

## Dimitris Demos - CEO, DEMO Pharma

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***It is the perfect time for Southern Europe, not only Greece, to play an important role in safeguarding the resilience and stability of the EU in terms of pharmaceuticals***

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*Fresh from the recent announcement of a massive EUR 356 million investment package for the 2021-2027 period to expand and modernise its production and R&D footprints, DEMO Pharma's Dimitris Demos outlines how the family-owned firm rode out the financial crisis years and what is powering its growth today. Demos also highlights the roles of DEMO - and Greece - in securing the EU supply chain for essential medicines and APIs post-COVID as well as the company's exciting first steps into the biosimilar field.*

**DEMO pharmaceuticals, is one of Greece's leading pharma companies, could you introduce the company to our international audience?**

DEMO is a family-owned business that started back in the 1960s, and now has over half a century of history. A critical milestone in our evolution came in 1997, when we made the strategic decision to specialise in the production of injectable generics and stop producing all other forms. At the time, the European Union (EU) guidelines were becoming more stringent, which meant that, as a privately-owned company, we needed to focus on our standards in order to be able to compete internationally.

Injectable generics is a highly specialised niche market of around six percent of the total pharma market. It is a price-sensitive/volume-based market and in order to be competitive in this tender-based business, economies of scale are crucial. In a relatively small country like Greece, a Greek

company must grow at an international level in order to succeed, so, in 1999 DEMO decided to become heavily involved in exporting.

DEMO secured several breakthroughs in this period, becoming the first Greek producer of injectables in blow fill seal (BFS) ampoules, one of the few companies, back in the 90s, producing in plastic ampoules, and the first company to produce antibiotics in BFS bottles. This represented a significant step forward in terms of these products' usability, a very important consideration in the hospital setting, where nurses may have to use them 50 or more times per day. Taking this breakthrough as our jumping-off point, DEMO began to introduce more products into the market using plastic rather than glass containers, and manufacturing using the relatively inexpensive BFS technology.

In 1999 we created the biggest pharma R&D centre in Greece at 1,400m<sup>2</sup> and, in 2001, DEMO was the first Greek company to register a product in the EU using its own brand. Following this, in 2001 we set the strategic goals of developing seven products per year through this R&D centre - focusing on switching existing formulations to more usable plastic containers - and entering four new countries every year.

The Greek financial crisis hit DEMO hard, as it did all Greek firms, even though, by 2011, 40 percent of our turnover was coming from outside the country. The Greek public hospitals' payment delays for three years created a huge accounts receivable issue. However, at this point, we made the strategic decision to continue our development activities despite these challenges.

While CAPEX investment in production lines and capacity halted, DEMO continued developing seven products per year throughout the crisis period. This meant that by 2019, when the crisis was over, the company had a much bigger product portfolio despite lacking at the time the capacity to produce it at full scale. DEMO also continued its international expansion during this period, growing its presence from 40 countries back in 2011 to 85 by 2019.

From 2019 to today, while we are continuing to expand our product portfolio, we have been focusing on fully utilising these licenses, investing heavily in expanding our manufacturing capacity. Our revenues now have started reflecting this expanded portfolio, jumping from about EUR 134 million in 2019 to 230 million today.

**As a privately-owned company, are sufficient funds in place to power the next phase of DEMO's growth?**

One positive to come from the financial crisis was the implementation of several measures at a European level to push the State to pay what they owe in good time. This has led to a positive cash flow situation for DEMO and the ability to operate smoothly. Building on past R&D investments, the company will be able to increase its revenues without any issues.

The money that Greece stands to receive post-COVID from the EU Recovery and Resilience Facility (RRF) is also influencing our investment plan, because DEMO is receiving long-term funding, contributing to the added-value development of Greece's and Europe's manufacturing sector. We build up our production capacity, including a new manufacturing campus in the industrial zone of Tripoli, 120 km from Athens, which will entail the expansion into the manufacturing of different chemical forms as well as our own active pharmaceutical ingredients (APIs).

### **How important is this move into API manufacturing given the current rhetoric about the nearshoring of essential medicine and ingredient supply chains in Europe post-COVID?**

Today, European producers of final products are facing competition from Indian and Chinese companies that were previously API producers and have now become fully integrated pharma companies. This trend has been apparent for several years, but the EU only grasped its full scale during the COVID pandemic, when Europe faced significant shortages due to its reliance for APIs and final products on supplier countries within its Health policies. Those of us already in the market have long been aware of how this scenario would play out eventually.

