

Luis Abrantes - CEO, Generis



We aim to positively surprise our customers and partners with innovative approaches

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Luis Abrantes explains how Generis, as one of the leading companies by volume in both the retail and hospital segments of the Portuguese pharma market, serves a huge number of patients in the country. Starting out in 2003 as a family-owned firm, it was then bought out by private equity in 2009, before an acquisition by Indian giant Aurobindo in 2017. Still retaining the well-regarded Generis brand name, the company boasts Aurobindo's only manufacturing site outside of India; a potentially important node in Europe's push to regain medicinal sovereignty in the post-COVID era.

Can you share your journey into the life sciences industry, especially transitioning from a background in management and business administration to your role in the pharmaceutical sector?

My journey into the life sciences industry has been a unique one, diverging from a traditional path. Armed with a degree in management and business administration, I commenced my career at Arthur Andersen, initially focusing on auditing and later transitioning to consulting. The company underwent a split, separating from Anderson Consulting, where I became involved in the consulting division.

A pivotal shift occurred when I joined a French branch operating in Portugal for a German mail-order company. This experience, spanning over a decade, exposed me to various facets of finance, human resources, IT and logistics.

In 2003, an intriguing opportunity emerged in the pharmaceutical sector. Despite my initial reluctance, the prospect of joining a generics company, particularly Ratiopharm, a prominent player in Europe and Portugal, proved compelling. Embracing the challenge, I assumed the role of CFO in 2005.

The subsequent five years marked a transformative period as Teva, a pharmaceutical giant, acquired Ratiopharm. My role as CFO involved significant contributions to rationalization and integration efforts. This experience was pivotal, equipping me with the skills to navigate the complexities associated with managing an extensive portfolio.

Today, at Generis, this journey informs my approach to leadership, strategy, and decision-making. The varied experiences across auditing, consulting, mail-order, and pharmaceuticals have collectively shaped my perspective and ability to adapt to the evolving landscape of the life sciences industry.

Could you provide an account of the history, evolution, and notable milestones in the journey of Generis?

Generis, a Portuguese pharmaceutical company, traces its roots back to 2003 when it emerged as a family-owned business specializing in the retail segment of generics. Initially catering to the retail market, it swiftly gained prominence and leadership in the field. In 2009, a pivotal development occurred when private equity magnates acquired Generis, ushering in a new phase of growth and strategic management.

The private equity-backed era lasted until 2017, during which Generis continued its trajectory as a significant player in the pharmaceutical landscape. In 2017, the narrative took a turn as Aurobindo Group, a key player in the European market, seized the opportunity to acquire Generis. This move was part of Aurobindo's strategy to establish a foothold in diverse European markets.

Aurobindo's interest in Portugal stemmed from the country's retail market dynamics, which provided a unique entry point. Portugal, along with other European markets like Spain and Italy, presented opportunities for Aurobindo to expand its operations. Importantly, Generis brought with it a robust and recognized brand in the generics sector.

Despite the acquisition, Aurobindo opted to retain the Generis brand, recognizing its potency in the market. This decision aligns with Aurobindo's approach in other markets, where they retained established local brands to leverage existing market recognition. While Generis remains the

primary brand, Aurobindo and other brands also coexist, reflecting a strategic integration that allows for a diverse and comprehensive pharmaceutical portfolio.

Could you provide insights into Generis' manufacturing setup? Is the manufacturing process handled in-house, or is it a combination of in-house and outsourcing?

Our manufacturing setup involves a combination of in-house production and sourcing tools from abroad. Generis operates as a crucial manufacturing hub within the Aurobindo group's network. It stands as the sole industrial facility of Aurobindo in Europe, with its primary base located in Portugal. This strategic positioning allows Generis to serve as a pivotal source for the production of pharmaceuticals for both the local market and broader European regions.

While Generis plays a central role in supplying generics from its manufacturing plants in Portugal, it's noteworthy that the Aurobindo group's runs manufacturing sites in India. In terms of supply chain dynamics, Generis not only caters to local markets but also serves as a supplier for other affiliates within the Aurobindo group. This implies that the pharmaceuticals manufactured by Generis contribute to fulfilling the demands of Aurobindo's various affiliates, creating a diversified and interconnected supply chain.

