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Teva's New CEO Francis: No Revolution, But New Strategy Will Not Be Marginal

Newly Appointed Company Head Speaks For First Time At J.P. Morgan Conference

by **Dean Rudge**

On the final day of the annual J.P. Morgan Healthcare Conference, Richard Francis, with vast experience at Biogen and Sandoz under his belt, faced investors for the first time as Teva's CEO, after replacing Kåre Schultz on 1 January.

Richard Francis may only have sat in the [Teva](#) CEO seat for ten days, but he faced down delegates to the world's foremost healthcare symposium to provide his early thoughts on the Israeli giant, and the first steps to begin the process of turning around the company's fortunes.

Indeed, Francis' words took on an additional edge as his host, J.P. Morgan, had less than two months ago downgraded Teva's shares, "struggling with the firm's growth outlook with ongoing erosion across parts of the portfolio, with the North America generics business consistently underperforming, and with limited visibility on the biosimilar Humira (adalimumab) opportunity."

While Francis may only be in the early days of his tenure, he did make one firm commitment: the company's financial vision to 2027, as laid out by his predecessor Kåre Schultz, continued to apply.

By 2027, among other targets, Teva aims to strengthen its foundations by delivering a non-GAAP operating margin of 30%, up from its current figure of around 28%, as well as a net-debt-to-EBITDA ratio of 2.0x, significantly down from the current 4.16x ratio. (Also see "[Teva Eyes '80% Of Off-Patent Opportunities' For Generics And Biosimilars](#)" - Generics Bulletin, 29 Jul, 2022.)

Quizzed broadly on how Francis would look to drive growth – “Does there come a point where the company has to think differently? Maybe thinking about investment levels differently or how to run the business differently?” J.P. Morgan’s Chris Schott asked – the former Biogen and Sandoz exec acknowledged that the company was hamstrung by its debt, “but even in the short term, there’s an allocation of resources that can be decided upon pretty quickly.”

“First and foremost, we’ve got to make some choices about what we want to invest in. And that means [thinking about] what we’re going to have to stop investing in,” Francis reasoned, “because I do think we need to keep control of costs to make sure we can keep servicing the debt in the way we are and have been.”

“But I do think we’ve got to make some choices now. Very quickly, this is going to change, the landscape is going to change,” he maintained.

With Teva continuing efforts to slim down its net-debt-to-EBITDA ratio, Francis said, “I think we’ve got to plan for that: a plan for how we are going to move the business forward, where we’re going to invest more aggressively, both organically and inorganically.”

While Teva was “starting to think about that now,” this was “something which we’ll reiterate more clearly in mid-year,” Francis underlined, referring to an earlier mentioned Capital R&D Day proposed for later in 2023.

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Had Francis thought about how capital would be funneled to biosimilar assets vs. the company’s innovative pipeline? Schott asked.

“I can’t really answer that,” Francis replied, “because 10 days in, I haven’t got my head around that one yet.” He continued, “I’m really impressed with some of the capabilities that Teva has on the research side, which I think are underappreciated and were really underappreciated by me from the outside looking in.”

“What is the strategy of the company? What are we trying to do long term?” he pondered. “Based

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By [Dean Rudge](#)

24 Nov 2022

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on that, every function and every dollar should follow that strategy. I think it's another thing that we'll create clarity on midyear."

Explosion Of Science Not Contained To Big Pharma

With a firm acknowledgement of the company's financial shackles, Francis intimated that he would continue for now Schultz's strategy of in-licensing and/or "relatively small deals" to boost the company's top line.

"But I also go back to what I think is happening in the industry right now, in the last five years: an explosion of science. And I think that's everywhere, it's not contained in big pharma anymore," Francis commented.

"I think for us, it's about finding the right assets, the right partners that we can create long-term relationships with. That's something which I think historically we've shown we're good at," he said, adding, "That's something which I want to maybe push a bit more over the next couple of years."

In a final big picture question, Francis was asked whether he was eyeing an evolution or a revolution for Teva? While the company would not rush into any significant strategy, especially given Teva's size and scope, "I have some perspectives," Francis acknowledged.

"But it's about doing the work now, over the next few months. We're going to move quickly and that will define what that [strategy] looks like."

Concluding with a flourish, he suggested, "I think it's going to be a purposeful strategy that has real intent behind it. I wouldn't say that's a revolution, but it's also something that is not going to be marginal."