



## "I'd like to see Teva in India and China"

**Teva chairman Dr. Phillip Frost, one of the most successful entrepreneurs in history, talks exclusively to "Globes" about the pharmaceutical company's future and his own past.**

**Lyon Roth** 8 Jul 10 21:26

Summer in Miami can make Tel Aviv seem breezy by comparison. Driving south on Biscayne Boulevard on a steamy Thursday afternoon, the landmark gleaming glass Ivax building suddenly punctuates the horizon. I took the elevator to what seemed to be the top floor; yet another elevator takes you to the chairman's office. But Doctor Phillip Frost, together with his professional staff, makes visitors feel instantly comfortable.

Dr. Frost is among the most successful entrepreneurs in history, certainly within the medical industry. He has built, operated and sold several companies, and has earned multiple fortunes for himself and his investors. In Israel, he has become better known in Israel since Teva acquired Ivax for \$7.6 billion in January 2006 and since he became chairman of Teva earlier this year. Frost owns 1.7% of Teva, a stake worth \$870 million. He is listed as one of the wealthiest people in America and in the world, and has been an iconic presence in the south Florida business community for over 30 years.

*How has life changed since you became chairman of Teva?*

"I certainly have become busier, and I was quite busy before."

*You weren't expecting the job and I know you and Eli Hurvitz are very close friends.*

"Indeed we are. I neither looked for nor hoped for the job, especially not under these circumstances. Eli and I have known each other for over 20 years and have always been good, close friends. I especially enjoyed working under him as vice chairman of Teva for four years. Eli is a uniquely dynamic man with a special vision. He was highly focused and able to inspire others around him."

Asked how he would define Teva's corporate culture, Frost replied, "Teva is a uniquely Israeli company and destined to stay that way." He dismissed rumors that corporate headquarters will be relocated from Petah Tikva to Miami, but added, "Inevitably, as Teva continues to expand, organically and through acquisitions, it will have an increasingly global feel. Managers outside of Israel will play a meaningful role in the company's growth and we'll encourage them to preserve our core culture while integrating the various corporate and human resources around the world."

*Most mergers fail. What do you think made Ivax's integration into Teva successful?*

"Ivax's core business in generic pharmaceuticals fit hand-in-glove into Teva's portfolio. Those parts of Ivax that were different, for example our line of respiratory products, were highly complementary. Moreover, Ivax had been able to penetrate certain key markets where Teva had been a bit weaker, particularly in Latin America and Central and Eastern Europe."

*How dependent is Teva on Copaxone? Do oral versions of a similar drug pose a threat?*

"Teva does not depend on any one drug; yet, Copaxone clearly remains a significant contributor to earnings. The rest of our portfolio is doing very nicely as well. We have other proprietary products; we recently acquired Ratio-Pharm and we continue to look for other attractive targets. These will all play a role as we diversify our overall product mix."

*On the subject of other proprietary products, what can you tell us about Azilect?*

"Azilect has proven to be an effective treatment for Parkinson's disease. If it can also slow the

progression of the disease, as studies indicate, it will make an even greater contribution to science. It will also make it more important to diagnose the disease early. Incidentally, OPKO, another company I chair, unrelated to Teva, is developing a simple blood test to detect Parkinson's disease. "

*Is the current European crisis having any major impact on Teva in general, and on the recently-acquired Ratio-Pharm in particular?*

"Not from a day-to-day operating point of view. Clearly, dramatic currency moves could have an impact on reported earnings but I don't expect to see that happening."

### **Prolor - a great little company**

*How about the emerging markets, particularly the emerging giants like China and India? What role are they playing in the pharmaceutical industry?*

"They have become increasingly important in terms of manufacturing low-cost chemical intermediates, pharmaceutical ingredients and, ultimately, finished products. I also see China and India becoming increasingly promising as consumer markets. I would like to see Teva pursue opportunities there as well as in Brazil and Mexico, where we're really just getting started."

*Prolor is another dual-listed company you chair. What are you most excited about regarding the company's prospects?*

"I think Prolor is a great little company, and its small size is one of its main virtues. It is run and managed carefully by hard-working people who get things done efficiently. They currently have half-a-dozen drugs under development, each of which has the potential for over \$1 billion in sales. While investors have enjoyed considerable stock price appreciation over the past year, I believe that's tiny relative to the company's potential going forward. It has good technology, good patent positioning, and can play a leading role in enhanced drug delivery in medicine in general."

*Shortly after the Teva-Ivax merger, you bought control of Ladenburg Thalmann, an investment bank. What motivated that purchase?*

"It was part of a diversification strategy, which I am always in favor of. Ladenburg was founded in 1876 and had been among the industry leaders for decades. I believe that there is an important role for a firm that caters to small and mid-size companies, often neglected by the larger banks. Again, our small size is an advantage, as it makes growth easier, both in terms of business expansion and stock price appreciation."

*Do you see the bank becoming more active in Israel?*

"We would be happy to participate in opportunities in the Israeli market and are always looking for the right vehicle."

### **Medicine via France**

Frost was born in 1936, and remembers the Second World War quite well. "I was 9 by the time it ended," he recalls. "My two brothers were 15 and 16 years older than me. One was in the air force, the other in the army and was involved in the Normandy invasion. I remember the rationing of food and gasoline as well as the air raid drills. Jews around the world lived in constant fear and I certainly felt it, even in America."

For a moment in our interview, Dr. Frost becomes quite sentimental, transporting himself back in time over 65 years. He was speaking through the voice and recollections of a scared little boy - a scared little Jewish boy who knew that if the war went the other way, America could have been the Nazis' next stop. The journey from being a young child hiding under a desk, taking part in civil defense drills, to being chairman of Israel's largest corporation seems completely implausible. Yet that's what happened.