Moreover, Generis engages in Contract Manufacturing Operations (CMO) organizations, enhancing its versatility. However, it's worth noting that the Aurobindo group, including Generis, does not have commercial operations in India; instead, the focus is solely on production activities in the country. This strategic distribution of manufacturing responsibilities strengthens the Aurobindo group's global presence and ensures a robust supply chain for pharmaceutical products.

Are you able to shed light on the competitiveness of pharmaceutical manufacturing in Portugal, considering factors such as labour costs and productivity? How does Generis navigate these challenges, particularly in comparison to other plants within the Aurobindo group?

The landscape of pharmaceutical manufacturing in Portugal presents notable challenges, primarily associated with higher salary costs compared to regions like India. While acknowledging this disparity, Generis adopts a strategy centered around maintaining a highly efficient and streamlined operation. The emphasis is on productivity standards that are not only competitive within the Aurobindo group but also position Generis favorably in the broader European context.

In the realm of competition, Generis excels, particularly in the production of pharmaceuticals with lower scales. This specialization allows Generis to offer a compelling solution, especially when compared to higher-scale production capabilities present in India. The strategic focus on lower-scale manufacturing aligns with the specific niche where Generis can outperform, showcasing its ability to navigate competition both within the Aurobindo group and when compared to other Contract Manufacturing Organizations (CMOs).

Moreover, Generis positions itself as a preferred choice for other European affiliates within the Aurobindo group due to proximity and operational effectiveness in the supply chain. The aim is to transition from reliance on local CMOs to strengthening Generis' role as a prominent European CMO, aligning with broader strategic goals supported by the group. This strategy ensures that Generis remains not only competitive but also a reliable and efficient contributor to the Aurobindo group's global supply chain.

The disruptions observed during the COVID-19 pandemic have underscored the importance of addressing challenges in the pharmaceutical supply chain. Generis recognizes the need for strategic planning to enhance resilience and reduce dependency on external regions, such as India, for critical components like Active Pharmaceutical Ingredients (APIs).

While acknowledging the complexity and urgency of this matter, Generis emphasizes the importance of building alternative plans that go beyond traditional strategic reserves. The company understands that achieving true resilience involves industrializing Europe again, particularly in terms of API manufacturing. Generis points out that Europe has experienced a loss of capability in producing APIs, with minimal presence in countries like Portugal, where historical capacities have diminished over the past two decades.

Generis recognizes that certain essential components, particularly in antibiotic production, have seen a decline in local production capabilities. The challenges in reestablishing these capacities are acknowledged, and feasible solutions are being explored. The company emphasizes the need for Europe to create conditions that encourage and support the pharmaceutical industry in reshoring critical manufacturing capabilities.

While understanding the impracticality of completely bypassing Asia, Generis aims to contribute to the ongoing discussions around reshaping the pharmaceutical supply chain. The goal is to strike a balance that ensures security, resilience, and a more diversified supply chain for critical pharmaceutical components, aligning with broader industry efforts to address vulnerabilities exposed during the recent global challenges.

How does Generis propose addressing price erosion and ensuring pharmaceutical market sustainability in Portugal?

Generis emphasizes the critical need for addressing the long-standing issue of price erosion in the generics segment, which has significantly impacted the sustainability of the pharmaceutical market in Portugal. The company highlights the importance of reversing the negative trend of the last 20 years, emphasizing that the erosion of prices has been a persistent challenge.

Generis acknowledges the positive step taken by the Portuguese government in allowing a 5% increase in the lowest prices in the market. However, the company stresses the need for more substantial measures to ensure sustainability. The recommendation is to halt the price erosion that has been prevalent for decades. Generis suggests that further price adjustments, beyond the 5% increase, are essential to address the economic realities of the pharmaceutical industry. The company points out that sustainable pricing is crucial for maintaining a diverse portfolio of medicines in the market.

The pharmaceutical industry requires a sustainable market that allows for adequate pricing, ensuring that companies can continue to provide essential medications without compromising on economic viability. Generis advocates for a market-driven approach, favoring sustainability over financial aid or artificial subsidies. The message is clear – allowing the market to be sustainable will, in turn, lead to self-regulation and a more resilient pharmaceutical industry.

