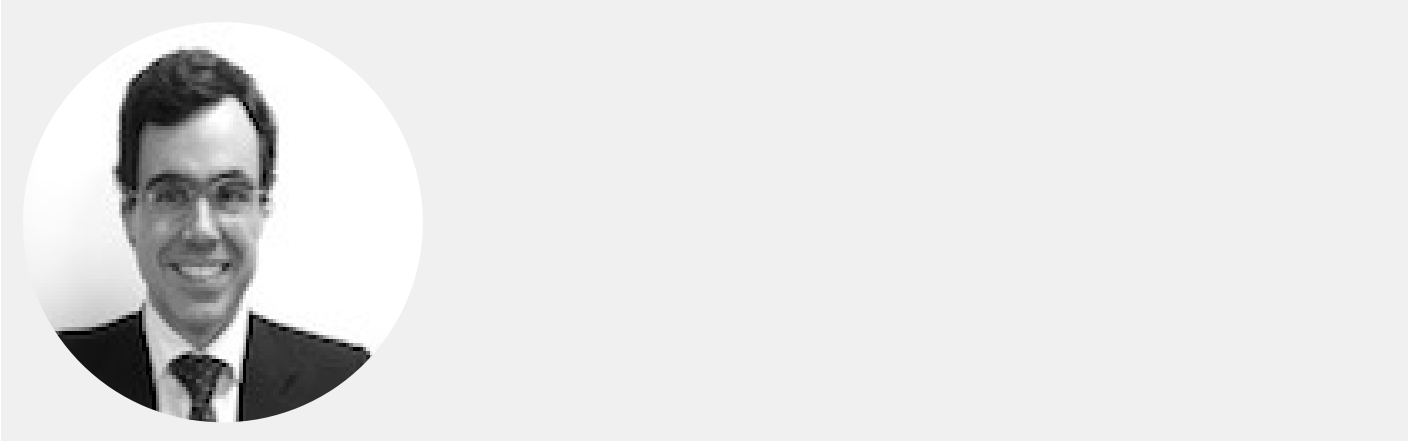
Interview: António Chaves Costa, CEO, Tecnifar, Portugal



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Despite Portugal's economic woes, some local companies have been able to adjust accordingly and succeed in this environment. Tecnifar is no exception. The company's CEO, António Chaves Costa, talks about Tecnifar's in-licensing strategy, as well as its diversification of investments and future plans for export business.

Last year, Tecnifar renewed its partnership with AstraZeneca to market Assieme and Alzen SR. How important has this partnership been to the company?

This has been a very important partnership. Tecnifar has in-licensed Alzen SR and Assieme from AstraZeneca since 2001 and 2004, respectively. Both of these products have historically been top contributors to Tecnifar's sales. While we always aim for long-term partnerships we believe are mutually beneficial for both companies, we also understand that the pharmaceutical market changes and therefore contracts must evolve as well. Similarly, AstraZeneca has undergone many changes; they have approached us in the past to evaluate how to proceed with our agreements and contracts in a new model that would suit both strategies. Ultimately, both companies found common ground of understanding, which was mutually beneficial.

Partnerships are central to the Tecnifar model. How much does the contribution of in-licensing comprise the company's sales?

In-licensing represents a significant part, around 75 percent. Tecnifar aspires for a diversification of partnerships to avoid being dependent on a specific franchise from one partner. Whenever an opportunity arises, to complement the in-licensing business, the company looks for specific brands or products available for acquisition. Furthermore, Tecnifar is not in the pure generics area. We always promote brands, even if they have generics in the market. If a molecule has widespread penetration of generics, then we do not tend to promote that molecule. In terms of specific therapeutic areas, Tecnifar has its own brands in CNS, diabetes, respiratory and orthopedics to name a few. We used to have a strong cardiology portfolio, which included our number one product, an antiplatelet aggregant from Uriach, as well as some licenses from MSD. But those products have run their cycle and no longer provide substantial revenue. We aim to renew our portfolio in the cardiovascular area, in order to leverage our long-term reputation in this area. In summary, we try to balance partnerships and profiles. In addition to long-time partnerships with multinationals, Tecnifar also partners with small and mid-sized European companies that do not have a presence in Portugal.

What does Tecnifar have to offer to these companies that other companies cannot offer?

One of Tecnifar’s distinctive characteristics is that the company is a pioneer in in-licensing. We are very flexible in addressing the needs of business cases in terms of locating resources and dimensions for a sales force. Tecnifar has a solid reputation for always abiding and adapting to specifications. As an example, AstraZeneca has a very strict code of conduct, even more than APIFARMA’s. Tecnifar promotes AstraZeneca’s licensed products according to those codes, so this adds to our credibility. We also have long-term knowledge regarding stakeholders and health authorities, and can therefore help our partners setting up the business case for market access. It is the combination of this activity and our ethics, responsibility and flexibility that can be an added value to partners.

