Interview with Günter Cseh, General Manager, Meda Pharma Austria

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What have been the most significant developments as a result of the acquisition of Viatris by Meda Pharma in 2005?

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At that time Viatris was a small company, and there was a distinct lack of enthusiasm and forward thinking strategy. Because the financial investors running Viatris wanted to sell the company, there were many bidders, and many were surprised that Meda was able to offer the highest bid for Viatris. In the first few years, Meda followed a very aggressive expansion strategy and acquisition policy, both of products and companies. In Austria, Meda only had the benefits from products, so there was no affiliate available here when other companies were acquired. It was a little easier for us to take over products but still complicated. When I joined, sales were at €18 million, and over seven years this increased to €33 million. This has happened not only through acquiring, but also introducing new and developing mature products. Meda is world class in acquiring mature products and developing them further with respect to sales and product modifications. This is also a skill that is not available in every organization.

Can you tell us about some of the most exciting products that you have been developing recently?

The most exciting products will probably be launched towards the end of next year, product in the area of allergic rhinitis. Clinical data indicates superiority in all respects to the currently available products. If this product is marketed strategically, it could become a global blockbuster.

The major EU markets of Meda include besides Germany, Italy, France and UK. How would you rate Austria's growth in comparison to these other European markets and is this growth at the level you desire?

I am never satisfied, but objectively the company is growing faster than many of Meda's other European affiliates. With respect to sales relative to population, Meda in Austria is among the top. I believe that the business is ranked at number ten or eleven within Meda's operations, and for a small country like Austria, this is very good. The most exciting thing for me over the past year has been establishing an OTC business unit and launching three new products, whose results have been above my expectations.

Dr. Spatz of Teva Ratiopharm said that the OTC market had an expected annual growth of seven percent, which represents high growth opportunities for him. Do you expect the same for Meda?

I do. The management of Meda has decided to invest in the OTC market and so far it has worked well in Austria. Meda Austria has recently introduced products for bad breath, nail fungi and warts. I feel that the Austrian branch of Meda is more or less the frontrunner outside of Scandinavia. The economic environment with respect to purchasing power is quite good in Austria. The Group decided to invest in countries like Austria, Switzerland, Netherlands, Germany and then later on in other countries. Meda Austria has been a trailblazer in one sense, and I expect this solid performance to continue. Meda is perhaps not the most well-known company out here, but the company's products are very well known.

How has Meda Austria adapted itself to, what Jan Huber of Pharmig says, an unpredictable prescription drug market in the last few years?

I think he is exaggerating. If you look at other countries, particularly in Eastern Europe, their markets are truly unpredictable. In Austria, laws have been implemented that ensure doctors prescribe the right amounts, and nothing happened. The following year there was an expansion again. I believe that the Austrian market is very predictable. The measurements the government took showed their true colours. The market is relatively flat now. Price policy now is very restrictive; Austria has one of the lowest price levels in Europe in terms of factory prices, as opposed to pharmacy prices. Of course the market here is not linear, but compared to other countries it is pretty good. I made a commitment to myself to maximize every opportunity available because you cannot change the governmental policy anyway. You can try to some degree with a little success; but if you do not have the budget, there is no alternative but to cut back. I do not concentrate on problems, but rather solutions, one of which is to focus on OTC in order to maintain free pricing and more aggressive possibilities.

What do you see as the main growth drivers going into 2013 for Meda Austria?

The focus will be on organic growth; I do not know if there will be merger and acquisition opportunities, but they may arise and the company will take advantage of this. The global strategy of Meda is to expand geographically; there are many investments in Russia, China, CIS, Brazil, Australia, and Mexico. The second pillar is to focus on OTC; the third is the focus on organic growth through products.

How do you find the best people to maintain this growth?

This is a challenge. Finding good people for smaller companies is always a challenge. Meda Austria is fortunate to have experienced managers and people, who I can use as a base for my strategies and tactics. The more difficult part is to obtain good product and sales managers. I try to hire experienced managers from big companies, but they have generally been disappointing in that they cannot follow Meda's pace. You need an entrepreneurial spirit at Meda: nothing is prepared for you, you must fight for information, make decisions and take responsibility. There is more freedom in Meda than in other companies. Many individuals are used to the cocoon of a big international companies and they feel safe. Here, everybody counts, Meda looks for opportunities, not problems, and this makes a difference. Obtaining good human resources always comes with challenges.

Mr. Kwizda said that Austria has traditionally served as a hub for companies moving east, although less so in the last ten years. How do you see the Austrian pharmaceutical industry changing in this role over the next five to ten years?

I can imagine that as the economic environment becomes more difficult, smaller countries in the Balkans or even Hungary will still use Vienna as an operational hub. This is definitely not the case for Russia, Ukraine or Poland. Generally speaking, Austria might lose this hub function in the years to come, although perhaps for smaller countries in the southeast like Albania or Bosnia, it will continue to be useful. Distance between those countries is far less, and in my experience, doing business remotely does not always work in this region, despite modern communications. Face-to-face relations are essential, and the farther east you go, the more important it becomes. There is a lot of tender business there and many Eastern European countries lack social insurance systems. You must be able to make decisions in those countries without constantly having to consult headquarters in other nations.

If we were to come back in five years' time, where will you have taken Meda Austria, and where would we find you?

I am not entirely sure where I will be in five years. The quality of life has been improving in Austria, and this is my home country. As a professional, establishing an OTC market has been quite a good experience, as I wanted to push myself to the limit.

Meda Pharma has a solid future ahead. What do you think will be the key to drive this success?

Meda will have a good future because of its solid business model. The company does not have many overheads, which increases its flexibility. Unlike a company that creates a non-functional product that cannot be sold and creates labor problems, Meda does not have these issues. With respect to profit, Meda has been doing well. The question is whether Meda is able to demonstrate that the company is very good at organic growth and innovation. If Meda can do that, shareholders will consider investing into the company. I think that is the only thing that is for sure. Meda must also develop its own products to justify organic growth and raise the value of the company. If you can demonstrate that, you will see an increase in share price. This is how I see it. For myself, it is very fun to work here, and I have much more freedom than in previous companies.

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