Dagoberto Cortés Cervantes – Director, Grupo Sanfer/Hormona Mexico



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Dagoberto Cortés Cervantes, president of Mexico's National Association of Medicines Manufacturers (ANAFAM) and director of Grupo Sanfer/Hormona Mexico, outlines the expansion strategy that has led the manufacturing group to extend its presence beyond Mexico into the broader LatAm region and the importance of the "Alianza del Pacifico" trade agreement linking the country to Chile, Colombia, and Peru. Moreover, he discusses the segmentation of Mexico's public and private markets, its pharmaceutical sovereignty, and the company's vast product portfolio.

Could you introduce Grupo Sanfer and give us an overview of your career and how you came to your current position?

Sanfer is a pharmaceutical group with a business philosophy that favours both the personal and professional development of its employees. Sanfer's objective is not only to generate profitability but to invest it in research, development and the welfare of the population. Within this philosophy, the founding family – Amtmann – has emphasised the value of being grateful and this feeling is instilled in the company at all levels. Sanfer is grateful to all its employees, who make it possible for the organisation to meet its goals; and on a larger scale, to Mexico and more recently to the Latin American region where it has been able to grow and further evolve. The central idea of Sanfer is to give back and repay the country and the same goes for its workers, therefore personal and

professional growth is encouraged for everyone so that they feel valued and committed to the company. Our group tries to generate leaders who are followed voluntarily and not just out of duty because we understand that people are more productive when they work out of a conviction for what they do.

I have been with Sanfer for 21 years now and at that time I had 18 years of experience in the international pharmaceutical industry. Arriving at a 100-percent Mexican company meant an absolute change of paradigms for me, mainly because of the decision-making process here and the very different way of setting objectives in a complex environment. However, the focus of attention in both working environments has always been the same: the patient.

My commitment as Managing Director of Laboratorios Hormona, which was part of the Sanfer consortium, was to strive for the organisation’s continued growth by participating strategically in the institutional sales sector and in the private sector and to leverage our infrastructure capabilities. Part of my role was to develop sales and marketing professionals that would allow us to be present in a large number of sales points in the private sector and to make our portfolio available to the medical profession, mainly from licenses granted by international companies and some internal development.

With the growth of the organisation as a whole and mainly that of its pharmaceutical companies Laboratorios Sanfer SA de CV and Laboratorios Hormona SA de CV, the decision was made in 2010 to merge both companies and create what is now known as Grupo Sanfer. The main challenge for Grupo Sanfer was to position itself at the top of the pharmaceutical ranking in Mexico and at the same time embark on the path towards internationalisation with the presence of its vast portfolio of products in Central and South American markets. With this new business format, the administrative structures were modified and a new corporate governance board was instituted, which is responsible for making strategic decisions.

What has been the recent trajectory and current state of healthcare in Mexico and the role of drug suppliers?

The Mexican market is very particular, and the segmentation of the public and private markets is very well-defined. With a population mostly engaged in informal economic activities, it is essential to have a well-structured and well-resourced health scheme that allows for universal coverage and is accessible and affordable to the entire community regardless of where they live. Health protection services must have clearly defined functions according to the social segment for which

they are intended, mainly those entities whose main target is the part of society that does not have access to any institutional services. The OMS establishes that in order to have acceptable health coverage, countries need to invest 6 percent of their Gross Domestic Product (GDP) in this area. In Latin America, an average of 4 percent is allocated and in Mexico in particular, according to OECD figures, this investment corresponds to 2.5 percent. With this level of investment and such a fragmented health system, it is difficult to provide quality universal coverage for the entire population. It is understandable, thus, why the private market in Mexico is so important and why out-of-pocket spending in countries with little investment reaches such worrying levels.

Given this reality, an extensive network of logistics operators must be incorporated to ensure a presence in all institutional dispensing units, as well as in the 35,000 pharmacies that make up the points of sale in the private sector. The prices of medicines in the government sector must adhere to the market study elaborated by the different institutions, strictly following the parts assigned in the different tenders. Pharmaceutical companies are obliged to do effective production planning in order to respond in a timely manner to the demands established by the government. In the case of sole source products (proprietary products), a negotiation session is held on prices as well as the number of units required by the institution for a particular period.

