

# João Sotana - General Manager Portugal & Group

## Strategic Adviser, Azevedos

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*Azevedos Group's João Sotana outlines the firm's diverse strategic pillars, including manufacturing for Portugal and international markets; its focus on sustainability and innovation; and how it plans to stay ahead of the pack in the competitive generics market, including via expansion into the US market with a focus on freeze-dried injectables.*

**Can you provide an overview of the Azevedos Group for our audience? What are the key pillars and strategic focus areas, and where does your role come into play?**

The Azevedos Group, functioning as a holding company, exhibits a multifaceted structure with a distinct presence across three strategic pillars. One of our key strengths lies in the meticulous management of the entire supply chain, starting from production and extending to the availability of goods in pharmacies. Within this, the industrial facet, represented by *Sofarimex* serves as our branded factory. *Sofarimex* has a remarkable global reach, exporting products to more than 90 countries and engaging in significant collaborations with major global pharmaceutical companies. This arm contributes substantially, accounting for 40 percent of the group's total turnover.

Moving to the next pillar, the second largest customer of *Sofarimex* is the Azevedos brands. Treated as an independent partner within the group rather than enjoying preferential treatment. This approach ensures transparency and fairness, emphasizing the numerical results as the

defining factor in our collaboration. This division plays a crucial role in maintaining a competitive edge in the pharmaceutical landscape.

The third pillar involves our business operations in Mozambique, representing a strategic commitment to providing medicines across the country. This vision, initiated 26 years ago (27 this year), has manifested into a two-fold approach in Mozambique. We operate as a distributor for various global companies, including renowned names like J&J, GSK, and Novartis. Simultaneously, Azevedos contributes directly to the healthcare landscape in Mozambique, particularly through our brands, which are prominently displayed in pharmacies across the nation. The strong local presence has established a deep connection with the population, exemplified by instances where the mention of Azevedos elicited applause for providing essential medicines.

The historical roots of the Azevedos Group trace back to 1775, marking the genesis of pharmaceutical services in Portugal. While the brand name may not have been established then, the geographical point of origin holds significance. This rich legacy, soon approaching 250 years, underscores our enduring commitment to the pharmaceutical landscape, evolving from a pharmacy into a dynamic force in the industry.

To provide a comprehensive breakdown of the Azevedos Group's business segments, Sofarimex serves as a significant contributor. Within Portugal, the local business, Azevedos, comprises approximately 15 percent of the group's operations. Simultaneously, the business operations in Mozambique contribute a comparable percentage, rounding out at roughly 15 percent. This strategic allocation emphasizes a balanced distribution of business interests.

To complete the picture, the remaining percentage encompasses various other segments within the group. Notably, the presence extends to a group of pharmacies in Portugal and includes a distinct entity, DLA, functioning as the distribution arm of the group. This comprehensive structure, encapsulating the entirety of the supply chain and incorporating distribution, underscores the group's diverse and integrated approach to pharmaceutical operations.

**Could you share insights into how you defined the company's strategy during your two years as the head of Azevedos, coming from a background with GSK (now HALEON)? What were the key considerations and guidance provided to you in shaping the company's direction?**

Navigating the company's strategic course involved several fundamental steps, with a primary focus on people. Establishing a robust and capable team was pivotal, aligning roles, responsibilities, and job descriptions. This process, often challenging in a global context, gained significance at the local level. Transparency and trust were cultivated between the board, the president, and the execution team, extending to key stakeholders.

We brought in metrics to provide consistent and measurable insights into our business. This involved creating an atmosphere of full trust, not only with the board but also with key stakeholders in the company. This emphasis on clarity contributed to a better understanding of what strategy meant in terms of portfolio, trade segmentation, and other aspects.

Our strategic platform was clarified, focusing on three main areas. The first was promoting and concentrating on our own brands, recognizing the brand as a strong asset to the company. The second was giving full effort to our key partners, reinforcing long-term distribution contracts based on trust. The third was addressing the challenge in the generic market, where the top three companies account for nearly 50 percent of the market, and the top 10 for over 90 percent. Despite being a smaller player in this segment, our reputation and commitment position us as a trusted partner.

Our approach to the generic market involves revising our commercial strategy and collaborating closely with key partners, aiming to be more active in the market, and leveraging our trusted name even in the face of not having the most extensive genetic portfolio. This reflects our commitment to facing challenges head-on, drawing from our long-standing history and the trust we've built in the market.

**Given Mozambique's prominence in your business, what are some of the most significant market dynamics at play there?**

Mozambique is indeed a noteworthy market for us, albeit not in terms of value, which stands at approximately USD 30 million, significantly smaller than Portugal. However, the growth rate is remarkable, consistently strong double-digit, surpassing Portugal. The strategic importance of Mozambique is deeply rooted in our company's history and the vision of our president. Beyond business objectives, our commitment extends to aiding the country in establishing different support activities.

Our engagement in supporting Mozambique's pharmaceutical ecosystem has been a collaborative effort, contributing to the country's organization in terms of pharmacy and medicine agency infrastructure. Our presence in Mozambique has facilitated a sense of community and collaboration. It's worth noting that Mozambique's pharmaceutical landscape is well-structured.

While we explored other former Portuguese-speaking countries like Angola and Brazil, the decision to focus solely on Mozambique was strategic. The country's well-organized systems made it an ideal location for us to add significant value. This move aligns with our commitment to being more than just a business entity but an active participant in fostering sustainable and organized healthcare systems in the regions we operate.

