

Interview with Luis Calderon, Managing Director, Stendhal Mexico



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Please can you tell our readers a little bit more about the history of Stendhal, and its major milestones along the way since its takeover in 1997?

Stendhal is a privately owned company that has presence throughout LatinAmerica. It was bought by its current owners in 1997 and by 2003 had been put up to speed in order to get launch the first obtained from Gilead Sciences, for which we launched the first product in 2004. In 2006 Truvada® was launched in the Mexican HIV market, and also we expanded our business, launching a neuroscience division, jointly with Medtronic in medical devices; in 2009 and 2010 we increased our footprint in the neuroscience division and the Multiple Sclerosis franchise with Avonex® and Tysabri® respectively. Also in 2009, we became one of only four companies recognised by CETIFARMA for our ethical operations in the market. The latest big milestone for Stendhal was in 2011 when we launched Atripla® into the market place: the first single tablet regimen pill for HIV treatment. This is the first treatment of its kind to be available in Mexico.

So what does Stendhal have that other national companies lack, that makes it so attractive for prestigious international partnerships?

Firstly, I believe it is where we focus our resources- we are not in the generics market, we are in the innovation market, and it is clear that we can add value in the high specialty market. We also offer a great learning opportunity for other companies in terms of participating in, and understanding, healthcare policies in the country. We work closely with the Chambers and the Government in order to secure business in that market, which is our long-term strategy for Mexico.

Stendhal is not a company that looks for opportunistic business, by participating in a tender one year and disappearing the following year: we want to increase our market share sustainably and be in a place where we can adapt alongside the changing interests of the healthcare environment in order to increase patient share. Finally, and very importantly, our ethical compliance programmes are as strict as any pharmaceutical company in the United States. We are FCPA compliant, Sarbanes Oxley (SOX) compliant, and also UK Bribery Act compliant among others: we have rules and values within the company that are attractive for external partners, because we take pride in doing our business seriously.

Seguro Popular now covers 50 million Mexicans in an attempt to provide universal healthcare coverage to the entire nation. How do you think this has shaped the Mexican pharmaceutical industry to date, and will continue to shape the market?

Seguro Popular has shaped the market for some diseases that were already covered by the Ministry of Health and other social services (i.e. HIV). But it has created the internal infrastructure to provide and expand some health services on a bigger scale and to ensure that economic health data is taken more into account alongside the pricing structure. Seguro Popular is acting more as an insurance provider rather than a healthcare provider, when previously the Ministry of Health did both, and by separating the two you avoid the conflict of interest between the quality of the services rendered, and what is actually offered to the Mexican population. Seguro Popular has also created an additional structure because of the extra investment in healthcare: when you look at growth in the healthcare market, including the pharmaceutical market, GDP per capita expenditure has increased by 2.5% between the year 2000 and 2009, which was basically fuelled by the Seguro Popular. In the year 2000, 70% of healthcare was based in the private market and only 30% in the public market- now it is split equally between the two in terms of healthcare expenditure.

How do you think that Stendhal has helped shaped the HIV/AIDS retroviral market in Mexico? Where do you see the company positioned within that market in the next 5-10 years?

The first thing to look at is Stendhal's numbers. Our growth has been a large part organic and this is shown by the way we set up our pricing system. Since we launched our first products in the HIV market back in 2004, Stendhal has reduced prices to 64% either by inflation, devaluation, or simple price reduction, and it has not stopped the company from growing. In fact the company is one of the fastest growing in the Mexican market and in the last two years we have seen consistent growth of 25-30% yearly. We have doubled our presence in the market place since 2008 and quadrupled our presence when it comes to the number of patients being covered. Today Stendhal is offering its treatment to 70% of HIV patients, so we are really shaping the market.

Something that will ensure we continue is the launch of Atripla®, simply because it is the first single tablet regimen for HIV treatment which will revolutionise treatment compliance in patients. Instead

of the traditional image of an HIV patient holding a fist full of pills and tablets, they will just take one tablet once a day, and with this we are changing the market dynamic.

If you get so much reward in this market from selling products from other companies, why is it that Gilead is not coming to Mexico and setting up for themselves?

I really believe it is because we are a great partner and although I cannot say that we would do things better than them, we do them at least as good so they are happy with the results and don't see the need to enter the market themselves. They already have 70% of the HIV market together with Stendhal, which is roughly the same market share they have in the United States: at the end of the day they have achieved the same results through a different means. Gilead don't have such a high share in every country where they sell products, so they trust what we are doing and we are doing it well.

Do you have any other collaborations or strategic partnerships coming up in the near future?

