Interview: Carlos Abelleyra Cordero – CEO Spanish LATAM, Aspen Labs, Mexico



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Carlos Abelleyra Cordero, CEO Spanish Latin America of Aspen Labs, describes the rapid development of Aspen's operational capacity throughout the region, in line with the company's ambition to ultimately establish itself as the commercial partner of choice of big pharma companies in Latin America. He also documents Aspen's focus on organic growth and smaller, strategic acquisitions that can complement the current product portfolio, the growth prospects he identifies in Latin America and the main market trends in Mexico.

When we met with you in 2014, Latin America was a major growth engine for the Aspen group, displaying an impressive 112 percent growth of its regional sales. How has Aspen Latin America been developing over the last two years?

Excluding Venezuela, Aspen Latin America has been displaying double-digit growth rates over the last two years. Unfortunately, the on-going devaluation that has been affecting most Latin American currencies has been negatively impacting these positive results when translated in US dollars. Like for any other international company implanted in Venezuela, the economic difficulties that this country is currently facing have had a significant impact on our regional performance. Considering the enduring economic turmoil in the country, we unfortunately had no choice but to reduce our exposure, and Aspen is not pursuing any commercial activities in the country anymore – although we keep our legal entity in Venezuela.

What are the regional growth spots you envision to offset the loss of the Venezuelan market?

Considering the significance of this market before the current oil and gas crisis, offsetting the loss of our Venezuelan activities will be extremely challenging in the short term. Nevertheless, we hope to generate additional revenue by increasing our presence in Argentina, which is now our second largest potential market in Latin America, after Mexico *(Brazil excluded in Aspen's "Latin American region", e.d.).*

The second axis of our development strategy relates to the broadening of our infant milk business, which used to be uniquely marketed in the premium segment. Unfortunately, IMF projections clearly show that sales in the premium sector will stagnate or even decline over the upcoming years, while mid-tier market sales will display double-digit growth. Furthermore, the mid-tier segment is far from being saturated and a single company used to make up the majority of the market. As a result, we decided to launch our own infant milk products is the mid-tier sector, which is major development for Aspen in Latin America.

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As we enter this segment, we also decided to participate in IMSS' public tenders, a decision that was warmly welcomed by Mexico's largest social security institution, which used to rely only on one supplier for this product category. We won these publics tenders in May 2016 and for the first time in this division's history, Aspen infant milk products are now accessible in the Mexican public sector. In the meantime, this achievement allows us to strengthen our market entry in the mid-tier segment, and we now look at replicating a similar strategy in Central America, Chile and Ecuador.

While your infant milk business was only focused in the premium market until recently, what are the challenges you face when entering the mid-tier segment?

The first challenge relates to our distribution strategy, which is completely different in the mid-tier segment, as we have to target an extremely large number of points of sale, while in the premium market we could concentrate our efforts on a less large numbers of point of sales.

The second task revolves around our market positioning, both toward patients and the healthcare community. We now have to introduce mid-tier segment products, which are of excellent quality, without cannibalizing our premium business. This is particularly tricky and we are putting great efforts in ensuring the healthcare community understands that these new products are essentially meant to allow a larger number of Latin American families to access high-quality, infant milk

products.

When we met with you in 2014, you were laying the foundation of Aspen Latin America by notably working on the integration of the infant nutrition division, which was part of a series of acquisitions including the contraceptive and replacement therapies of MSD and the thrombosis business of GSK. How have you been progressing with regards to this integration phase?

The first year of the integration was particularly challenging, because we had to truly create and strengthen Aspen's presence throughout the continent, while simultaneously handling the integration of a substantial portfolio. When Aspen acquired the infant nutrition division from Nestlé (previously Pfizer) in Mexico and in Latin America in October 2013, Aspen only held legal entities in Mexico and Venezuela.. While developing our footprint in the region, we integrated more than 1000 employees from Pfizer and implemented our commercial strategy for the entire region!

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After this challenging integration phase, we started to set the basis for the future development of the company at the end of 2015, which for the upcoming years will mainly revolve around organic growth rather than substantial acquisitions. However, we are interested in smaller acquisitions that strategically complement our current portfolio and further propel our organic growth in the region.

What do you mean by "strategically complement your current portfolio"?

Let me give you an example. A few years ago, we acquired an OTC brand in Mexico, which is a particularly interesting asset considering this segment is one of the fastest-growing niches in Mexico. Nevertheless, holding a unique brand within our OTC portfolio doesn't provide us with the bargaining power we need in front of thriving retailers and pharmacy chains that make up the Mexican retail market. In this regard, our strategic objective has been to reach a critical mass as soon as possible, allowing us to balance our commercial relationship with retailers and accelerate the growth of our OTC portfolio.

In all Latin American countries excluding Mexico, Aspen held the distribution rights for Milk of Magnesia, an excellent OTC brand we acquired from GSK. Nevertheless, in Mexico, Bayer was the owner of this product, but they were keeping it in a dormant way, probably to avoid parallel imports to the US, where they also successfully commercialize this product. We convinced Bayer that Aspen was the right partner to take over the distribution rights of Milk of Magnesia in Mexico. With this strategic acquisition, we can now increase our OTC volume and get better commercial

conditions – although Milk Of Magnesia doesn't exactly fit the profile of our current OTC portfolio in Mexico.

