Interview: Juan Ángeles Uribe – CEO, Laboratorios Carnot – México



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Innovation is a product's added value, ensuring that the patient is ready to buy. The former director of R&D and today CEO of Carnot explains how the company is undergoing a process of professionalization with incremental innovation and exports as two of the company's most important priorities.

You have been with the company for more than 25 years, first as director of R&D and more recently as CEO. How did you get involved with Carnot?

I joined Carnot when the company was run by Jean Claude Savoir, the father of today's management. From the very beginning he thought it would be good to start export operations and I got involved in a project to export generic drugs to the US. The project was a double-edged sword for the company: Carnot managed to undergo all FDA audits and get the registrations for the products; however, the economic scale of the project at that time meant we were not ready to embark on this adventure. Some positive results remained in terms of organization and discipline, aspects we have been able to leverage to become the company we are today. Today the second generation at the head of Carnot has the very clear vision of transforming the company from a family-owned – family operated business to a family owned professionally operated business. They appointed me as CEO to help bring the company to the next level by creating a structured corporate governance.

We are seeing a number of family-run Mexican companies making the move towards the professionalization of their business. Why do you think this is the case right now?

I think it has to do with a number of factors. First, national companies are taking over an increasing share of the market. Second, the lack of growth in the internal market is forcing local companies to look for new opportunities abroad. Third, the regulatory authority, COFEPRIS, is raising the bar, which forces Mexican companies like Carnot to comply with stricter regulation, but also helps us project ourselves internationally. It's a very interesting moment: Mexico changed from being a very closed economy to be a very open one thanks to the trade agreements it relies on –one of the most open in the world. Most companies are realizing they need to be more professional to compete in the international arena. It's a great moment for Mexican companies, full of challenges but also of opportunities.

2014 has been a complex year for the pharmaceutical industry. However, Mexican companies performed well. How would you assess the performance of Carnot?

In recent years the Mexican economy has seen low growth and inflation, which indeed also impacted the pharmaceutical market. With the increasing penetration of generic drugs, pricing has become a crucial driver and local companies were better prepared to face a more cost-conscious patient. Compared to the market, Carnot has done well: in the local market we saw a 6 percent growth rate and our exports have also increased.

Three years ago Guy Jean Savoir told us the company was interested in entering the Brazilian and Venezuelan markets. How do your export operations look today?

Currently we are exporting to Brazil through a local partner but we already have a presence with a small manufacturing plant, which is currently undergoing the approval process with the regulatory authority ANVISA, and a pipeline of products in the process of registration. We hope to be able to launch the first products within the next two years. Brazil is renown for being a very protectionist market, but our experience has been very positive, also with ANVISA. We started working on a project with the WHO in Brazil to distribute injectable contraceptives, our most important export product line, and have been doing so ever since. Unfortunately, after a time of impressive growth, today Brazil is going through a deep crisis. But the economy is strong and we are very optimistic about the future.

As for Venezuela, we were not able to do much due to the turmoil the country started undergoing. Nonetheless, we are currently covering all of Latin America. Today exports represent 20 percent of our operations and we hope to increase it to 50 percent in the near future. We plan to be audited

by the WHO, which would allow us to reach all countries led by WHO standards.

One of the key differentiators of Carnot is its R&D. On what product developments are you currently working?

Creating a new molecule or moving into biotech is not within Carnot's scope, so we need to be realistic about where we decided to invest our resources. In recent years we have focused our efforts in developing products featuring innovation, which could provide patients with added-value. We have worked a lot in developing technology, such as controlled release, which provides the patients with an easier administration and us with an easy way to differentiate from the competition.

In 2014 we launched Juvenum®, a low-dosage estradiol and progesterone combination for the treatment of menopausal symptoms, featuring an innovative delivery mechanism. The product follows the latest international trends with regard to treatment of menopause, which should be with the least possible level of hormones. When hormones are taken orally, part of them stay in the liver. The injectable form allows administering low dosages – we are talking about 0.5-1mg of hormones over one month – and with a controlled release over the whole period of time. Something easier said than done, but we have been able to include in our product.

How was the launch of Juvenum accepted by the Mexican market?

We need to bear in mind that Juvenum is not a product launched for fast sales, because each dose lasts for one month and women do not tend to change easily their hormonal therapy. Nonetheless, the product has been very well accepted by key opinion leaders. Now we are introducing it to the rest of the medical community and we are very optimistic. It's a product with a patented technology and it is a segment which is not easily switched at the point of sale – an increasingly common practice in Mexico. We define innovation as the added value we can give to our product that the patient is ready to buy. If the patient is not ready to buy it, then it would not be worth it.

How do your R&D capacities look today?

We are undergoing a transformation with regard to R&D. We are slightly downsizing our in-house capacities to increase the collaboration with external third parties, such as universities and local institutions. Whereas in the past collaboration between private industry and institutions was very scarce, today it is increasing, slowly, but steadily. And we want to increase this process to take advantage of specialization we do not have internally. Institutions are changing: we have formal agreements in place and researchers are well funded, so they are motivated. We hope this will help

companies understand they need to innovate.

What are your ambitions for Carnot for the coming years?

We are betting on exports and innovation. We would like to continue expanding in Latin America and move to the next regulatory level, that is countries that accept the WHO regulation, which would imply interesting markets such as the Middle East, Eastern Europe and South East Asia countries. We will be looking for strong local partners that wish to expand their pipeline to take their products to market.

We are also interested in licensing technologies from developed countries, particularly the newer players like South Korea.

We want to keep incremental innovation as our main differentiating platform and we have a very ambitious pipeline for the coming years with products already in process of registration. We would also like to license out more products to offer our technology to other companies and other markets.

Whereas export and innovation is our slogan abroad, locally it’s efficiency and human capital. Organized and disciplined teamwork and creativity in innovation are the golden rule to manage a successful business and what we are implementing at Carnot to stay ahead of the game.

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