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At Valeant each region has a unique mix of prescription brands, branded generics and OTC products. The general manager for Mexico, Central America, the Caribbean and the Andean region discusses the company's objectives for Spanish speaking Latin America and how it plans to leverage the recently acquired Bausch+Lomb business to drive growth in the region.

You were appointed general manager for Mexico, Central America, the Caribbean and the Andean block in September 2014. What challenges were you faced with upon your appointment?

Over the past five years the pharmaceutical market in Mexico has changed dramatically. Whereas in the past 85 percent of the sales went through large wholesalers, today the market is much more fragmented. Adapting to this new scenario can be very challenging for big pharma and mid-sized companies, but fortunately our diversified business model has allowed the group to easily adjust. Valeant is a very unique company in the pharmaceutical industry, in Mexico as well as all over the world. It works with very different channels and each market has a high degree of freedom with regard to decision-making, which results in flexibility and fast action.

How does this translate to Mexico?

In Mexico we participate in all sales channels with more than 200 products. After the acquisition of Tecnofarma back in 2009 the company decided to keep the 55-year old Grossman brand to leverage its high awareness among physicians, and it paid off: today Grossman represents 70 percent of our business in the country. We also offer contract-manufacturing services to pharmacy chains. In 2014 we actually launched a new strategic business unit that only focuses on private labels and reviews all molecules we have in our different businesses to identify new product options we can offer to our local clients in this segment. We are a very diversified and sales-oriented company and our flexibility allows us to take advantage of all opportunities the market offers.

What strategic role does Mexico play for the group and what is your main priority for the region you are in charge of?

Mexico is Valeant's most important market in Latin America –well ahead of Brazil, which is 20 percent smaller—and the eleventh worldwide. To consolidate its footprint in the country, Valeant acquired the local generic maker Tecnofarma in 2009 and specific product lines from branded generic manufacturer Atlantis Pharma in 2012. In Mexico we want to maintain the same philosophy of acquisitions that characterizes the company globally. We are currently evaluating the acquisition of some new companies, both locally as well as in the region I'm in charge of which encompasses Central America, the Caribbean and the Andean region (Venezuela, Colombia, Peru and Ecuador).

Indeed besides inorganic growth, we also want to continue growing organically. In 2014 we grew 12 percent in Mexico and 6 percent in the region. Given the modest development of the pharmaceutical market in 2014, it was a big achievement.

Where will growth come from in Mexico taking in consideration generics have reached an 84 percent penetration in the market?

The generic business will continue growing. The low income of population is an important reason, why the penetration of this product segment is growing. The other big driver in the market will be private labels. All pharmacy chains and retailers are launching their store brands, and we want to continue focusing on this business.

What are the specific ambitions for the recently acquired Bausch + Lomb business in Mexico as well as in the region?

Bausch+Lomb has been the most important recent acquisition for the company. The brand has an amazing equity in the region, especially in Argentina, that has not been leveraged so far. Valeant

considers Bausch+Lomb a core business and one of the most important growth drivers for the company –not only in Mexico, but worldwide. As a matter of fact, 30 percent of our 2015 investment will go into the product line. In Mexico the brand is already very consolidated, but in the rest of the region I am in charge of, Bausch+Lomb only has presence in the OTC vision care business segment, so there is a huge opportunity to continue growing with the pharmaceutical segment and the surgical business, which is only present in Colombia and Venezuela so far.

Your peers within the industry say the regulatory environment has improved dramatically since the appointment of Mikel Arriola as head of COFEPRIS (the Federal Commission for the Protection against Sanitary Risk). What can still be improved?

Despite the great improvement, some areas still could get better. The new government created the figure of third authorized parties to ensure a fast track process, but approval times are still long. However, the most important challenge the whole industry is facing is the limited access to new molecules.

The acquisition of Tecnofarma in Mexico was also intended to transform the country in a manufacturing hub for Latin America. How does Valeant's local footprint look like today?

In Mexico Valeant relies on two production sites, one located in Mexico City and one located in San Juan del Río, near the city of Queretaro. In Mexico City we manufacture Bedoyecta®, our most important brand, and all dermatology products, whereas in San Juan del Río we have production capacities for cephalosporins, oral solids, soft-gel capsules and injectable drugs.

In August 2014 the company announced a capital injection of USD 30 million, which were invested in a plant for oral solids in San Juan, opened in September 2014, and in an upgrade of the local infrastructure in Mexico City at the beginning of 2015 to comply with the requirements of the Colombian regulatory authority INVIMA. Currently we are also preparing the San Juan del Río plant for a FDA approval. The local production supplies 95 percent of the total local demand, while 5 percent is imported. Bausch + Lomb, on the other hand, is completely imported: the OTC vision care business from the US, while the surgical products (intraocular lenses and equipment for surgeries) from the US and from Germany.

Where would you like to see Valeant in Mexico and the region you are in charge of in five years from now?

First of all, I would like to create a top-line company. We are implementing changes in the management team to bring in high-end professionals in each area. Also, I would like to put the company in a position, where all the acquisitions we are going to make – locally as well as internationally – can be easily integrated into the existing structure of the company. We are closely working with the consulting company McKinsey to align all business units and create a common platform, which can allow this smooth fusion. In the past, each new business unit was considered per se. Of course the brand identity can be respected, but the culture must be one and the same for the whole group. With more than 60 companies acquired over the past seven years, Valeant is an expert in M&As. However, Bausch+Lomb, for instance, was a challenge, as it was the first global company the group acquired and had a very different organization. We want to create one platform with a clear alignment to make all synergies very fast, also in terms of results.

I have the personal commitment of leading the company to be number six in the market by 2020, by means of organic and inorganic growth. 2014 was dedicated to consolidate the business in Mexico: now it’s time to grow.

What is your golden rule to manage the business?

Each employee in Mexico is driven to deliver top-performance. We do not accept mediocre results, and sometimes it’s not easy to transmit this culture to the whole team. I’m trying to permeate the staff with the sense of urgency the business requires us to always be one step ahead, as timely response is key to be successful in the market.

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