

Ryoo Byung-Hwan - CEO, Yungjin - South Korea



12.03.2015

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The CEO of Yungjin, a leading Korean pharma company, talks about the revitalization of the company he has overseen since being appointed in 2010.

To begin, could you please introduce yourself, and Yungjin?

Yungjin has a long history; it is one of the oldest pharmaceutical companies in Korea, having been founded 63 years ago in 1952. In fact, Yungjin was listed as a top five pharmaceutical company in Korea up until 1997, when the company went bankrupt due to an IMF crisis. After KT&G, Korea Tobacco & Ginseng Corporation, bought Yungjin in 2004, the company continued to struggle for several more years. In 2010, I was hired to replace the previous CEO and revitalize and restore the company.

What was the strategy you implemented?

When I analyzed Yungjin's place in Korea pharmaceutical industry and our strengths and weaknesses, I saw that the only way for this company to survive was to focus on exporting our products, thus pursuing eventual "globalization" of the company. When I presented a middle term and long term strategy to KT&G, a lot of them had doubts about how we would target "global" market given our low domestic performance; this may have been a reasonable expectation given Yungjin's track record at that time, but in the end my plan has succeeded quite well.

Today, 47 percent of our revenues come from exports of APIs and finished products, with 75 percent of exports going to Japan. As far as I know, we have one of the highest export ratios among Korean pharmaceutical producers, and we hope to export even more now, having opened a new manufacturing facility in Jeonju earlier this month.

How will this expanded capacity alter your business strategy for choosing the markets to develop?

Our export model makes use of both licensing agreements and traditional exports of our finished, patented products. The new factory will not change our paradigm or this strategy, but the extra capacity will help to accelerate our API product exports.

Why has Yungjin been so successful in Japan?

The generic market in Japan is growing very rapidly as the Japanese government is actively encouraging the use of generic products to help minimize growth of medical expenses. So, at the moment they are looking for reliable suppliers for APIs, and good quality generic producers that can meet the rigorous Japanese quality standards. In our case, we have done business in Japan and had relationships with various stakeholders for a long time and as such we have earned their trust, which has given us an advantage over the opportunistic companies that are only now entering the market. Japanese originators contact us regularly to try to partner with us, and I think that this is a clear sign that we have a very strong and positive reputation in the Japanese market.

Outside of Japan, where do you see the most potential for Yungjin?

The next most important market for us is China, and we hope to build a strong presence there eventually. Currently, we have a few products and some of our technology licensed out to Chinese partners. Entering the market more directly will be difficult because of the high entry barriers, such as long and unpredictable project registration timelines, that protect the Chinese industry. Nevertheless, Chinese market of course a market we must enter due to its size and our proximity, and with the Chinese FTA agreement that is being implemented the situation is more attractive now than it was previously. Ultimately, our goal is to bring the Yungjin brand to both China and the U.S. directly.

Could you give us an overview of your product portfolios?

First, we have a large portfolio of generic APIs and finished products. We have a strong legacy in antibiotics, and even though the antibiotic industry not particularly profitable, it is still very important to our business; a bird in hand is worth two in the bush. So, we are doing our best to

leverage our expertise and reputation in this market.

We also have a portfolio of proprietary new-formulation products or super generics, i.e. they feature some incremental innovation. I am very proud of the formulation technology we have, and our R&D department, especially our formulation department, has never disappointed me in their ability to overcome the challenges that we set before them. We are developing several super generic products at the moment.

Finally, we have several projects underway that are working to develop new drugs. We are conducting some projects for new drug for COPD (chronic obstructive pulmonary disease). And it is very standardized perfectly, not like most of botanical products.

Could you tell us about some of the products you have in the pipeline that you feel will have a strong impact on Yungjin's growth in the coming years?

As I mentioned earlier, we are developing a new drug for COPD. It is a botanical product, we finished Phase I study in the US successfully and now it is undergoing Phase II A trial in the U.S. as well. Throughout Phase I, we have found a critical pharmacokinetic data that demonstrated the clinical efficacy of this product.

We also have an analgesic product under development that makes use of some new formulation technology that has allowed us to decrease the side effect profile substantially relative to some of the currently popular products like Ultracet. I believe the market size for this product is enormous, so even capturing a small slice of the market at low margins could be very profitable for our company.

Additionally, we are also developing a rheumatoid arthritis product, which is one of the largest market worldwide. Unlike other major RA products, like Enbrel or Humira that comes along with major immunosuppression, our product causes relatively few effects. Our goal is to provide patients a product with an established safety profile.

We've taken this step in the US partly as a statement of our determination to become relevant players there in the near future. If we make it through this and later phase trials, we will have to find a global partner to help us commercialize it worldwide.

What are some of the obstacles that Korean companies must overcome to become truly global players in the pharmaceutical industry?

Compared to our other big export industries like electronics, shipbuilding, and construction, the pharmaceutical industry has traditionally been viewed as a domestic industry, and while this is changing the change is too slow in some areas. Due to Korea's small size, any industry that wishes to become globally competitive must go abroad to find larger markets and resources beyond what our country possesses. The problem is that our industry was established with the intention and purpose of serving the domestic market, and the structure and mentality of many of the leading players is still rooted in this mentality. At this point in time, Korean companies should be modeling themselves after Roche or Novartis, companies based in Switzerland, but with extremely large businesses worldwide. Very few Korean pharmaceutical companies are actually working towards this sort of model, although I am proud to count Yungjin among these few; we have formally adopted Teva as model for our company's development.

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