For those who do not have an institutional health service, they must turn to private health providers or to the diagnostic and treatment units implemented by the federal government, which are directly subsidised by it and which today, sadly, do not have enough resources to provide an adequate level of service to the population. Therefore, the current government decided to eliminate the system known as Seguro Popular, which provided these types of services to the most vulnerable segment of the population, and in its place created the Instituto de Salud para el Bienestar (INSABI), which, given the poor results of its management, has now been replaced by a new system called IMSS-Bienestar, which will provide services to this population group in the same facilities and with the same services as the Instituto Mexicano del Seguro Social (IMSS), an institution that already offers health services to almost 65 million people. The challenge for the federal government and the Ministry of Health is to generate sufficient resources to provide a quality service to all these people and make the system work.

It is the obligation of the pharmaceutical industry in Mexico to look for ways to cooperate with the federal government. Fortunately, in Mexico 85 percent of the medicines consumed by the population are produced in the country itself, avoiding dependency and without sacrificing the quality of the products. For this reason, Mexico is considered to be one of the few countries in the world that enjoys pharmaceutical sovereignty. We can be proud that although in recent tenders

the doors were opened to international pharmaceutical companies seeking better prices and higher quality, 87 percent of government procurement went to Mexican manufacturers.

We are privileged, as there are many countries that do not have a well-established local pharmaceutical industry and then become dependent. COVID made it clear that if the local industry cannot meet the needs of the population, they must wait for others to do so. Therefore, it is important to learn from this experience and to have a good relationship between government and pharma companies, because no government can achieve these goals alone.

We are currently working with the Federal Commission for the Protection against Health Risks (COFEPRIS), which has understood the role of the regulatory agency and is looking for ways to streamline evaluation methods that will increase institutional efficiency, which will be reflected in a greater supply of medicines and health supplies for the benefit of the general population.

Sanfer has achieved not only a strong position in the Mexican market but has also extended its presence in Latin America. How has the company achieved these objectives?

Ten years ago, the percentage share of LatAm segment sales for Grupo Sanfer was 18 percent. Today this share has grown to 39 percent due to the successful expansion strategy carried out through the acquisition of companies including their production plants, commercial brands and personnel; the purchase of marketing rights on commercial brands already positioned in different countries; the signing of licensing agreements for market-specialised brands mainly to support specific areas of our business units, or the registration of new strategic products for each country.

The success outside Mexico is valuable because it has allowed us to transfer the Sanfer philosophy to new countries and to the companies that have joined and are now part of our group. We have made a lot of progress on our portfolio, considering that 10 years ago 40 percent of our products were licensing agreements with other companies. Today that figure has been reduced to 15 percent because we have a more consolidated portfolio with some acquired brands and others we have developed internally, which gives us the freedom to work freely without being constrained by foreign policies and contractual royalty payments. We continue to work hard to keep this growth trend and to achieve greater penetration of our brands throughout the region.

Fourteen years ago, we bought our first company outside of Mexico, in Colombia. We saw that the risk was worth it, so five years later we acquired another company in Colombia and now we are

building a new production plant in Bogota with the latest technology that meets the requirements of the European Medicines Agency (EMA) and the Food and Drug Administration (FDA). We believe that the human capital in Colombia has been a huge asset. They are silimar to Mexicans in terms of education, worldview, criteria and decision-making. These commonalities helped us have fluid communication and ensured a quick integration process. That experience motivated us to continue with our expansion plan and under the same conditions we acquired Laboratorios Pharmadorf in Argentina, Laboratorios Portugal and Laboratorios Cifarma in Peru, Laboratorios Pasteur in Chile, and opened our own subsidiaries, thus creating Sanfer Ecuador, Sanfer Central America with offices in Guatemala, and a distribution centre in Panama. Grupo Sanfer currently has 7,000 employees.

For its growth and expansion strategy, Sanfer relied on the financial support of private equity from two investment funds from the US and Canada. What impact have these investments had on the results of the strategy?