Therefore, the strategic decision to manufacture our own APIs was taken in 2019, prior to COVID. This decision has since been proven to be correct by COVID and the subsequent shortages in Europe. Truthfully, many larger companies looked at us in disbelief for moving into this field and attempting to compete with Indian and Chinese competitors on price, but API manufacturing is now becoming one of our most crucial business units.

### **What other strategic investments is the company currently making?**

To put our investments into context, DEMO accounts for a full 25 percent of the total investment across the entire Greek pharmaceutical sector.

In conventional medicines, generics of chemical origin, we created a new 2,500m<sup>2</sup> R&D centre in Thessaloniki, Greece's second-largest city, which was opened in July 2022. This will triple our

development capabilities from seven products per year to 21.

Another important new strategic axis is biologics and biosimilars. DEMO is building a new facility for this field which also covers the production of monoclonal antibodies and is slated to be finalised by the end of 2023.

**Biosimilars cost hundreds of millions of dollars and almost a decade to develop compared to hundreds of thousands of dollars and a few months for a chemical generic. This therefore represents a seismic step forward for the company...**

It is a big step, but we must make up for what we lost during the crisis years, including expanding our capabilities into new pharmaceutical forms. Post-2023, most of the value in the hospital sector will come from biologics, meaning that we cannot remain focused on commodity products alone. DEMO fully understands the need for big pockets and heavy investment, as well as the fact that we will need to wait for eight to ten years to see the first revenues. But we consider it a duty to pursue biosimilar success, given our status as a leading injectable manufacturer for the hospital sector.

**How do you assess Greece's potential as a pharma manufacturing hub for Southern Europe?**

Southern Europe is now repositioning itself in relation to Northern Europe. Over the past 20 years, many EU grants were given towards areas such as innovation and IP protection, while generics were outsourced to countries like India, Turkey, Pakistan and other low-cost producing countries. However, today, local manufacturing companies from Italy, Spain and Greece have a competitive advantage to supply products to the EU. Southern Europe could undertake the production of generics while Northern Europe concentrates on producing innovative products.

It is the perfect time for Southern Europe, not only Greece, to play an important role in safeguarding the resilience and stability of the EU in terms of pharmaceuticals. This was also our main point of negotiation with the European authorities during the crisis period. Sufficiency in three key areas – energy, food, and pharmaceuticals – is crucial for a country or region's survival and ability to traverse economic hardship.

Greece can play a very important role and become a hub of pharmaceutical manufacturing in Europe thanks to our strong local manufacturing industry. This gives me an enormous sense of

pride in my country which has more to offer the world than sunshine, tourism, and olive oil.

**How challenging is it to be successful in the Greek market, given the clawback and rebate system in place?**

While I cannot speak about the challenges of the private sector, I can say that the tendering and procurement system in the public sector is performing well. This system is beneficial for all stakeholders and actually saved Greek hospitals during COVID, when the country did not face any medicine shortages. Moreover – despite nine years of economic crisis – Greece was even able to export COVID-related products to other EU countries, showing the strength and workability of our system.

The main issue, for the retail market, in Greece is a lack of strict measures regarding consumption. Negotiations around new products have been insufficient in the past, and there are insufficient incentives for doctors and patients to switch to cheaper generic products. In the hospital market, on the contrary, the multi-sourcing tendering system, which is implemented for years, could be used as the gold standard for the whole EU, as has been proved during the Covid crisis, serving the Greek hospitals with zero shortages.

**We presume you have no intentions to retire any time soon, given the big investments that DEMO is currently making, but what succession plans are in place for the company's future leaders?**

In a family-owned business like ours, you practically live in the company. I remember being inside a factory at just five or six years old. However, as the firm becomes bigger, talent development and the necessity to develop the leaders for the new era from among our people, are becoming more crucial than ever.

**During the crisis years, a lot of talent left Greece for opportunities elsewhere - what is the situation today and are you able to find the right people to power the company's growth ambitions?**

One of our strategic objectives is the improvement of talent management and of our human capital. Many entrepreneurs in Greece are complaining that they cannot find personnel of quality

and know-how due to the crisis-years brain drain and, while this is partly true, the bigger picture is more nuanced. If a company can provide a good salary and good working conditions, people will want to return to Greece. We have a fantastic climate, with six months of summer every year, and conditions are improving, thereby attracting not only Greek returnees but also talent from around the world is possible. In our company, you can find a lot of these examples.

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