide with our expertise in the research, development and commercialization area? Does this innovation really address a medical need? Do we get differentiated medicine out of it?

So, following the strategic fit, we look at the scientific value, that is, what will this science mean later on, with respect to the patient? Will it really change patients' lives? The third level is then, how will this work out as a business case? What is the value that this proposition is creating for the partner, for Roche, and most importantly for the patients?

Would you need all of those things fulfilled for a successful partnering deal or would there be other factors that might help you move that along, say, for example, if they had significant development or production capacity?

Those are the three main parameters. A fourth one that we also pay great attention to is the chemistry between us. How do the respective cultures fit together? That is another important aspect. With respect to your question, every

Peter Hug

Global Head, Roche Pharma Partnering

Dr Hug is the Global Head of the Roche Pharma Partnering Department and also serves as a member of the Pharma Executive Committee (PEC) and the Corporate Executive Committee (CEC). Dr Hug obtained his first degree and his PhD from the University of Basel, Switzerland. He joined Roche more than twenty years ago as a marketing trainee in Basel and had a number of posts including Product Manager in Canada and Head of Pharma in Greece. In 1992 he was appointed General Manager of Uruguay and from there became Head of Diagnostics in Grenzach, Germany. In 1996 he became the General Manager of Roche Pharma Switzerland from where he moved to his most recent position, as General Manager of Spain in 2001. While in this position, Roche Spain grew its business considerably. He assumed his present position in September 2004.



deal is unique in some way. In some deals you may be entering into it because the partner may have capabilities in technology, in production facilities or other know-how, which we may value, be it a product deal, or not.

How would company culture affect such a partnering deal, are there companies that have a culture that would be more amenable to this sort of deal with you?

One of the major considerations is: what is the management capability? The companies we consider need to be led by people who have, in addition to the science, a vision of the future and where they will take the company. They need to have strong leadership skills and be able to drive the project within their company. Aspects like that we consider with great care.

What do you feel that a company needs to do to reach the standards that you would expect in partnering?

I think this is a moving target. We have been working hard to be a partner of choice and if you take the World McKenzie 2004 Executive Guide Report, Roche is identified as a world leading partner of choice. We can not rest on our laurels however, because we realise that in order to forge good partnerships, since the bar is constantly rising, we have to work harder and continuously think of new ways to improve our existing partnerships as well as refine the processes of forming new ones.

'The Roche vision is to develop differentiated medicines leading into personalised medicines'

Roche is a significant player in the global oncology market. How would you describe your strategy for maintaining your position, and are there specific treatments that we should look out for coming through your partners' pipeline?

interview

The Roche vision is to develop differentiated medicines leading into personalized treatments. What we are looking for is to make this a reality. We have concrete examples of where personalized medicine is being practised today, and we want to expand on this. So, what we are looking for is a new type of approach. We concentrate on seven key areas, central nervous system, oncology, metabolic, inflammatory, vascular, virology and urogenital. These are very important areas for Roche hence this is why we, the Pharma Partnering department, are focusing on them. Of course, if we find opportunities outside of these areas, then we also consider them as we have done with some success in the anti-infective arena.

'Roche is focusing on Diagnostics and Pharma and today we have internal skills and strengths in both'

Would you say that in the past you have been looking for partners on a pharmaceutical basis. If you are now looking for personalised medicine, will you be looking for strategic partners in, for example, diagnostics, or maybe point of care?

Roche is focusing on Diagnostics and Pharma and today we have internal skills and strengths in both. When partners approach us (and we get lots of these approaches) they often come with their own integrated approach. We can look at this critically and evaluate the value of such integrated medicines, since Roche, through its Diagnostics and Pharma business, has gained huge experience in these areas.

I'd be interested if you could outline what is coming through your partners' pipelines. Are there any highlights you would like to identify, for things that you see maybe as significant in the mid to near future?

Yes, I would be proud to highlight developments with our group partner, Genentech with a product like Avastin, which demonstrates clear survival data in colorectal cancer. Roche is the only Pharmaceutical Company with five oncology products that clearly show life prolongation. Avastin and Herceptin are two success stories borne out of the alliance between Roche and

Genentech. These are projects that have made it to the market and the results are clear. We have also embarked on a number of partnerships where we believe that the identification of new pathways or targets may lead to differentiated medicines. We have gone into a partnership with ArQule in oncology for example.

Another different aspect to partnering that Roche is spearheading, is to develop existing drugs in new indications where there is a medical need. An example of this approach is with a Canadian company called Aspreva. We have an agreement with them on a product, which is used in transplantation, Cellcept, which has been shown to have anti-inflammatory and antidepressant properties. It is now being developed in lupus with exciting results. It is the first major breakthrough in 30 years in this disease. For Roche this has been a difficult area, so to partner with competent people like our Aspreva partner has been very beneficial.