**Can you provide an update on the company's internationalization plans, particularly regarding freeze-dried injectables and their entry into the US market?**

Our focus on internationalization, especially concerning freeze-dried injectables, has seen significant progress. With our new factory boasting production capacities exceeding 30 million units, we've not only increased output but have also established a state-of-the-art facility that aligns with the highest industry standards. The precision, cleanliness, and advanced technology of our plant set it apart as an added value not only for our group but also for Europe and the global market.

Regarding the US market, internationalization plans are still in the development phase. It's a meticulous process that demands time, particularly when navigating the complexities of entering the US pharmaceutical landscape. Despite facing delays and shifts in priorities since the initial plan in 2018, our commitment to entering the US market remains steadfast. We recognize the significance of this market, and our teams are actively engaged in the registration process, ensuring a strategic and methodical approach to this crucial step in our international expansion.

**Can you elaborate on the strategic pillars of your local portfolio, particularly focusing on generics, medical, and consumer segments?**

Our local portfolio is strategically organized into three core pillars.

The first pillar is our consumer business, encompassing various categories. One of our standout brands in this segment is the leading anti-sickness brand in Portugal, through a robust program

initiated last year, we aim to position Vomidrine [OTC brand] as an expert in sickness-related categories and be recognized as the partner of choice for a diverse range of health needs in our market. Additionally, we are actively working on expanding our consumer portfolio to strengthen our position in the pharmaceutical market.

The second pillar is the medical category, primarily consisting of branded medicines prescribed by doctors. We hold a leading position in specific categories, focusing on family doctors, osteoarticular and cardiologists in districts and sub-specialties. This medical pillar underscores our commitment to providing high-quality branded medicines and maintaining a significant presence in the market.

The final and significant pillar is generics, serving not only the Portuguese market but also playing a crucial role in supporting our business in Mozambique. Generics are a platform we consider vital, and we are dedicated to optimizing this opportunity.

**What is your perspective on the landscape for generics in Portugal, and how do you approach the balance between competitiveness and sustainability in the marketplace?**

The increasing cost of goods coupled with competitive pricing makes it challenging for medium-sized companies to stay competitive. While I acknowledge and agree with the challenges highlighted, I also believe that key players should look beyond supply chain issues.

It's essential to evaluate our impact on the market and recognize that aggressive sales tactics, particularly steep discounts, might not be a sustainable approach. While I emphasize our alignment with the concerns raised, I believe there's room for improvement, and we, as key players, should consider a holistic approach. Our focus is not solely on price negotiations but extends to fostering partnerships with pharmacies based on quality, mutual growth opportunities, and added value.

As the 15th-ranked company in the market, we are actively working to shift conversations with our partners towards creating sustainable partnerships that go beyond mere commercial discounts considerations. While we acknowledge our current position, we are committed to evolving our strategies to contribute positively to the market dynamics.

**Can you provide an overview of the business performance in 2023, and what are the plans and expectations for 2024?**

In 2023, our business performed well, achieving growth of approximately ten percent. Openly I can share we slightly fell short of our ambitious budget mainly due to supply chain issues at the end of the year. The first three quarters saw robust growth, but challenges emerged in the last quarter due to stock ruptures. Throughout the year, we faced occasional out-of-stock situations, managing them effectively until the last quarter when it became more challenging. Nevertheless, we are proud as we grew 14 times versus the categories where we operate!

Looking ahead to 2024, our focus is on regaining stronger growth, supported by innovation and commercial initiatives. We aim to positively surprise our customers and partners with innovative approaches, anticipating a positive trajectory for the new year.

Additionally, our success in Mozambique, where our leadership position is externally recognized, will contribute significantly to our overall standing. The distinctive position we hold in Mozambique, with a group of respected brands and a distribution company, has been instrumental in navigating challenges and maintaining a strong business presence.

**Considering the political situation in Portugal, where do you believe efforts should be focused?**

Despite potential political challenges, I believe that the stable nature of Portugal and its people will prevent significant disruptions in the market. From a political standpoint, while there might be delays or indecisions, it is unlikely to dent the overall market structure. One notable change is the recent law eliminating the price information on medicine boxes. Although this may initially cause confusion, it is expected to benefit consumers, patients, and pharmacies in the medium to long term.

The decision, to remove price details from the packaging offers advantages for the supply chain, reducing disruption and waste. Additionally, it aligns with broader goals of enhancing transparency and providing consumers with clearer information about the cost of medicines in the moment of purchase.

**In the context of the growing importance of sustainability, how is Azevedos contributing to a paperless and environmentally friendly world?**

Azevedos is actively committed to contributing to a paperless and environmentally friendly world. We initiated our sustainability efforts by harnessing the abundant sunlight in Portugal, particularly in Lisbon, where we benefit from over 300 days of sun annually. This led to significant investments in solar energy, aligning our operations with green practices.

Internally, we are undergoing a transformative process to minimize paper consumption and reduce the use of inks in printers. This involves optimizing internal processes to digitize workflows and implement efficient computer systems. While we acknowledge the need to improve communication about these efforts, sustainability is firmly on our agenda, and we are dedicated to fostering eco-friendly practices within our organization.

**As a final statement, is there anything specific you would like to share with the pharma and life science community at large?**

It's important not to forget the significant contributions made by the pharmaceutical industry during the pandemic. The promises and commitments made by industry players and governments underscore the key role of the pharmaceutical sector in shaping our present and future. There is a concern that decision-makers may be overlooking the positive impact and support provided by the industry during challenging times. It's a powerful reminder that the pharmaceutical industry is vital for our collective well-being, and acknowledgement of its contributions is crucial for future collaborations and advancements.

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