Interview: Prof. Haluk Ataoğlu, MD PhD – CEO Matriks Biotek, Turkey

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Haluk Ataoglu, academic turned founder of Matriks Biotek®, talks about his aspirations for his company and the Turkish R&D landscape as well as how to penetrate the global pharmaceutical market as a Turkish brand.

As an introduction Haluk, can you tell us what your initial aspirations were in starting Matriks Biotek, and what direction you plan on taking the company as CEO and Founder.

I founded the company in 2002 as a medical doctor and professor of microbiology. I decided I did not have the background necessary to receive a Nobel Prize, however I did believe that I was be able to make a serious impact on the field of microbiology and immunology, so I focused myself on this. I saw a gap in the needs of the country. At that time, we were importing everything in Turkey. While I was in the University of Ankara, we worked on a project for the Islamic Development Bank with two other academics. For that project, we earned around USD 3,5 million, and we saw the

potential. So we started doing hybridoma work producing monoclonal antibodies and bringing them into test format.

Parallel to this I established Matriks Biotek in 2002. For the first 6 years we had no products, and focused only on R&D. In 2007 I decided, together with my colleague from Gazi University, to bring a product to the market which measured anti-drug antibodies for biological drug testing. We were the first company in the world to produce these ELISA Kits and bring them to market. It was not easy to sell this product at first for several reasons, one of which is the branding value of Turkey. If you have an alternative between a German or a Turkish product, which one do you use? So the only way to bring a product to market in Turkey is to be the first to do so, and that product should meet the needs of users.

I can say, with confidence, that we are one of the premier biotech companies in the world. One reason is that 90% of our emails are answered within two hours. What this means is that when we get a purchase order, after pre-payment, we can send the product immediately, without any delay. It takes at most five days for the product to arrive anywhere in the world. Also all your questions technical or business related answered immediately.

After 2008 we started to grow, and the products started selling. We received a number of partnership offers from other, larger companies, but I refused them. I was determined to retain my own brand, a Turkish brand. Today we have distributors all over the world, in the US, Canada, China, Japan, India and more. So anything we produce will be on the market in a very short time. We are also determined to continue to innovate and to bring those innovative products to market.

With such a global company, how do you choose which countries to focus your efforts on when bringing a new product to market?

There are no borders for us. There are billions of dollars moving around the world for the purpose of R&D and innovation, and very little of that comes to Turkey. If I innovate and create a new drug for metabolic syndrome or inflammation, I need to be compensated for that, and Turkey is not large enough for that. I cannot innovate without earning money off my work, so we look for the most promising markets, and do not focus on which borders that market is in.

What is your perception of the current R&D landscape in Turkey? We have heard many companies say there is a major shift underway moving from a mainly generics producing country towards a cutting-edge hub for R&D, do you agree with that?

Not exactly. We need to change our attitudes towards R&D. This is a very science-driven industry. Without scientific advancement this industry goes nowhere. Currently the R&D aspect of the pharmaceutical business in Turkey is very lacking, there is hardly any innovation at all. For years we were a generics driven industry like you said, and this has not really produced the growth we want because again, there is no real science involved in it. To grow we need true innovation. Many people are saying that this is a new chapter in the Turkish Pharmaceuticals sector, which we are finally moving away from purely generics and into the more difficult R&D aspects. I do not believe we are. Today in Turkey we have companies that say they are spending millions on R&D, but where are the results? I do not believe they are trying nearly so hard to innovate as they say they are, but that they themselves are starting to believe their own lines. Recently I was at a bio conference in the US, and the [Turkish] organizer of the conference said that the only way we would be able to innovate in Turkey was to collaborate with international companies. How can a representative of the Turkish industry say that? I think, there must be an inferiority complex in this country. I was quite frustrated, and told him to speak for himself, but please not for us. We have 15 products in the market, export them all over the world and have extensive specialized knowledge which few other biotech companies can match.

I will give you an example of my frustrations. We were searching for Turkish companies producing biosimilars to sell our products to as they are necessary for the development process. It is very fashionable right now to get into biosimilars, and there are a number of Turkish companies with the stated aim of developing their own. We have numerous international clients including Sandoz and several Indian companies who are using our kits for their R&D, PK and immunogenicity studies. A total of more than thirty companies are currently using our products, but where are the Turkish companies? None have approached us or responded to requests for contact. I suspect that they are getting money from the government to develop biosimilars, import the drug in some way, imitate it and bring it to market as a ‘new’ product. There is no development of true knowledge here. The taxpayers should be represented in this, but they are not. I’ve witnessed projects getting as much as USD 50 million just for saying that they will use the money to cure cancer. Personally, I am very skeptical if there exists any actual business, project development, or rollout plans. They just stated that they would cure cancer by building a facility in Izmir, and received the money. Until this attitude changes, and we truly start innovating, we will not move forward in significantly as a country.

As you stated, Turkish brands have very little standing in the global pharmaceutical market, yet you managed to export your products even to the US, which is often seen as the ultimate challenge for Turkish exporters. How did you manage this, and what

were the steps that brought you there?

I will tell you how I made my first sale. Academics have no money. We have a credit card and a low salary. That's where we started. It's a hard job, and I had no experience. I was a teacher, and knew how to educate medical students, but not how to create a package and sell a product. So I taught myself. After that, I went to a website developer, and he asked me for 10,000 Lira which I didn't have, so I went home and made my own website in ten days.

