Interview: Andrés Matesanz – General Manager at DCS Pharma Mexico, Mexico

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Andrés Matesanz, general manager at DCS Pharma Mexico, explains how the merger between Dolder and Chemswiss has enlarged the capabilities and the offering of the company in Mexico and showcases the added value of DCS Pharma being considered the fastest option within the industry.

ChemSwiss has recently merged with Dolder. Could you explain to our international readers how it has been perceived by your clients and how your operations have been affected since then?

Despite the existing differences between Dolder and Chemswiss, the merger has been quite strategic and successful for both sides since we have managed to take advantage of the business synergies in terms of infrastructure, global network and other assets.

Dolder was founded back in 1898 and Chemswiss was created one century later in 1998. Even though Dolder and Chemswiss are in the same industry, Dolder has more divisions such as plastic and chemicals raw materials distribution but its pharmaceutical business line has approximately the same size as the Chemswiss' one. In addition, the pharmaceutical portfolio has been enlarged combining the strong expertise of Dolder in oncology area and the leading footprint of Chemswiss in hormones and steroids API's distribution.

Expanding on our cancer portfolio, Dolder has done a quite interesting job in developing the generic API of a couple of niche and high value molecules of oncology drugs that will go off patent

soon. This will allow DCS Pharma to be perceived by our clients not only as an API distributor, but also as an API manufacturer; indeed, there is an attractive potential ahead for DCS Pharma regarding this new way of doing business. The global pharmaceutical industry is highly dynamic and such merger has strengthened our positioning and capabilities to face any challenge that may arise in the future.

Expanding on our affiliate, such merger has positively impacted our operations because Dolder did not have a subsidiary in Mexico in the past and this has allowed us to enlarge our capabilities in terms of human and economic capital.

DCS has a quite comprehensive offering of products and services such as API distribution, regulation services, patents investigation and others. How is your offering targeted to the local needs?

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In Mexico, we are fully focused on API distribution but we pretend to offer in the short-term regulatory services to local laboratories that want to meet with international standards. Indeed, these types of services are currently only available to European customers from our headquarters in Switzerland.

In my opinion, these services are going to play an important role in Mexico because of the high dynamism of the national health regulation especially in terms of GMP and API requirements. Indeed, during the last decade the government has been strongly committed in ensuring the quality of the drugs and devices that are in the market; in this sense, Cofepris aspires to be the standard of quality within the region meeting with the quality standards of FDA or EMA for instance.

What is your breakdown of revenues per therapeutic area and where do you foresee more growth?

As the merger occurred very recently we are still running our traditional business here in Mexico. Indeed, around 40 percent of our total revenues come from hormones and steroids APIs distribution; the remaining 60 percent is quite disseminated in several others therapeutic areas.

Therefore, we are eager to enlarge our business offering in Mexico incorporating our oncology molecules coming from Dolder and it will be the next step in our product portfolio strategy. In fact, we expect that oncology API’s will strongly contribute in the first line of our profit and losses financial statement.

We have perceived an epidemiologic and demographic transition in Mexico, how has it impacted your clients' needs?

Certainly, the current government is more focused on chronic or non-communicable diseases treatments such as cancer. Indeed, oncology is the third cause of death in Mexico counting with approximately 80,000 annual deaths and the number of patients is increasing by nearly 150,000 of new patients every year. In addition, it is important to consider that the existing ageing population in Mexico will enlarge the footprint of such diseases.

We are fully aware about this trend and we have just started to approach these patients. Indeed, we expect to strengthen our positioning in such therapeutic area launching in Mexico the new oncology molecules developed by Dolder.

Because of the current economic situation, there is a continuous need from your clients to develop more cost-efficient solutions. What are your conclusions on that and how has it affected your operations?

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The government has recently announced budget cuts for the healthcare expenditure in 2017 and thus companies are moving towards increasing efficiency in their operations as well as looking for new ways of enlarging their business. In this regard, we have recently perceived that some of our customers that used to participate every year in public tenders are also competing in the so-called pharmacy chains tenders to increase their sales volume.

Moreover, pharmacy chains have gained more power in the distribution side of the pharmaceutical business and our clients are adapting their operations to such trend, as DCS Pharma does. Thus, we must ensure that our customers will have the needed quantity of API's to cope with such increment of demand, sometimes more than 40 percent.

Despite the existing challenge, it also represents an opportunity and we are already preparing our structure and capabilities to be able to encompass our clients' sales strategy.

The distribution market is set to grow between 4 and 6 percent in 2016. What is the growth target you establish yourself for this year?

This year, as we are still under the business consolidation process with Dolder, we expect to grow around 35 percent in 2016, but the potential ahead is way bigger. As aforementioned, we are building up our sales capabilities to capture the increasing demand accordingly to our current and

future product portfolio.

DCS stands in the middle between API and generics producers, suppliers and clients respectively. What are your competitive advantages that make you the provider of choice for both sides?

One of our main differentiations is our international network of APIs providers and pharmaceutical producers around the world. In addition, despite being an international company with presence in more than 70 countries we enjoy the benefits of having small structure in terms of flexibility and agility in our operations.

In addition, we have a global presence with our own offices in nearly all the continents and are therefore able to offer 24 hours customer service. In this sense, technology has been a key lever to run our operations around the world ensuring the interconnectivity between our branches, customers and providers.

All these elements position DCS Pharma as the fastest option in the industry with the structure and connections needed to totally fulfill our customers' needs at the highest quality standards.

What is the role of the Mexican affiliate within Latin America region?

The other countries within Latin America are currently managed through our offices in Switzerland and Barcelona because of the company's history. Nonetheless, this model is probably going to change in the upcoming three years since it makes more sense in terms of financials and time difference and geographical location to manage those countries through our offices in Mexico.

Indeed, we are already assessing the management and financial structure needed to cope with the rest of the countries within the region since our customers highly value the financial flexibility we are offering to them in terms of payments.

What is the key objective that you would like to achieve in the upcoming three years?

I would like to have strengthened our business here in Mexico consolidating the product portfolio of Dolder and Chemswiss. To achieve such objective, I am already trying to find the right partners that will enable us to start the penetration of our new offering in the Mexican market.

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