'The name of the game for the partnering division is to increase the value of the pipeline'

Do you think that such a treatment for lupus can be extended into a number of other niche inflammatory disorders such as Sjogren's and ankylosing spondylitis, for example?

Yes, absolutely. That is a concept we started last year. We feel encouraged by our first experience, so we will build on that with other projects and also with Cellcept. We feel very proud and privileged on the success of our joint venture, which was also recognised by the Lupus Foundation of America. They honoured us with a prize at their gala dinner in Washington DC on September 28th for our efforts into this devastating auto-immune disease.

Would you care to give us your thoughts on the relative value of licensing versus partnership versus collaboration versus co-marketing, as strategies to enhance pipeline revenue?

That's a very good question. The name of the game for the partnering division is to increase the value of the pipeline. We are working very

hard to achieve this objective. We need to keep filling the pipeline with projects that fit well into our portfolio. We also need to make the most of each asset in our pipeline by employing all the processes you mentioned such as co-developing, straight licensing-out, co-promoting/co-marketing to name but a few. Partnering however is a word which encompasses the whole spectrum of our activities whichever approach we decide to take.

Presumably you manage the risk in that portfolio in the same way you manage the risk in your internal portfolio?

Exactly. Once an external project has been integrated, it is treated as if it were an internal one. There is no difference. So we assign the same risk profiles and it goes through the same processes. It is integrated in our research and development so there is no difference.

In terms of what you just said that there is no difference between the way you manage external and internal projects, do your internal scientists view it in the same way, or is there a degree of the NIH (not invented here) syndrome?

I think this is a human reaction. Obviously if you have worked on a project over many years and you have your heart engaged and then something comes along that seems to be more promising, then it takes time to accept that change should you have to let go of a project. So I think it's human to assume that in the beginning, there is not that high excitement, but with time, when people start working on a new project they'll see its benefits. But I think I wouldn't be honest if I said that it's perfect from the start on every occasion. It takes a lot of dedication from the internal integration team to adopt a new asset, so that it's seen as one's own project with time.

How big a team is the Roche partnering team and what is its composition with respect to scientists, business people, lawyers and so on?

We are approximately 80 people and the majority, about 90%, are scientists in various functions: finders, information specialists, alliance directors. Then we have a group of

interview

evaluators and negotiators that have a business background. A lot of our scientists however have MBAs hence they have knowledge on both the scientific and financial/commercial aspects.

Efficiency on your part as a partnering organisation is presumably going to result in an increased number of key partnerships. When do you think products that are not developed in-house are going to outnumber those that are partnered in, and what is the consequence for your R&D effort when that happens?

That is a hard question to answer and one can only guess. We are working hard to develop the right number and quality of alliances for Roche but equally our R&D colleagues are working hard on discovering and developing new assets. Our aim is to complement our internal efforts and not compete in any way. Additionally, a strong in-house R&D is also important to attract alliance partners – as we have both the expertise and the critical mass to partner with biotech companies. Furthermore having the in-house know how is crucial to assess outside projects

When you are partnering, just how close is the integration with the partners? Do you have shared databases, do people on the team effectively work in the promotion of

the product directly with the scientists at the company, for example, do they form a company, an inter-company team, so to speak?

Yes, we are integrated on a number of levels. Besides the common infrastructure we have various committees (depending on the partnership and as agreed with the partner): the joint development committee, joint commercial committees, the joint research committee etc., depending on what the partnership is. I can quote the CEO of ArQule, Steven Hill, who said that 'communications between ArQule and Roche has been superb. If we encounter any issues, we know we can talk to Roche and we respect their ability to help us with it and vice versa.' So we believe very much that we have to be transparent, we have to put the issues on the table in order for them to be resolved. Only then can we claim a level of integration between Roche and our partners. Our processes and approach are designed so that this is allowed to happen.

'I think it is in our common interest to move as fast as possible'

How long would you say an average partnering deal takes to set up and does it affect custom, patent life for a compound, is there a downside to partnering in that respect?

I think it is in our common interest to move as fast as possible. We only enter a partnership if we believe that it is win-win. Speed is important and delays are not beneficial to anyone. That is why we have a formal partnering organisation which can behave like a smaller company. It allows decisions to be made faster and our interactions to be smoother and speedier. We can act quickly. We have completed some deals in just three months.

'We only enter a partnership if we believe that it is win-win'

What is your strategy for understanding the drivers behind your potential partners? How do you get under their skin and find out what they are really valuing?

We obviously have public data, then we get to know each other, we sign our agreements for the first contact, then we take it further. We have discussions, we have dinners, we have lunches, we perform due diligences, so at each encounter we take the opportunity to get to know our partners well. How do they hold discussions, how do they interact, is it a democratic organisation, do they communicate well? In the meantime we are aware that they are also assessing us. Hopefully we are doing something right as we have a very high number of strong alliances.