Antonio Donato – CEO, Tecnimede Group

The strategic move to more complex developments and the emphasis on disruptive and innovative areas showcase Tecnimede's commitment to staying at the forefront of pharmaceutical advancements

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Last year, Tecnimede Group - a family-owned titan of the Portuguese healthcare industry - appointed its first professional, non-family CEO in Antonio Donato. This marked a significant milestone in the company's professionalisation and its journey towards becoming an international, multinational entity. In conversation, Donato outlines Tecnimede's current internationalisation strategy and objectives; his approach to talent attraction, retention and development; and how the firm is differentiating itself in the competitive generics space through value-added medicines.

Tecnimede stands as a cornerstone of Portugal’s healthcare industry, recognised as the largest family-owned company in the country. Could you share the story of how you recently became the first non-family, professional CEO?

My journey with Tecnimede spans 14 years. Initially, I was invited to join the board, assuming the role of Vice President for Commercial Operations. Last year, after serving in various capacities and gaining experience in direct management, I was offered the position of CEO. This transition marked a shift, but we are and want to keep being a family-owned business and I believe there is a great deal of possibilities for companies with such foundations.

I accepted the position in July of last year. After working with Tecnimede for over a decade, I felt qualified to contribute to the company’s growth. Given my knowledge of the company and understanding of the approach required to sustain its growth, the decision felt natural.

Reflecting on your journey in steering Tecnimede to independent management and the future of the company, have some notable surprises or challenges shaped this transition?

The journey of Tecnimede Group towards organisational structure optimisation has been multifaceted and did not begin with this change.

Initially, the company was meticulously constructed from the ground up, with each position and department tailored to address specific needs. However, as we strive to anticipate future requirements, it becomes essential to cultivate a workforce that not only understands the present but is also equipped for future challenges.

Given that Tecnimede has historically relied on a specific set of individuals, the objective now is to foster an organisational culture that doesn't hinge excessively on a handful of key figures. This involves ensuring knowledge transfer, facilitating collaboration, and nurturing the development of employees. The transition is akin to steering away from a more parochial approach to one that embraces diversity of thought and profiles.

We were the fastest-growing company in Portugal for over a decade until 2021. Now, the challenge lies in managing different perspectives, whether from the plant, finance, or commercial areas. It requires adapting communication styles and principles while maintaining a unified vision. This adaptability is crucial, particularly for someone in my position, where communication with diverse teams and areas is a key responsibility.

Can you outline Tecnimede's current strategy and portfolio, providing a snapshot of the company's identity in today's pharmaceutical landscape?

Tecnimede's journey began with a dual focus on pharmaceutical development and internationalisation, anchored in the vision of being an international company. The initial challenge was to simultaneously build expertise in pharmaceutical development and expand operations globally. Starting with generics, the company excelled in developing and manufacturing generic medicines, allowing it to supply these products worldwide.

While generics formed the cornerstone, the company strategically transitioned to more complex developments, now known as Value Added Medicines. This expansion involved creating new fixed-

dose combinations, engaging in full clinical development, and exploring innovative delivery systems like long-acting injectables. The shift towards more complex products reflects a commitment to continuous innovation.

In addition to Value Added Medicines, Tecnimede ventured into disruptive and innovative areas, including anti-infectives, particularly antibiotics. The focus on antibiotics is driven by the urgent need for solutions to combat multi-resistance. The company also engages in research on disruptive areas, with a particular emphasis on cell therapy. The joint venture with Portuguese and Coimbra Universities for developing anti-cancer vaccines stands out in this regard.

Commercially, Tecnimede Group operates in four segments: prescription/innovation, generics (retail and hospital), and consumer health. In the prescription/innovation segment, the company focuses on prevalent chronic diseases like dyslipidemia, hypertension, diabetes, and respiratory conditions. In the generics segment, under the name Tecnigen, addresses both retail and hospital businesses. The consumer health segment, although smaller, is notable for its oral care products and well-known brands in Portugal.