*Was there a strong Jewish identity in your home?*

"Very much so. My family kept kosher and my father put on *tefillin* every morning. We belonged to a

synagogue, and when I was 9 years old, I was the star soloist in the temple choir during High Holiday services."

*Tell us about your first job?*

"As a young boy, I volunteered to work in my father's shoe store in Philadelphia. He retired and closed the store, so I decided it was time for me to get a job that paid something. I was 13, and began working in a local hardware shop after school. I did everything from making keys, to cutting and installing glass, and making deliveries on my bicycle."

In 1955, while studying French literature at the University of Pennsylvania, Dr. Frost spent his junior year in France, and he still speaks the language exceptionally well. Having grown up in Montreal, my French is distinctly Canadian, but the doctor was patient.

*When did you know you wanted to be a doctor, and why did you choose dermatology as a specialty?*

"When I returned from France, I realized I needed to make a living and was always intrigued by medicine. I was especially drawn to clinical research, which made dermatology an ideal specialty. The skin is the body's largest organ and one can see it, touch it, smell it etc."

*Your Hebrew name is Pinhas, who is one of the more controversial, provocative characters in the Bible. Last Saturday, we read in the synagogue the episode in which Pinhas speared an Israelite man and a Midianite woman who were having sex, an act supposed to have stopped a plague that had killed 24,000 transgressors. When, if ever, do you think the ends justify the means?*

"I very much prefer the approach of 'killing with kindness.' In my experience, you can accomplish a lot more with honey than by the tip of a sharp spear. In any event, I think I was actually named after my maternal great-grandfather."

### **Accentuate the positive**

*You and your wife Patricia have been very philanthropic over the years. Is there an underlying strategy to your benevolence?*

"Similarly to how I approach other endeavors, we look for opportunities and attractive uses for contributions. We endowed the music school at the University of Miami, the art museum at Florida International University and support scientific establishments like the Scripps Research Institute and the Smithsonian Institution."

*How important are Jewish community and Israel-related charities in the overall matrix?*

"I believe they are critical. We support numerous Jewish charities, and I am also the chairman of my synagogue, Temple Emanuel, on Miami Beach. The synagogue has undergone a substantial renovation; we have introduced several innovative community programs and are now looking for a new rabbi and cantor."

Regarding the cantorial search, I reminded Dr. Frost who was the star soloist in his first congregation back in Philadelphia in the 1940s. He smiled, and remarked that institutional good governance would preclude that kind of conflict of interest. Moreover, he hasn't practiced very much in the past 60 years. *What's the secret of a 47-year marriage?*

"Tolerance, and accentuating the positive. I believe that's a winning combination in multiple areas of life."

*What are the greatest challenges facing medicine now? If you were to enter the profession today, what would you focus on?*

"I would still begin with dermatology, as you can take it in so many different directions. I think translational medicine should be developed as quickly as possible. This emerging field enables us to use knowledge learned in pre-clinical studies to do smarter things in the clinic. This can manifest either during drug development or in the course of predicting, preventing, diagnosing, and treating diseases. Conversely, translational medicine can also take what's learned in clinical studies to enhance and

sharpen pre-clinical efforts to discover new medicines."

*What are your thoughts on health care reform here in the United States?*

"I believe that the program in its present form will have a lot of unintended negative consequences. I don't necessarily mean for the industry, but rather for individuals. Frankly, the impact on Teva is likely to be beneficial."

Dr. Frost didn't gloat as he drew that conclusion. He was clearly pained by the introduction of a flawed initiative that didn't address the core issues and will leave millions worse off than they were before.

*What can America learn from other countries in terms of improving its health care platform?*

"I don't think the United States needs to focus on other models. Rather, it needs to repair the inefficiency, waste, and fraudulent claims in its own system. Tort reform is also crucial, as malpractice premiums have sky-rocketed. Overspending is rampant, as doctors are forced to practice defensive medicine."

*What keeps you up at night?*

"Radical Islam. I think that for all the attention it has received, its threat to our civilization is still dangerously underestimated."

#### **A superior product not being marketed**

*Warren Buffet famously auctions off a charity lunch at his annual meeting. This year's winner paid \$2.6 million to dine with the Sage of Omaha. Were you to that in Israel, what charity would you designate, and where would you choose to have dinner?*

"I would choose Friends of the IDF. They do such wonderful work on behalf of Israel's most valuable assets, the soldiers protecting the country. Regarding venue, there are now so many good restaurants in Israel. Frankly, the country can compete with any other on the planet when it comes to fine dining."

*How does the current political environment impact Teva? We often hear of threatened boycotts of Israeli products, especially following events like the Gaza incursion eighteen months ago, and the Flotilla incident last month?*

"At this stage a boycott of Teva would be a boycott of affordable health. Literally, hundreds of millions of customers have used products manufactured by Teva to treat innumerable illnesses. In any event, Teva's largest market by far is the United States and I don't believe that poses any threat here."

*Do you have any advice for Israel regarding its image internationally?*

"I think the country should invest massively in its public relations effort. I know they're focused on it, but more should be done. So many inferior products are oversold. Here we have an incredibly superior product and it's not being marketed as effectively as it should be."

After the formal interview, I observed Doctor Frost's office. It is elegant and unpretentious, decorated with memorabilia that depict a long, distinguished career in medicine and business, and also reflects his taste in art. While he has known and advised many politicians and captains of industry over the years, the University of Miami Hurricanes football helmet signed by the entire team holds a much more prestigious position in the office than any photo ops with world leaders.

As we parted company, Dr. Frost resumed his non-stop schedule, preparing for Teva's upcoming board meeting and for yet another trip to Israel. Like his biblical namesake, Dr. Frost is a man with a mission. He certainly tackles it with more tactful persuasion and consensus building, but with no less zeal.

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