Yes, we are starting to change our business model gradually and we are no longer getting licenses for new products at a late stage, but actually investing at an earlier stage of a product when it is still in Research and Development- mainly from Phase III clinical trials. Right now we are investing at an early stage of research for certain pharmaceutical products with two different pharmaceutical companies in the United States, and if everything goes well it will be fantastic. It is a higher risk strategy but in these cases we will try to secure distribution rights for Latin America, and not just Mexico which will help to extend and reinforce our presence across the region.

Will you be focusing on any other therapeutic areas in order to increase your market share in the coming years?

Retroviral, anti-infectious diseases and neuroscience will continue to be our core business in Stendhal but we are also looking to expand in the cardiovascular and metabolic market in Mexico, simply because it is a huge market with a lot of opportunity. There are many treatments available in the United States and Europe that are not available to Mexican patients, so we are looking at getting those products into the Mexican market.

In 2009 Stendhal made its first international steps with the merger with Venezuelan Eicopen Pharma, making its mark on Latin America. What future plans for international expansion do you have?

We want to continue expanding our footprint here in Mexico: if you come back in two years, you will see that Stendhal has gone from 95 employees to 200. Secondly, in terms of geography we are targeting the Southern zones of Latin America like Argentina and Chile, and last but not least the Brazilian market.

You said you wanted to go from 95 to 200 employees in 2 years, how will you sell these potential employees the Stendhal dream? Why would they want to work for Stendhal?

One of the main reasons I see for Stendhal being a great opportunity from a personal and professional point of view, is that here you have the opportunity to create something. You have the opportunity to create a legacy which is not something you can do in every company you work for. You will be one in 200, not one in 100,000 and in terms of learning I can openly say I have learnt more in the last four to five months, compared to what I have learnt in seventeen years in the industry! Stendhal is a fast paced company and whilst it will give you many emotional thrills at the same time you need a strong stomach and heart because you are closer to the board; to your stakeholders; and to the owners. You get a rush when you sign a deal because you feel you are making history happen, so attracting someone to work for us is about selling a learning experience where you can actively see your contribution to the business, but more importantly you are selling a dream.

With regards to Human Resources, do you think there is a large talent pool of people who fit Stendhal's values and profile, or will you find it a struggle to recruit?

I think there has always been and will continue to be, good talent in the Mexican marketplace, but companies like Stendhal are not for everybody. You might start your day at 5.30am being the managing director, by midday you are acting as product manager, and by the end of the day you are probably the carpenter! You are always doing something different, it is a very hands-on job, and you also need to manage business complexity: there are people who can adapt to that, and there are people who prefer to have a more stable life. Those are the competencies we search for in potential employees, but we are facing a problem- all the start-up companies that have entered the market in the last four to five years are fighting for the same talent, which does make it a challenge.

When we come back in four years, where will we find Stendhal in the marketplace?

In four years Stendhal will be approaching \$350million USD revenue with over 250 employees, and remaining dominant in the HIV and anti-infectious disease market. We will also be participating in the Hepatitis B and C market, and continually developing our neuroscience and cardio-metabolic side of the business too. And hopefully you'll see me!

On a more personal note, what motivated you to go from being the CEO of a multi-national company in Mexico, Novo Nordisk, to become the head of a national company?

I joined Stendhal last September, and here you get the chance to work on Business Development. For other companies I've worked for unless you are based in Headquarters or solely focused on the in-licensing and out-licensing deals, there is not a lot of opportunity to do that. Business

Development for Stendhal is core, and it is a great way to get involved. I also get the chance to create a company culture, which is not the same as creating the culture of a country affiliate- it is a different sort of legacy. At the end of the day which company can offer me the chance to learn in and out product-licensing; negotiation; deciding the company's pathway; and the future of where to invest? Deciding the business itself is much more exciting! It is not quite the same if you have a fantastic pipeline planned in Headquarters and as a country affiliate you simply have to implement that pipeline with core products for the business whether or not there is a need for them: you have no choice. In Stendhal we decide here which pipeline we want, and where we want the company to be, it's a thrill and an invaluable learning curve.

What is your final message to the readers of Pharmaceutical Executive?

The Mexican market will continue to offer a lot of good opportunities in the pharmaceutical business. Although now it is expressing signs of maturity- it is not growing as fast as the Brazilian market- but it has become more mature in terms of intellectual property and data protection. Intellectual property rights are critical to the success and innovation of pharmaceutical companies throughout the world, and as long as we continue to move in the right direction with it, we will continue to see great opportunities in the Mexican market.

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