The company’s operational model involves different business units tailored to specific segments, each with a unique management approach adapted to its particular client base. This diversified approach positions Tecnimede as a major player in the Portuguese pharmaceutical landscape, holding a significant market share and ranking as the second-largest company among multinational outpatient sector players. The strategic move to more complex developments and the emphasis on disruptive and innovative areas showcase Tecnimede’s commitment to staying at the forefront of pharmaceutical advancements.

Considering Tecnimede’s global presence, how significant is the Portuguese market in the overall footprint of the company?

The significance of the Portuguese market for Tecnimede is substantial, representing approximately 50 percent of the company’s current turnover. This figure accounts for both local sales to Portuguese clients and exports from Portugal to more than 100 countries. The company’s growth in Portugal has been remarkable, outpacing international operations.

While Tecnimede’s international footprint is expanding, the Portuguese market remains a vital component of its overall business. The company takes pride in its Portuguese identity, recognising the importance of maintaining strength and scale in its country of origin. There is a strategic value

in being robust in the home market, as evidenced by a European study correlating export levels with the size of the pharmaceutical sector in each EU member state.

Looking ahead, Tecnimede envisions that by 2029, the international market will constitute between 65 to 70 percent of our business. However, the Portuguese market will continue to be crucial, and the company aims to sustain its growth trajectory in its home country while acknowledging that growth rates in other countries might surpass Portugal's. The commitment to growth in Portugal reflects both a sense of national pride and the recognition of the strategic role the home market plays in the pharmaceutical industry.

Perhaps the key question to any mid-size business is how to keep pace with the local market while because a truly global company. Can you speak about issues such as culture and market fit?

My primary role during this transformative phase of professionalisation is to guide the company in becoming an international, multinational entity. The key objective is to eliminate any distinctions between the Portuguese affiliate and our operations in other countries. The vision is to foster a unified culture and structure, ensuring that the teams across various locations share the same ethos and approach to operations.

There are two distinct pathways for our international growth strategy. The first is focused on countries around the Mediterranean Sea, including Portugal, Spain, Italy, Morocco, and potential additions. The second pathway involves expanding into Latin American markets. Both strategies are carefully aligned with the products we are developing, the willingness of markets to pay, and the overall market size.

In essence, harmonising the organisational culture, structure, and operations across different regions are key. This includes establishing a seamless connection between the Portuguese operations and those in other countries, creating a unified and cohesive multinational identity for Tecnimede. This transformative journey involves strategic decisions regarding market expansion, product development, and organisational alignment to position Tecnimede as a global player in the pharmaceutical industry.

In pursuit of the strategy above mentioned, what obstacles have you encountered, and how have you navigated them on the path to advancing Tecnimede's objectives?

Portugal, being in the southern part of Europe, faces the competition of larger economies and may struggle to keep skilled professionals within the country. With a relatively small population of around 10 million people, and considering the economic conditions, attracting and retaining top talent becomes a complex task. Additionally, the new generations exhibit different preferences and aspirations compared to their predecessors. They are more inclined to seek diverse experiences, both professionally and geographically, leading to a higher likelihood of exploring opportunities outside their home country.

To address this, we recognise the need to adapt our strategies to align with the preferences and expectations of the new generation. This involves creating an organisational environment that caters to their professional development needs, offers satisfying work experiences, and acknowledges the evolving dynamics of the workforce. While talent acquisition and retention pose challenges, they represent a part of the broader issue faced by Portugal as a whole. The solution lies in adapting our approach to align with the expectations of these new generations while contributing to the growth and development of the country and the company.

When it comes to attracting talent, how would you characterise Portugal's competitive landscape in our industry?

The appeal of Portugal is influenced by various factors, and it's a multi-stakeholder effort involving the government, companies, and educational institutions. One critical aspect is the investment in innovation or the fact that we have not invested enough on it.

