

# Interview: Horst Peter Endler Schulz, Chief Executive Officer, PMG Pharma, Chile

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Tags: [diabetes](#), [Dialysis](#), [Injectables](#), [MNCs](#), [R&D](#)

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*PMG Pharma, a niche player, with*

*products concentrated in the nephrology/dialysis, injectables and diabetes areas, has concluded distribution agreements with companies from all over the world. "Many are underestimating the Chinese pharmaceutical market but I expect to see a lot of business coming from that country", tells Horst Peter Endler Schulz, Chief Executive Officer of PMG Pharma.*

**The last time we met you, you told us that PMG's internal target for the next five years is to reach a turnover of US\$20million. Are you on track?**

Frankly speaking, we are. Since 2011 we have been successful in doubling our turnover every year and by the end of 2014 we expect to reach the US\$15 million. Our internal target for the end of 2015 remains a US\$20 million turnover.

We are actively participating in tenders for CENABAST, but we also sell directly to the hospitals. Over the past years we have managed to win several tenders but payments from the public sector can take up a long time. This issue has been addressed by the government but until today we have not seen any results. In fact, we are looking at around US\$800million in overdue invoices from the industry. This delay period is a very difficult situation for small companies, and has also slowed down the growth of PMG Pharma.

Subsequently, companies have to search for other financial resources, and contrary to Europe or Asia, Chilean bank interest rates are high by international standards. This creates a challenging situation for many companies in the sector.

Today, the public sector represents one third of our business. Even though there is opportunity for growth in the public sector, we are trying to maintain this balance.

### **How do you explain these delayed payments?**

*Chile is a beacon of economic and institutional stability. The country is considered one of South America's most stable and prosperous nations, leading Latin American nations in competitiveness, income per capita and economic freedom.*

Taking this into account, one would not expect payment delays from the government. It is hard to put one's finger on the spot but some claim the problem lies with the administration while others claim that the largely privately controlled health sector influences the behaviour of the market.

### **What have been your main growth drivers?**

Our comparative advantage has been our concentration on our core business since the creation of the company. Our products are concentrated in the nephrology/dialysis, injectables and diabetes areas where we have many years of expertise and international recognition. All three lines of our business are practically doubling in sales every year.

PMG Pharma in Chile is known to be an innovative company. Not just in terms of bringing innovative products to the market place but also in satisfying the demands of our patients. In fact, we are currently working on a project in the sphere of homecare dialysis where we will have the opportunity to represent a company that has developed a product that will transform dialysis in the future. We are negotiating the terms of the agreement and aim to bring this innovative idea to the market in the short term.

### **How does PMG Pharma demonstrate the value of your products?**

I first came to the country in order to run the Boehringer Mannheim pharma business for Chile and most of the people that are in management positions at PMG Pharma today have been my colleagues throughout the Boehringer era. While at Boehringer, for example, we were the first one in creating a massive scanning program for diabetes with rapid blood glucose tests.

At PMG Pharma we have been dedicated in becoming a leader in the field of dialysis. With the support of international companies, PMG has managed to improve the process of dialysis

tremendously in Chile. PMG Pharma has a great reputation in the dialysis area.

**What would you say are the main challenges that PMG Pharma faces in the Chilean pharmaceutical market today?**

With the concentration of distribution channels into three main pharmacy chains that control over 90 percent of pharmaceutical sales, we have decided not to concentrate our efforts there anymore. The pharmacy chains dictate the conditions because they have a monopoly position on the market. Therefore, we are pleased to be quite independent. Today, we are very much focused on dialysis and diabetes and our customers are mainly clinics and government institutions. Furthermore, our core business is dialysis synergic because 40 percent of patients needing dialysis suffer from diabetes.

In addition, we are also marketing pharmaceutical products that are related to dialysis. These products however are sold through a system called Chile Compras, a tendering process apart of CENABAST.

**What is your strategy to find the right products?**

Logically, every company that aims to participate in a tender process is looking for products that have good quality and good prices. Our strategy to find these products is based on contacting international partners that have their own R&D facilities in their country and a good reputation globally. We normally find our partners participating at international exhibitions and fairs and we have built through the years a solid positive image both locally and internationally.

In addition, we have established contacts within the Chinese pharmaceutical industry. The pharmaceutical industry is one of the leading industries in China and is expanding rapidly. Many are underestimating this option but I expect to see a lot of business coming from China, also for PMG Pharma. Our contact who is based in China pre-selects the companies we are searching for. Currently, we are in the process of commercializing some Chinese products.

**Are you planning to grow organically by expanding the portfolio of your current clients or are you looking towards an external expansion by negotiating agreements with new companies in other countries?**

PMG Pharma already has distribution agreements with companies from all over the world, including USA, Japan, Germany, Spain, Taiwan and South Korea amongst others. But we are constantly negotiating new agreements. Today we have signed over 20 contracts marketing products of 18 companies on the Chilean market. Moreover, we are negotiating four new contracts.

## **What makes PMG the partner of choice for commercializing the products of international companies?**

The internal expertise and knowledge that we have is a key success factor for PMG Pharma. As I mentioned earlier, the people that are in management positions at PMG Pharma today have been my colleagues throughout my previous work experiences. Together we bring to PMG Pharma our knowledge and experience of working with both multinational and local companies in Chile. Our management team has great expertise in the areas diabetes and dialysis. As a company, we have decided to focus on these two areas and not diversify any further; at least not in the short term.

My son is working for PMG Pharma as commercial manager. He started working for us four years ago and perhaps he will decide to broaden PMG's portfolio in the long term.

## **In three years from now, PMG will be celebrating its 10<sup>th</sup> anniversary. What goals would you like to have realized by then?**

For the future, we want to consolidate and further develop the strategy we are pursuing nowadays and bring to Chile new products that can make a real improvement in our patients' lives. We focus on new innovative products bringing only top technologies to Chile. Personally, I would like to have built a successful company that I am proud of leaving behind to my successors.

This company has huge market potential and I will continue to participate in PMG Pharma as long as I have fun working here. It is amazing to see how the company has developed since 2010 and we have many projects in front of us. It is almost scary to see the huge potential of the market.

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