Ignacio Vega – CEO, Cardiva



Due to the nature of our products, the pandemic represented a huge surge in demand for us

30.03.2022

Tags: Spain, Cardiva, Cardivais, Medtech, PPE, iVascular, Histocell

Ignacio Vega, CEO of Cardiva and Cardivais, a Spanish medtech producer and distributor, explains how, as a manufacturer of PPE, the company had to reconfigure its production operations to supply the Spanish and European markets during the COVID-19 pandemic. After commenting on the company's presence in Spain, Italy, Portugal and China, he explains why the rising costs of production due to damaged supply chains, inflation, and political crises across the world present an existential threat for many players in the industry.

Cardiva has disclosed that it experienced a huge rise in demand for its products, particularly personal protective equipment, during the COVID-19 pandemic. Can you comment on the situation and how Cardiva managed to keep up?

Cardivais is our manufacturing company in Malaga's Technology Park, which produces surgical equipment such as single-use products used in operating rooms. Due to the nature of the products, the pandemic represented a huge surge in demand for us as they are considered personal protective equipment (PPE) and we have the only plant of that kind in Spain. Cardivais also owns a plant in China which focuses on products that must be made by hand, without automation.

When the COVID-19 pandemic hit, the main issue was that supplies from China stopped flowing towards Spain and the rest of Europe. Cardivais had to re-activate its production of single-use surgical gowns and successfully did so at a pace of 15,000 per day, as well as acquiring from

places like China, Morocco, and Turkey. To keep up with demand, we had to operate at 100 percent capacity, doubling production to supply the market with affordable products. It took a few months to meet the uptake in demand.

Having experienced it first–hand, how did the crisis affect the cost of production?

Everything became more expensive; the cost of transportation doubled as the process moved from sea to air. There was also speculation by some organisations in the supply chain, which had a disproportionate effect on our business because we are highly regulated in Spain and must have future opportunities in mind. Cardiva tried to cover expenses and not look at the crisis as a brief business opportunity. On the flip side, speculation was a factor in the country having uninterrupted access to PPE.

The last time you spoke with PharmaBoardroom, Cardivais was expanding its production capacity in Malaga and looking for internationalisation opportunities. What is the situation of the company today?

Cardiva began as a distributor of medical products in the late 1980s and has looked at ways to develop and manufacture products in Spain ever since. Today, after more than 30 years, the company continues to distribute in Spain, Italy, and Portugal, but also owns the modern Cardivais manufacturing plant I mentioned earlier, located in Southern Spain.

We also own and operate a production plant in Shanghai and have invested in another company in Catalonia called iVascular, that has managed to supply more than 35 markets with 24 vascular products such as heart stents. What iVascular has accomplished in such a short time is quite remarkable, it has proven that Spain is capable of anything with enough investment. In addition, Cardiva recently invested in Histocell, a biotech start–up working on regenerative medicine.

Can you walk us through the investment strategy followed by Cardiva and the structure of its current business?

Cardiva, as its name reveals, was born with a special interest in cardiovascular products, first distributing for Medtronic. As the years passed, we realised that focusing solely on distribution would limit our ability to grow given the continual consolidation, mergers, and acquisitions of

smaller manufacturing companies. We had to look at ways to survive so that Spain could benefit from access to medical equipment. That is the reason why we opted to enter the production business.

The company focused, and continues to do so, on products it knew well after distributing for one of the world's largest producers. However, Cardiva is now betting on the future, trying to diversify and innovate whenever possible. In short, we started as a distributor, moved to manufacturing and are now investing in the future of health.

In terms of production, from Cardivais we offer products that cover 100 percent of surgical needs in operating rooms, not only cardiovascular interventions. In addition, as part of the iVascular project, we are involved in the production of cardiovascular devices.

On the distribution side, we touch on several areas such as radiofrequency products for pain treatment thanks to a partnership with Boston Scientific, oncology-related products, or defibrillators from Phillips. Naturally, Cardiva also sells products for open surgery within the cardiovascular and endovascular areas.

About half of our revenue comes from our own products and the rest from third-party distribution. We are a very attractive partner for small- and medium-sized international companies that wish to sell in some of Europe's largest markets. Moreover, Cardiva is very appealing for big multinationals because no matter their size, it is almost impossible to sell their full portfolio by themselves.

Significant emphasis has been put on digitalisation by big multinational medical technology companies, including the two partners you mentioned, as more and more uses are found for data. How does a company of the size of Cardiva think about digitalis ation?

If you do not digitalise, you will be forced to close. It is not a choice. Data is a crucial asset increasingly used in every part of the process, from early research to sales and accounting. Of course, due to the fast pace at which it evolves, it is not easy to adopt but there is no alternative. All companies in this sector must excel at digitalisation.

The downside of this new era of digitalisation is that companies are strictly controlled. While I am from another era, I understand that it is inevitable.

As billions of dollars from the European Union continue to flow into Spain, the country has announced that it will invest heavily in its health sector, particularly in advanced therapies and research. How can Cardiva be part of that effort and how do you assess the opportunity for the country?

When discussing investments in R&D, I like to think about two things. First, that it is complicated to compete with new products in the mature market, although not impossible because many product niches remain. And second, that great opportunities have appeared in regenerative medicine, biological products, and precision medicine technology.

Spain has a unique opportunity to take risks, betting on the future by investing in companies and people developing new technology. If given the chance, I would also use part of the EU funds to modernise the system; the country has top professionals but needs to invest to make the system more efficient, reducing unnecessary processes.

What is your view on Spain’s manufacturing industry and the challenges ahead?

We are currently quite worried due to the increase of costs of transportation, raw materials and energy. If the situation goes on too long, with the underlying inflation, many companies will be forced to shut down. The public healthcare system is facing a huge challenge in this regard since it is the largest buyer of medical products and equipment. In our case, the cost of moving products from China to our Cardivais plant in Spain has multiplied by five; it is an impossible situation, one that could derail China’s competitive advantage.

Now, if we take the COVID-19 pandemic out of the equation, say a “normal” situation, the rules around labour in Spain have improved in many ways. The country must work hard to change the way it handles temporary jobs and provide more flexibility to both companies and workers; remote working is a fantastic alternative.

How do you see the future of Cardiva and do you think that the operational model will have to change?

It is not easy to think about the long-term when we are facing multiple crisis at the same time, from the pandemic to the Ukraine situation and inflation, but Cardiva is still working on development projects in manufacturing. There is great uncertainty about the future of the market.

If these dynamics go on for too long, the paradigm of manufacturing and distribution will change. Long distance production is not such an obvious decision anymore, for example.

On the distribution side, we are handling 30 to 40 thousand SKUs and thanks to digitalisation we are able to keep adding more. I believe that distribution will play a larger role for Cardiva, at least momentarily. The next year and half will be challenging.

I lived through another energy crisis during the 1970s and it was terrible; it is the time when ministers in The Netherlands started going to work on a bicycle. Inflation was rampant. The crisis lasted for a long time and forced Europe to modernise in many aspects; crises always bring positive things, the challenge is to survive them, which is why solidarity is so important.

See more interviews