At first I received a lot of questions along the lines of 'who do you think you are', because there is a huge market there and we were trying to enter it without any references or credibility. I persevered and answered all the emails I received within half an hour for eight months, without selling a single product. After eight months I sold my first product to the Czech Republic. I stopped my work at the university and devoted myself to the company full time. Now business is looking up, we're still not selling in huge amounts but we're getting there. We have offers now from Switzerland and Valencia University where we started collaboration and we are in contact with a number of places in the United States as well. I want to stay here however, as I want to motivate people to innovate in Turkey. For a long time it has been the conventional wisdom that it is impossible to innovate in Turkey, and we have shown that this wisdom is wrong. It is possible.

Among your clients you sell to universities, hospitals and private companies. From a commercial standpoint, which of these do you view as most important to the company?

With regards to Turkey, we have no requests from Turkey at the moment, some very few clinicians started to benefit from this. We believe that this is only a matter of time now however as we are selling all over the world. In Turkey it is very difficult to sell or establish partnerships without first obtaining global credibility, which is ironic. We need to partner with universities in order to develop and sell our products. Without this collaboration it is very difficult to bring out new products, but without the credibility we cannot collaborate. Now though we have the reputation, so we see this situation improving in the near future. To answer your question then I would say it is developing collaborative partnerships with universities which is most important as without that we cannot innovate sufficiently. Lately, for this, I have proposed a project to the Professors of Ertan Digestive Disease Center of Excellence at Houston Health Center, University Of Texas. The project has been supported by a seed grant prior to the grant application for TUBİTAK, which is the main governmental agency for providing public financial support for these types of initiatives. R&D is planned to primarily take place in our Matriks further supported by the Center at Houston Texas on a subject of inflammation.

I thought it was a good opportunity for us and our country but seems TUBİTAK didn't agree with us and it seems they have more powerful projects and we all will be waiting for the out come of the projects of the same term, impatiently.

On the other hand, as I have said we have started collaborating with the Department of Microbiology, Faculty of Pharmacy, and University of Valencia where our R&D will be focused on yeast infections, which are serious threats for human health, especially in hospitalized patients where the immune system does not function correctly. Very recently, one of the more well-known pharmaceutical companies in Turkey, İLKO İLAÇ, expressed interested in this project and inquired about treatment options by monoclonal antibodies and other biological drugs.

From the perspective of an entrepreneur, how do you intend to scale your operations in a sustainable manner?

In the very near future we plan on bringing a further fifteen kits to market, and our total number of products will reach thirty, which is a good number. I would like to cover the entire biological drug market as a diagnostic kit maker. To do this we need to grow. First I want to establish a very good R&D laboratory, which we have started. We also have some candidate molecules targeted at the treatment of inflammation, yeast infections, and metabolic syndrome. We have also just developed a monoclonal antibody for Candida albicans, which does not cross-react with the serum and can be safely used in diagnostic tests. This is the only antibody of its kind on the market, and very shows promise for the future. In this sense, we have also developed monoclonal antibodies for Crimean-Congo haemorrhagic fever, but we couldn't understand why it couldn't capture the interet of governmental institutions and pharmaceutical companies.

From the perspective of a Turkish brand which has managed to penetrate the global market, what advice would you give to other Turkish startups hoping to follow in you tracks?

The first principle for success is hard work. Usually I don't work any less than 12-13 hours a day. As Confucius said: 'Choose a job you love, and you will never have to work a day in your life.' I also follow biotechnology on NASDAQ, Yahoo finance, clinical trials.gov and Pubmed to keep up with the business and science. You need to speak the same language as whoever you are communicating with, you must have the same vision. If you are talking to a European company, think like an European. Adapt to your client, identify his way of thinking and show the value you can offer them. For this of course you need an excellent product, which should always be the first step. Products get to the market in one of two ways. One is market pull and the other one is science push. Our

story started with science push. I saw the market, brought the product and communicated the need for it. Now we are witnessing market pull for our products. Customers are demanding new products and we are trying to fulfill existing needs which were not identified before. Again, for this innovation is a must.

What were the biggest challenges you faced when switching from a member of the academic community to a business owner back in 2002? And where do you see yourself and the company in four years?

For me the switch was not a difficult one. Mostly it is about communication. I have always talked as a manager however, even when in academic circles. As an academic it is not possible to communicate with companies without adapting to their way of speaking. If you speak to them as an academic, they will not understand what you are talking about even if you try to discuss the products they are selling, there is a barrier there. I had learned this early on and adapted, so the switch was easier for me.

For where I see the company in four years: Besides expanding in the diagnostic market, I would like to move into the treatment sector as we have identified some candidate molecules. We would like to proceed with the research and development of these molecules. Right now it is a question of money, but I believe that we'll be able to acquire the appropriate funds and also tender for EU grants. Earning money is not why I am in this business. For me it is important to pay my people's salaries, and earn enough to live, the rest goes into R&D. Where other companies proudly state a R&D to earnings ratio of 5-12%, we reinvest 50% of our earnings into R&D. That is our commitment, to develop solid products and to advance the science behind them. I firmly believe that if you have a good product for which there is a need, the money will follow.

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