For instance, countries like Switzerland, despite their small size, have positioned themselves as global leaders in innovation. They allocate a significant percentage of their GDP to investment, ranking third globally, following Korea and Israel. Their strong culture of startups and innovation makes it more feasible to attract and retain talent.

Fostering a culture of innovation, supported by substantial investment, is essential. It's not merely about providing competitive salaries but creating an environment that fosters creativity, research, and development. Similar success stories, like Ireland with its focus on innovation and research, demonstrate that taxation is not the sole driver of a country's appeal for talent. Portugal has the potential to position itself as a hub for innovation, making it more attractive for skilled professionals.

What changes or improvements within Portugal do you envision that could enhance its competitiveness?

I believe it requires a collaborative effort involving both companies and governmental initiatives. Companies cannot tackle this issue alone. We need diverse policies and incentives to attract a global pool of talent. Losing our best minds while only acquiring individuals for specific sectors is not a sustainable approach. Learning from successful models like Australia's positive discrimination policies can provide valuable insights. It's essential to adapt such strategies within the framework of European rules, simplifying the identification process and reducing bureaucratic hurdles.

In our pursuit to attract talent, we've observed the strategies employed by other countries such as Germany, Australia, and the UK. Despite Portugal's strength in the pharmaceutical sector, we find it challenging to compete with certain European nations. Exploring talent beyond the EU, like hiring individuals from other territories, that have been exposed to manufacturing or operating in large markets for example, becomes a viable option. However, the prolonged onboarding process, taking around four months, poses a significant obstacle. What we lack is a clear pharmaceutical or innovation strategy with well-defined programs to achieve our talent acquisition goals. This absence of a comprehensive strategy is a key hurdle we face.

Moreover, addressing the productivity aspect is crucial. When we compare the salaries in Portugal's pharmaceutical industry to Switzerland, a focus on productivity becomes evident. While Switzerland emphasises value-added products, we need a similar concentration on value addition in Portugal's pharmaceutical sector. This industry holds immense potential to enhance the value of our exports. The added value per worker is significantly higher in pharmaceuticals compared to other industries like aerospace or oil. Despite challenges, we remain optimistic about the pharmaceutical industry's ability to attract skilled individuals and contribute substantially to Portugal's economic landscape.

Looking ahead five years, what is your vision for Tecnimede's long-term strategy, and how do you anticipate the company evolving in that timeframe?

What might seem surprising at first is that Tecnimede's long-term strategy will decidedly steer clear of biotech, specifically biosimilars. We've taken a strategic stance by saying no to biosimilars, emphasising the importance of making decisive choices. Instead, our trajectory involves a deepening commitment to a value-added platform. This means consistently augmenting the value of our offerings. For example, in the realm of fixed-dose combinations, we're not just opting for the

obvious solutions; we’re delving into more complex territories that involve rigorous clinical programs. Anticipating a market entry between 2026 and 2028, we’re aligning our efforts with a vision to bring products with increasing value to fruition.

Currently, our major exported products already showcase technological differentiations.

One notable product is an injectable sent to the US, boasting patent protection, and embodying a modern technological approach. Additionally, a fixed-dose combination, resembling those I mentioned earlier but with a less intricate clinical development process, represents another facet of our exports. As we move forward, we’re fostering collaborations and partnerships, especially in Brazil, where our activity is oriented towards business-to-business dealings. We are actively engaged in co-developing new products with partner companies. These strategic alliances extend to universities, forming key partnerships for the development of innovative products. To fortify our research capabilities, we’re exploring collaborations with major European research entities.

When considering our more innovative pipeline, particularly in the realm of antibiotics, our regular pharmaceutical activity kicks in. This involves developing new chemical entities, small molecules, and navigating the complexities of the pharmaceutical landscape. For any of these molecules under development, the future poses a challenge in finding the right balance between the imperative of innovation and the real-world constraints of market willingness to pay. It’s a delicate act of navigating these intricacies to ensure our continued commitment to groundbreaking pharmaceutical solutions.

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