Interview with Martin Stapf, Global BU Director Oncology, Hikma Pharma

19.10.2009

Tags: Hikma Pharma

One of the biggest recent milestones for Hikma’s global operations must have been the acquisition of Ribosepharm and Thymoorgan in 2007. How successfully have the two companies integrated into the Hikma organisation, and how important are Hikma’s German operations for the company today?

Hikma first established operations in Germany in 2004, starting in the intensive care business. It was a major decision from Hikma to start the operations in Europe in Germany, the most important market on the continent. We started in the hospital business with the injectables and anti infectives: this was the first cornerstone for the company. It was an important move for Hikma to enter a challenging market in comparison to our home territories, where the company is regarded as a major player.

In 2007, the decision was taken to expand Hikma’s operations in Europe with the acquisitions of Ribosepharm, a leading branded generics company focused on the field of oncology, and Thymoorgan, a high quality manufacturer of oncology products. These companies now form the platform for all of Hikma’s oncology-related activities and are the base from which the company will expand further into this growing therapeutic area.

How has drawing these companies under one umbrella added to their synergies, and to what extent has becoming part of Hikma affected their growth rate and positioning in the market?

There is always a certain balance to maintain. Hikma kept the Ribosepharm brand, as it is very well known in the German market. This has been critical to maintaining outstanding relationships with Ribosepharm's primary target group, the retail-based oncologists, who know and rely on Ribosepharm.

In parallel, Hikma founded their injectables business, which has a totally different target group, and has a hospitals specialised sales force. The tender-driven business requires a different approach to the Ribosepharm approach, which is a targeted, physician related business. Today, Ribosepharm is a fully integrated subsidiary of Hikma. This is one of the company's strengths– it is a global acting and global thinking company, which means that out of any given situation we take the synergies. Hikma's CEO was educated at Purdue University in the US, so the company has an international management with international roots, and it takes the strengths of the different cultures and adds these cultures to the business. Hikma 'think globally, but act locally.'

Robert Schweiger: This is the major difference between Hikma and other companies that decided to enter the German market, who have tried to apply their generic knowledge from other markets to the oncological business, which is quite different from other common diseases. The challenge lies in the fact that there is a different approach required towards the pharmacist and a different approach towards the physician, because oncology is a knowledge driven business, and it's also a business driven by the individual preparation of cytostatics. This is different from prescribing a certain brand, a certain generic formula, and giving it to the pharmacy. There is a close relation between an oncological company and the oncologist, so it was a strategic decision to acquire a whole entity which is familiar with the business.

Hikma today is shifting into niche generic products in the US. How much are Hikma Germany's priorities located in the home market, and to what extent are you producing for the group as a whole?

Taking into account the rules and registrations, FDA and GMP compliance, Hikma produces wherever seems to be the best choice. For example, Hikma is a major player in the Egyptian market. For these kinds of markets, a company needs to have local production. It's a political question, and also a sign to the country that you are really committed to it.

We are now beginning to leverage our German operations for other markets. We are registering our oncology products in new markets in Europe and the Middle East and soon in the US.

How do Hikma's business lines of generic products, branded products and injectables interact today, and how do you expect them to evolve in the future?

The branded section of our business is the most important in terms of revenue. For the MENA countries, we have co-operations and licensing agreements with many of the larger pharmaceutical players. Today, Hikma has more than 40 partners. One of the most important for the company is with Astellas, which has been in place for many years, and is a positive, long lasting relationship. The model of co-operation in our home markets with big players has proved to be extremely successful.

The competitive environment in the USA has been very challenging, especially in the last few years, but not only for Hikma. We are now strengthening our operations in the US, and this has been positive and successful. In Germany our business model was and still is to look into niche indications, because we are trying to compete with both local companies and multinationals. A good strategy is to enter a market with a core set of products, and build the generics lines around it. Ribosepharm is still perceived as a science-driven company. We are coming from a science based approach, and this is one of our strengths, and gives Hikma a difference over the company's competitors.

What is your vision for the future growth of Hikma in Germany? With a history of acquisition, is this going to continue, or are you hoping to grow organically from now on?

If there is an interesting opportunity then Hikma would consider an acquisition. At the moment, we are focused on leveraging the products and capabilities that we have in place.

Taking a macro view for a moment, what would you say are the main challenges and opportunities for a multinational generics company in the country?