Generis emphasizes the significance of these efforts not only at the national level but also underscores the importance of coordinated actions at the European level. A collective approach is seen as essential to creating a pharmaceutical market that is not only sustainable but also competitive. Generis believes that conveying this message to authorities and fostering a sustainable market will play a pivotal role in ensuring the availability of critical medications for the population.

In joining Generis three years ago, what specific mandate or direction were you given?

When I joined Generis three years ago, there wasn't a specific mandate per se. The company was already a well-functioning entity, especially on the production side, running at full steam. My arrival coincided with a period of global uncertainty due to the COVID-19 pandemic. Despite the lack of a clear mandate, the message I received was simple: "Do your best." It was a time when traveling

was restricted, preventing physical interaction with the India and European headquarters. Therefore, my initial focus was on being physically present at the office, closely engaging with the production and manufacturing teams.

Coming from the leader in the generics industry, and stepping into Generis was an attractive proposition. What appealed to me was the lack of a rigid mandate and the opportunity to be closely involved in the operations and the field. Throughout my career, I have maintained a strong commercial exposure, even spending time visiting doctors, hospitals, and pharmacies with sales reps early on to understand the business thoroughly. This hands-on approach and broad commercial exposure have been integral to my leadership style.

The transition to Generis brought with it a unique set of challenges and opportunities. Generis presented a different set of complexities and nuances. I appreciated the complexity and was drawn to the challenge. Logistics and supply chain management became critical aspects, given the nature of the business, and the physicality of the industry was a significant factor. The move to Generis was the only option for me, and the experience has been marked by navigating the intricacies of a highly competitive and dynamic pharmaceutical landscape, especially against the backdrop of the ongoing global health crisis.

In essence, my approach was to leverage my commercial background, engage closely with the operational aspects of the business, and adapt to the unique circumstances presented by the pandemic, ensuring continuity and excellence in the company's operations.

Could you elaborate on the strategies you implemented during your three years at Generis to further solidify and maximize the company's portfolio? Specifically, did you focus on certain therapeutic areas, adopt new working methods, or make strategic portfolio adjustments?

When I joined Generis, the company had already achieved a notable position in the generics market, particularly in terms of portfolio volume. My approach was not necessarily to intentionally pursue a leadership position but rather to enhance and optimize the existing strengths. Analyzing the portfolio, it became apparent that there was potential to improve product availability, a critical factor for sustained growth. This strategic focus on increasing product availability proved to be effective in strengthening our position and presence in the market.

Additionally, I identified that the portfolio was somewhat broad in certain areas, leading to the decision to prune products. While product pruning might induce concerns, especially in the commercial domain, clear communication was pivotal. I emphasized the importance of focus and directed efforts towards molecules where we had the greatest potential and competitiveness. This approach aimed to streamline the organization, enabling us to concentrate on areas with higher market potential and capability.

Communication played a crucial role during this period of adjustment. Articulating the rationale behind portfolio adjustments, the need for focus, and the overall strategy was key to fostering understanding and aligning the team with the new direction. Focus was my guiding principle, emphasizing the importance of aligning the organization's efforts with market demands and ensuring competitiveness.

In terms of therapeutic areas, being a generics company, the objective was to align with the originators' market presence. Our strategy was not limited to specific therapeutic areas but rather focused on where the market potential existed. Over time, this approach led to a strengthening of our position, particularly in CNS and gastro segments, responding to market dynamics and opportunities.

Do healthcare professionals in Portugal show a willingness to prescribe generics, and how does this process operate? Does this pose any particular challenges?

The landscape in Europe, specifically Portugal, has seen a significant shift in prescription practices since 2012 when doctors were no longer able to prescribe brand names. The key driver of prescriptions has now shifted to pharmacies. However, the challenge lies in ensuring that doctors are well-informed about the equivalency between generic and Originator products. This challenge is being actively addressed through ongoing efforts, primarily coordinated within industry associations.