In terms of aggressiveness or speed, with the entry of these partners the change was drastic. They gave new impetus to our strategies, pushing us to act decisively. They accelerated the pace to increase productivity and make the business bigger for more efficient supply chains. The North American fund, General Atlantic (GA), was our first investor, later joined by the Canadian fund, CDPQ (Caisse de dépot et placement du Québec), with a capital injection of USD 500 million, which allowed us to carry out several projects we had already planned like the purchase of brands and companies (Laboratorios Probiomed) to reinforce our market presence in Mexico and support our manufacturing infrastructure in the Latin American region.

The result of these investments was due in part to the future prospects that arose through the Alianza del Pacifico the trade agreement under which Chile, Colombia, Peru and Mexico established a mechanism for economic and commercial integration based on four fundamental pillars: free mobility of goods, services, capital and people, and a transversal axis of cooperation. Taking advantage of the benefits of a treaty is also part of a corporate strategic decision.

The countries in Latin America are polarised in terms of politics and economics, many with devalued currencies and high inflation rates. How does Sanfer mitigate operational risk and investment decisions?

The results of the LatAm operation for Sanfer Group are very good. The macroeconomic, political and social variables you mention, as well as the exchange rate volatility, do affect conditions in the region, so we are extremely careful with investments and we always look for local financial leverage to make the operation robust and be ready to solve any unplanned situations. We take into account the special needs of each country and look to build a portfolio of products and services that are tailored to local needs. Not all products are indispensable in all countries. Not every country has the same investment risk, and not every country has to have the same manufacturing infrastructure, but every country has to provide products of the highest quality and work with the highest degree of social responsibility.

The multifaceted composition of our pharmaceutical group has allowed us to access different market segments in all countries where we are present. The advantage of having an interdependent organisation is the enormous possibility of integrated market management. What one business unit does not have, another one has, thus closing a positive circle in favour of consumers.

What is Sanfer’s product portfolio and accessibility strategy in view of the particularities of Latin America?

Sanfer has a very broad portfolio. We are present in the 20 most therapeutic classes in the region. Until a few months ago, we were absent in a product category that today is considered a trailblazer in the management of chronic degenerative diseases and some transmitted diseases: biotechnological products. Currently, chronic degenerative diseases involve the greatest out-of-pocket expenditure for patients and have a considerable impact on the expenditure budgets of institutions, as treatments are costly and prolonged. These types of products, due to their efficacy and mechanism of action, can significantly reduce the costs of care by avoiding prolonged hospitalisation and costly recovery measures. With this premise and our clear intention to participate in this field, in May 2022 we acquired the first biotechnology company in Mexico, Laboratorios Probiomed, whose product offer is attractive, but above all, its pipeline of short and medium-term projects is impressive. This investment is a catalyst that will not only launch us to the top of the field but will also give us the sufficient critical mass to access the institutional segments of government in all countries of the region.

The many causes of morbidity in Mexico and the Latin American region guide us in providing a range of useful products in different specialities, such as antibiotics of all kinds, cardiovascular, oral

hypoglycaemic agents and now, with the introduction of Probiomed, insulins and Erythropoietin for haemodialysis procedures in patients with renal failure, oncological products, anti-flu, antitussives, analgesics and non-steroidal anti-inflammatory drugs, antacids, gastroprokinetics, antiparasitics, psychotropic products, anxiolytics and antidepressants, as well as a complete line of gynaecological products and a large number of products considered as food supplements and even cosmetics. With this extensive line of products, we find a place in any basic institutional package and can cover the needs of any doctor who provides their services in private medicine.

The workforce of medical representatives or delegates who visit private practices is the largest in the region. With 1,600 representatives in Mexico alone and 800 delegates covering Central and South American countries, we are able to make a total of 480,000 visits to medical practices every month. The deployment of our staff and the number of products we can promote simultaneously places us in the fifth position in the general ranking of pharmaceutical laboratories in Mexico (MFP audit of September 2022) and among the top 10 in the most important markets in Central and South America, except Brazil where we have no brand presence).

Do you have any closing statement you would like to share with PharmaBoardroom's international audience?

Sanfer is in a good position in the region with the huge advantage that regional coverage throughout Latin America is negotiated at a single work table. The next step will be to achieve a presence in the United States, where we have already made progress, and the completion of the Sanfer European Community and Sanfer Asia projects, on which we have already made inroads with some products from our Animal Health division and are preparing the ground to enter the market with our pharma product line.

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