Interview with James Hanlon, CEO, Clonmel Healthcare

25.01.2013

Tags: Clonmel Healthcare

Mr. Hanlon, can you please begin by introducing Clonmel Healthcare to our readers?

Clonmel Healthcare was founded by an Irish family in the 1970's. During this time, its primary goal was exporting medicines to third world countries. We were the first company in Ireland to become involved in generics.

We had two manufacturing facilities in Clonmel: a specialized antibiotics plant, and our main production site. At different points in time, our market penetration in other European countries and North America has been quite high, with our market share in generic antibiotics being as high as 20% in the UK in the past.

The company was sold in the mid-1990s to a US corporation named Fuisz Technologies. In 1999, it was acquired by the German multinational, STADA. In STADA ownership, manufacturing plants were used primarily for manufacturing group products – moving away from third party contract manufacturing business.

In recent years, STADA has procured several manufacturing facilities in Eastern Europe and in Russia, where the production assets are more modern and costs lower.

STADA recently divested its production assets in Ireland by selling them to another German group, mutares AG. Why do you believe the sales operation was retained, even in view of the Group-wide cost-efficiency program 'STADA – build the future'? What is the significance of the Irish operation to STADA?

STADA is primarily a sales and marketing company, with its core competencies relating to generic prescription drugs. Their stated goal is to be a major player in the drugs market internationally, which is complemented well here in Ireland by Clonmel's domestic market share.

What value do you believe STADA sees in retaining Clonmel's image as a 'local player'?

STADA's policy has always been to retain local organisations, and the locally recognized brands, when acquiring companies. While STADA itself has become an internationally identifiable trademark in recent years, the name would not be that well known in Ireland. The Clonmel Healthcare reputation is very strong in Ireland – and it makes absolute sense to retain, and build, on this.

Clonmel is the first pure generics player that we have met in Ireland. From what we understand from our conversations with the innovators, Ireland has for years had an environment wherein generic prices were abnormally high—sometimes even higher than the price of the originator product. But we understand that times are changing. Can you give our readers a sense of the past and present for generics in this country?

There are a number of elements we can see in the market. Firstly, generic penetration in Ireland is relatively low, in contrast to other parts of Europe. Secondly, Ireland has traditionally been a branded generic market –where doctors can choose the specific generic to be dispensed. Finally, Ireland is a small market, and until the late 2000's, was not of interest to the major generic pharmaceutical companies.

In recent years there have been major changes in the industry – with the traditional players (Clonmel & Pinewood) becoming part of large international groups – and other large pharmaceutical companies (Sandoz, TEVA, Actavis) establishing a strong local presence. Increased competition invariably leads to lower prices.

It is expected that the legislation, enabling reference pricing and generic substitution, will be passed in the coming months. There will be a substantial swing to generics – but prices will be lower.

The pharma business has been described as 'far more recession-proof than many other industries.' To what extent do you agree with this sentiment?

I would be inclined to agree to an extent.

Drug expenditure per capita here in Ireland is usually close to the highest in Europe. Austerity measures here will mean that we must look at our own fiscal practices – and our Department of Health has to make savings in its drug bill. However, people will continue to get sick – and there is a fairly constant pipeline of new products being introduced.

According to figures released by STADA, Clonmel grew 5% year-over-year last year, and in the 9 months leading up to October 2012, you outperformed the same period last year by 4%. What is driving your growth in a contracting market—a market where people are happy to simply maintain market share, much less grow?

Ireland’s generic market is growing, so this has been the main driving force behind our own growth. A lot of big products also came off patent during this time. Allied with these factors, we do have a very strong OTC business in Ireland.

Where would you like to take the company in the next 5 years?

As I mentioned earlier, there are five major companies competing in the pure generic sector, so we need to secure and grow our position in this space.

More importantly we need to profitably grow the business. This invariably means a focus on the business segments outside the pure generic sector.

We do have the strategic support of STADA and all of their resources to drawn upon in bringing our company forward. We have a large product portfolio and we are always looking to improve it and to compete more.

Mr. Hanlon, in your 20 years with Clonmel Healthcare, what have been the motivating factors for you to remain with the same company for so long?

My background is finance, and I have worked in many different industries during the course of my career. I moved from electronics to biotech to medical devices – and finally the pharmaceutical industry. Since joining Clonmel Healthcare, the company and pharmaceutical industry have evolved very rapidly here in Ireland. I’ve also enjoyed many different responsibilities since STADA took over (both locally and internationally) which have made my job rewarding and interesting.

I believe the industry as a whole contains a lot of opportunities for growth and innovation and the future is bright for our organization. STADA has very well defined goals, and going forward there is a very successful group wide ‘build the future project’ geared towards reducing costs and ensure we can continue to offer the best prices to our customers.

What motivates you to come to work every morning?

Excitement would be one of the main motivations for me personally. This company has a history of success and a very strong management team and very talented people working for us in both Dublin and Clonmel.

Do you have a final message for our readers?

I have a very positive outlook for both Ireland as a country – and more specifically the pharmaceutical industry in Ireland.

As a country, we have always ‘punched above our weight’ in this sector – and I do see this situation continuing into the future.

Our company has an excellent reputation in terms of quality, reliability and customer service – and with the strong support of the STADA group – is well positioned for future successful growth.

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