Tecnifar also manufactures and sells its own off-patent pharmaceutical forms. How are you able to manage good marketing of both patented and off-patent drugs?

We promote off-patent products that are not in classes that have too many generics. We still promote these drugs as brands, and in some cases we had to lower the prices while managing the gap between the generics that are in place. We actually stopped promoting some of these products and let them go as a carryover. Additionally, some products do not have generics because they are very niche or have a low price, so it has not been worthwhile for companies to launch the same molecule.

Why is it important for Tecnifar to maintain a manufacturing capacity?

Tecnifar's manufacturing capacity is outsourced to Lusomedicamenta. In a sense, Tecnifar does not manage that directly. We do believe it has been very important to maintain this partnership with Lusomedicamenta since our products have been produced there for a long time. Having a stake there gives Tecnifar more ability and flexibility to agree on what is best for our production or necessary developments on our products, since some are off-patent and have old dossiers that need to be up to standard. Lusomedicamenta also manages that part of quality and guarantee control, as well as development of the methods of analysis for the product. While manufacturing is not a core activity for Tecnifar, it is important for the company to maintain this close relationship and a stake in Lusomedicamenta.

What are the selection criteria for choosing new products in your portfolio?

Tecnifar has a corporate development department that contains a pharmaceutical business development department, analyzing the pipelines of other companies to determine where the best opportunities are for products that fit our strategic therapeutic areas. Between 2010 and today, Tecnifar diversified its risk by moving beyond pharmaceuticals, specifically beyond prescription medication. The company recently developed competencies in diagnostic imaging services, including cardiology and gastroenterology imaging, and the OTC, nutraceutical and medical device areas.

Tecnifar also places a small but important emphasis in the R&D business in partnership with Technophage, a company linked with IMM, with whom Tecnifar has partnered for six years. We finance the investigation and contribute with project management and regulatory affairs, while they provide the brains and investigators for a project in the bacteriophage area.

This commitment to R&D is a pillar of Tecnifar and we cannot present ourselves solely as a commercial company with a sales force, even when talking with potential partners. R&D therefore helps expand the company's added value.

What does the local environment look like for innovation, and what role can Portugal play on the global stage of R&D?

Portugal has some attractive conditions. The health cluster in Portugal has already aggregated, which has allowed various players to talk with one another, many of whom are multi-dimensioned. This country also has solid academia, which can also act as an incentive to come here. We believe Portugal is a good place to work. Networks are increasing here in terms of reputability, and barriers

for clinical trials are slowly disappearing. Given that such barriers led bigger companies to divest from Portugal, the authorities are now trying to pave the ground for them to come back.

I believe it is Tecnifar's mission and vision to have a role in R&D, as demonstrated by the company's work in unmet needs. For example, bacteriophages have been ignored for many years, and are an unmet need in that antibiotics struggle with multi-resistant bacterias. Tecnifar's developments in this area could be an alternative. Additionally, Tecnifar has now arrived at the point of divestment; the company has obtained patents and FDA IND, and all preclinical work is finished. Because Phase I trials would be too big for Tecnifar, the company is looking for the right partner to potentially buy the project and continue the investigation in collaboration with Technophage. Technophage has the people, and the willingness to collaborate; we need an investor that builds the bridge for the next phase. With that sale, Tecnifar would raise more funds to develop its pharma business (through the acquisition of products or smaller companies), OTC, and imaging. After all of Tecnifar's investment, we need payback. Of course there is always uncertainty in R&D, but our efficacy has been positive and we believe this project can become a product for someone else.

In today's pharma environment, what would you say is the role of a mid-sized player like Tecnifar?

We believe that there is an opportunity. All pharmaceutical companies in Portugal have suffered in the past couple of years. Legislation has led to a reduction in the size of companies, including Tecnifar, to adjust to the market. But Tecnifar is flexible, and thus such adjustments are not burdensome. Some companies have divested such that they may launch some opportunities for us in terms of outsourcing the promotion of products that are not core for them. Despite hard times and stalled innovation, the industry will start to open up a bit more. While the pipelines of pharmaceutical companies today are quite complicated due to loss of patents, opportunities arise for businesses like Tecnifar to partner with those companies that had to reduce their presence here.

Our company has been in Portugal for many years; we know all the stakeholders and the market well enough to partner with a company with no budget for their continued growth.

What is your five-year vision?

We would like to grow more within our pharmaceutical model, while increasing significantly the contribution from the OTC/medical device/supplement areas, to keep a balance between portfolios. We want to continue to develop out imageology business to achieve a significant proportion of our

revenues, contributing to the desired balance on our diversification strategy. We would also like to be able to have more international presence in all of our business legs. This takes time and sometimes has fallbacks. At this point, Tecnifar has primarily invested in exports to Portuguese-speaking countries in Africa; but it is not enough. We have to go to Eastern Europe and the Middle East to truly expand. In five years, our international business should represent 10 to 20 percent of total sales of products and services. On top of organic growth, we are also evaluating the possibility of accelerating the international business through acquisitions.

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