In the long term – once we have reached the critical mass we envision – we will become more selective about the way we want to tailor and develop our OTC portfolio – probably by focusing on the gastro-intestinal segment and further building on our acquisition of Milk Of Magnesia. This example in the OTC segment perfectly illustrates how we envision pursuing potential acquisitions in the region; first by focusing on developing our commercial capacity before adopting a more long-term vision once we will reach the critical mass needed.

In the infant nutrition segment, we also see that all Latin American governments are pushing to increase breast-feeding, which is a policy that Aspen has been fully supporting as a company. Nevertheless, our infant nutrition products for babies from zero to twelve months are now facing waning dynamics and we have to react. Therefore, we are looking at broadening our portfolio, by targeting two additional segments: pregnant women, and children who are more than three years old.

In June, AstraZeneca entered a commercial agreement with Aspen regarding its global anesthetics portfolio *(outside the US, e.d).* Aspen's CEO, Stephen Saad, stated that with this agreement, AstraZeneca was recognizing Aspen's "exceptional commercial strength and the unique capacity to quickly integrate new businesses". As CEO of Aspen Latin America, what were the challenges you have met in maturing and strengthening this unique commercial strength of Aspen across the region?

Aspen's commercial expertise indeed stands out as one of the most unique features and differentiators of our company. Nowadays, the main growth driver for the vast majority of big pharma companies is their R&D pipeline. In this regard, Aspen's fundamental strength is completely different: our DNA is our unrivalled commercial capacity to make a success of any product portfolio we acquire or hold.

Big pharma frequently needs to transition portfolios, which means divesting product segments that are not considered 'core targets' anymore. Nevertheless, the strategic repositioning of these companies doesn't mean that market needs for their dormant product portfolios have vanished overnight. Thanks to our past successes, Aspen has been able to establish itself as the partner of choice for big pharma to make a success of exactly those divested portfolios – like for AstraZeneca's anesthetic portfolio, for instance.

The largest potential market we identify in the region for the portfolio we acquired from AstraZeneca will be Argentina, based on the current sales. We will train our human resources and develop their capacities with regard to these specific therapeutic areas, but the most critical thing is to hold the right commercial people that will be able to quickly embrace this new TA and make a success of this portfolio over a very short period of time.

As CEO for Latin America, one of my foremost responsibilities has been to build and strengthen the commercial capacity in the region – from scratch. At Aspen, commercial managers cannot rely on the same support functions than in big pharma, and we are experts in building teams made of highly commercially driven people.

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As a seasoned executive with a deep knowledge of the Mexican market, what do you think will be the best strategy for Aspen's pharma portfolio in Mexico?

From a market perspective, there are two major market dynamics to consider. The first one relates to the strength that big pharmacy chains have been gaining over the past years, which now provides them with enough power to switch from any given brand to their own private labels.

The second relates to distribution: with the increased bargaining power of pharmacy chains, wholesalers are now in a weaker position than a few years ago. Therefore, companies need to learn how to best adapt to this new market dynamic: depending on the product, it could be more advantageous to deal directly with pharmacy chains instead of passing by distribution companies.

It also becomes evermore crucial to adopt more aggressive, straightforward commercial strategies than the ones we used to rely on. While it was particularly common to offer substantial discounts to distributors and pharmacy chains, the development of pharmacies' private labels force us to be way firmer on our own prices and move from a discount-based strategy to an added-value approach, in which the core of the negotiation will be centered on the margins these players can make with our products.

Given the high penetration of generics in the country, pharmaceutical companies also have to concentrate their efforts on product categories that are less exposed to this more affordable competition, such as women healthcare, pediatrics or some hospital or OTC products for example. It is absolutely crucial to look at the added value we can bring to patients, in addition to the

physician community. This should go beyond the very basic initiatives that the pharma industry has been following over the past decades, such as promotional offers. For example, Patients nowadays expect pharmaceutical companies to help them better understand their diseases and its progression, especially for chronic, non-communicable diseases.

In Mexico and Latin America, Aspen holds the ambition to become a top ten player. On which strategic priorities will you focus on to ensure your general managers and the company as a whole fulfill this ambitious objective?

To achieve this goal, it will be crucial to continue working on the cultural transformation of the company. In Latin America, we only display a three-year-long history: we need to further develop our organization to reach a more advanced maturity in our commercial capacity. Once we will get there, it will be easier to appeal to big pharma companies and close substantial regional deals again. In the meantime, the only way forward to reach this critical capacity will be through organic growth. If we are able to fulfill our growth objectives with our current portfolio, we will send a powerful message to the market, truly demonstrating that Aspen is the best commercial partner to consider in the region.

Aspen’s portfolio comprises high-quality products, which boast exceptional brand recognition. We are also looking at generating efficiencies throughout our regional footprint, with the upcoming implementation of a shared-service area in Costa Rica. Furthermore, we are developing a common market intelligence approach for the entire region: by assembling data from IMS Health and other alike companies, we want to develop similar KPIs for all countries of the region – and adopt a more united understanding of our different markets. Given these ongoing improvements, and the fact we have been able to build experienced, commercially driven teams throughout Latin America, I am confident we can impulse the momentum our current portfolio needs and reach our growth objectives in the next few years.

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