Robert Schweiger: One major point which presses us and is also pressing many of the generics companies is the current tendency towards European tenders by the SHIs (Statutory Health Insurance). It is not only that prices will drop dramatically, but also that it excludes mid-size companies from the market for a period of two to three years. On top of this, no pharmacist would keep beside a tendered brand another two or three brands. In effect, mid-sized companies are not only excluded from 50% of the market, but 70-80% if they don't match the tender. Added to this is the fact that as a mid-sized company, you are sometimes unable to submit offers for tender, because the tenders are too large. You have no chance of the product capacity or background to speed up within six weeks between the start of the tender and the decision, and to keep them up for two years or maybe three at that level, because you don't know at the moment you apply for the tender what size contract you may be given.

What are the strategies for overcoming this? Is it cooperation with other companies?

Even cooperation is no solution, because the tenders are so large that a mid-size company might have to stop producing anything else for the next two years. At the end of the day, the chance mid-sized companies have is a political change: that the government will abolish this system of tenders because it makes no sense for the German industry to go for huge tenders, which in the near future will also be delivered from abroad. There are attractive alternatives to the tender system, such as capitation, which was a competitive way to control prices, and was originated by the SHI companies in the GBA, and set a certain limit, under which a company was allowed to deliver products to patients. There was enough competition under these terms, and created an attractive and well established market. In the long-term, this tender system will only grant access to the generics market to three or four big companies. This oligopoly will have the effect of rising prices over the next few years.

What kind of role can mid-sized companies play in bringing about these changes?

Coming from Amgen, I fully understand that an originator company needs to harvest a registered product over a certain time period, because otherwise there is no motivation to invest more than $1.2 billion to successfully develop and launch a new drug. There needs to be a certain freedom for the research-based companies to have a return on their substantial investment. The society needs research based companies , but it also needs the generics companies for the benefit of society. Without them, medicine will become too expensive for the average patient over the decades to come. The backbone of the generic industry in this country is not the big players, but midsize companies. If you eliminate the midsize companies, you open the door for the huge companies, and effectively allow them to dictate the terms of the industry. Medium sized companies can play a very active role delivering the highest quality products, capitalizing on our expertise, and being an active partner. Hikma have no fear of competition, but it must be on a fair basis.There are of course other positive aspects of the well developed German market for mid-size players like Hikma, such as academic excellence and good access to high quality resources.

What strategies do Hikma Germany have to continue to succeed as one of these medium sized players?

The basis of Hikma’s activities is its product pipeline. Sometimes it is forgotten that the pharmaceutical companies work for patients. Hikma always keep this aim in mind and produce highest quality products which enable us to successfully compete in this market. Cost is an issue that cannot be avoided, especially in generics, but nevertheless quality plays the important role.. This is Hikma’s fundamental basis, but the company cannot rest and rely only on the status quo: it needs to look into opportunities like co-operations. For example, Hikma could provide access to this

still highly profitable part of the business based on oncologists, capitalizing on our long lasting relationships. If you founded a company today, had good products and wanted to enter this section of the business, you would probably fail, at least in the first years, because you don't have the same levels of access that Ribosepharm have acheived. This is an asset for companies that are interested in entering the German oncology market. Other strategies include optimizing our portfolio. This year Hikma has launched three new oncology products, and the company is looking for interesting registrations to expand its portfolio, but always with a focus: not just buying something that is available, but something that adds value to Hikma's existing portfolio.

If we were to come back in five years, what would you like to have achieved?

To quote Hikma's CEO, Said Darwazah: in four years, we would like to double our revenues. So far, Hikma has successfully delivered this statement to the stock exchange, since the company launched its IPO in 2005. Five years from now, Hikma should be and we will be much more successful than it is at the moment, especially in oncology. Oncology is one of the driving forces in this company and there is a commitment from Hikma's CEO that the company will focus on oncology. This means substantial investment in the German operations, which means that five years from now, Hikma Germany will hopefully double its results in oncology at least, and taking into consideration the opportunity of an acquisition, hopefully more.

What would you like to be your final message about Hikma in Germany?

Germany was always and still is one of the most interesting and promising markets, in the world, and of course in Europe. It is worthwhile to be present in the German market and exploit its good qualities, even if it is very competitive. As Frank Sinatra said, "if you can make it there, you can make it anywhere".

See more interviews