Promoting literacy among healthcare professionals, particularly doctors, is crucial in fostering a deeper understanding of the interchangeability of generic and branded medications. This education initiative is undertaken collaboratively within the industry and with the support of regulatory bodies such as Efarmet (the regulatory authority) and the Ministry of Health. By working in coordination, the goal is to overcome any resistances or reluctance in the system and emphasize the comparable efficacy and safety of generic medications.

While the shift towards generics in prescriptions has been notable, with approximately 50% of prescriptions being generics, continuous efforts are being made to further improve this reality. The focus remains on educating healthcare professionals, addressing any existing resistance, and striving for an environment where the prescribing decisions align with the understanding of the equivalency between generic and branded medications.

Reflecting on your almost four years as CEO, how have you navigated the balance between growth and rationalization, and what are your expectations for the company's future?

Generis has indeed established itself as an aspirational name, fostering positive identification and association with quality in the generics sector. The brand's recognition is an advantage, and the goal is to position Generis among the best in class in Europe, targeting a market share of 20 to 25 percent. Achieving this growth involves strategic initiatives to overcome obstacles and shift mentalities. The focus is on promoting awareness and understanding of the brand's commitment to quality and efficacy.

Over the past three years, the company has navigated the delicate balance between growth and rationalization. Strategies have been implemented to optimize the portfolio, ensuring it aligns with market demands and maintains competitiveness. This rationalization process aims to enhance efficiency without compromising the commitment to quality.

Looking ahead, the company has set ambitious goals, including sustained two-digit growth. The strategies employed involve a combination of market expansion, targeted awareness campaigns, and continuous efforts to streamline operations. The expectations for the future include consolidating Generis as a leading player in the generics market, with sustained growth and a robust presence in key European markets.

Generis has achieved growth mainly in the retail and hospital businesses in Portugal, with some exports as well, how do you envision Generis evolving in the coming years to continue being a leader in the generics market?

While Generis has a presence in the export market, the company is cautious about the volatility of certain regions such as Angola. The focus remains primarily on the retail and hospital businesses in Portugal, where the company plays a significant role in ensuring a stable drug supply for the

National Health Service.

Collaboration with competitors is crucial to address shortages collectively. The pharmaceutical industry in Portugal must work together to maintain a stable supply chain, given the challenges posed by shortages. Generis, as a leading player, recognizes the responsibility to contribute to the overall stability of the market, ensuring that patients have consistent access to necessary medications.

Looking ahead, the company's growth strategy involves optimizing the portfolio, emphasizing product availability, and maintaining a collaborative approach with stakeholders. This collaborative effort extends not only to competitors but also to government authorities, healthcare providers, and regulatory bodies. With this approach, Generis aims to evolve as a leader in the generics market, fostering sustainability and reliability in the pharmaceutical supply chain for the benefit of patients in Portugal and beyond.

Internally, I frequently emphasize that we stand as the company catering to the highest number of patients in Portugal. Our leadership is evident when measured in the number of tablets, firmly establishing us as the market leaders, both in the retail and hospital sectors. Despite our current strong position, there remains a sense of growth potential for the company, attributed to strategic portfolio enhancements and a continued focus on ensuring product availability.

Considering Portugal's unique position and challenges, what message would you like to convey regarding Generis' role in the market?

Portugal, being a relatively small country in the European landscape, presents distinctive challenges for healthcare providers. Generis, despite its medium size within the Aurobindo group, takes pride in being the largest operation per capita. This unique position allows us to share valuable insights and examples with our senior management and other operations within the group, demonstrating the importance and impact of our contributions.

Our commitment lies in being not just a significant player in the market but a company with a special focus on the well-being of Portuguese patients. Recognizing that we may not always be the priority in the face of global shortages, we strive to collaborate closely with local authorities. Our goal is to find innovative and sustainable solutions that ensure Portuguese patients have equitable access to healthcare resources.

In navigating financial constraints, we aim to be proactive in leading new launches for critical molecules in the Portuguese market. This approach, we believe, contributes to the development of a balanced and sustainable healthcare ecosystem. By maintaining a strong focus on local needs and working collaboratively, we endeavor to elevate Generis to a leadership role that extends beyond its physical size, making a significant and positive impact on healthcare in Portugal.

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