

# Interview: Sha Tapolatođlu - CEO, Abdi Ibrahim

## - Turkey

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*Turkey's leading pharmaceutical company is in the process of developing production facilities abroad, and it has just begun construction of a USD 100 million biotech facility; CEO Sha Tapolatođlu believes that these two steps will help bring the company closer to its aspiration of becoming a pharmaceutical player on the global stage.*

### **Abdi Ibrahim is the leading Turkish pharmaceutical company; what unique traits have allowed the company to be so successful in Turkey?**

Abdi Ibrahim is one of the oldest companies in Turkey, at 103 years of age, and it is still a family owned company. If you look at Abdi Ibrahim's existing model, which the company has been using successfully for many years, it is quite unique. Usually, 100 percent locally owned pharmaceutical companies work exclusively in the generic products market, while the companies selling original products are usually multinational companies based in the EU or USA. Abdi Ibrahim is a local company, but nearly 50 percent of our revenue comes from original products of which Abdi Ibrahim is the licensee. Working with originators has not only contributed to Abdi Ibrahim's success in the past, but has also allowed our people to develop and learn through collaborating with our partner companies. Over the years, we have taken the competencies learned in this process and implemented them in our business in Turkey, which has differentiated us from the other Turkish pharmaceutical companies.

Today, I would say that the company is taking some courageous steps, as our board has decided to expand into biotechnology by investing USD 100 million in a new biotech production facility. We know that Turkey is still a market with a lot of potential, and that biotechnological products are the future of medicine, but on the other hand, there is a lot of uncertainty with regard to biosimilars in both Turkish and global pharmaceutical markets as regulations are either not yet in place, or are new and may be subject to significant changes in the coming years. It certainly takes courage to make this investment in a facility, given this situation. We expect that our experience as a partner to multinationals, and our existing R&D capabilities will help us to find success together with partners in biosimilar development and production, coming from different parts of the world.

**Congratulations on AbdiBio's ground breaking! Could you give us an overview of what the facility you've started building will look like, and the project's importance on a national scale?**

The facility we are building will be capable of carrying out the full biosimilar production process, from cell culture growth or fermentation to purification, then fill and finish processes. Our goal is to be able to work with biotechnology companies from all over the world to co-develop new biologicals, and to carry out the full production process; of course, this will not be the case for every product. Also, as government will likely encourage local biosimilar production in the future in the same way as they currently incentivize local production of chemical pharmaceutical products, the facility will likely also perform a toll manufacturing function for some clients at the fill and finish stage.

**USD 3.8 billion of pharmaceutical products are imported by Turkey each year, and 35 percent of these products are biotech products. How much of an impact do you hope the Abdi Biotech business can have on this deficit?**

We are planning to become involved in all of the fields where there are already biological products on the global market, primarily oncology, rheumatoid arthritis, diabetes mellitus, and hematology. Our objective is to effectively bring existing biosimilar products to Turkey by collaborating with foreign manufactures to develop local production, and with these partners we will hopefully be able to produce our own versions of almost all of the biological products currently available on the market. Most important effect of bringing biosimilar versions of original products to Turkey, will be that the trade deficit is going to decrease substantially.

**In terms of size and scale, Abdi Ibrahim has a very large facility in Esenyurt with a capacity of 350 million units, which is fully EU GMP and cGMP approved. How much of**

**the capacity distributed between production for local sales, exports, and toll manufacturing?**

In 2015, we expect to produce a total of 220 million packs by the end of the year, with approximately 25 percent of this volume produced on behalf of our toll-manufacturing clients.

Our total business outside of Turkey will be about USD 50 million this year, which includes exports to countries where we have partnerships and affiliates like Algeria, Kazakhstan, Georgia, and Azerbaijan, as well as exports to our partners mainly in Europe. With regard to our partnerships with European companies, many of these are for products that we co-developed with them and now produce, while they commercialize these products globally. We currently produce a number of products for many multinational generic companies for Germany, the UK, Holland, Canada, and other developed countries.

**The production landscape has recently changed in Turkey, with a new startup producer building another extremely large facility with a capacity and capabilities similar to your own. How has this affected Abdi Ibrahim's position in the market so far?**

There always was and will be competition, and we very much welcome healthy competition in business. We know the business you refer to very well, and would happily accept them as a competitor, but are also glad that our own business model is significantly different from theirs , so our businesses will not overlap too much. While many of our competitors are focusing on price and commercial competition, Abdi Ibrahim's strategy centers around building strong long-term relationships with our partners, and representing their brands in Turkey, together with promoting our own generic brands. This has worked very well for us in the past, and we are not planning on changing this core business model in the future.

**Abdi Ibrahim is developing new production facilities in Kazakhstan and Algeria; going forward, what role will Turkey play as a manufacturing base, relative to foreign production at your new sites?**

Turkey will continue to be the primary center for production; although there may of course be some opportunities to export from Kazakhstan and Algeria to other countries in their regions, this was not something that we factored into our decision to make these investments. Our decisions were motivated by the incentives offered by the respective governments, and our P&L and feasibility studies were based purely on sales potential with the local markets. In Kazakhstan, we have signed an off-take agreement with the government, and will be the exclusive provider of certain products to hospitals in Kazakhstan for several years. The situation in Algeria is a bit

different. We exported approximately USD 25 million to the Algerian market in 2008, however, after the localization rules were introduced, we lost much of this business; building a facility will allow us to sell our products in Algeria once again, and we hope to go even beyond the position we had previously in this market.

Of course, once complete, we will explore what export opportunities are available. Algeria will likely become a minor-hub for exports to Tunisia and other Maghreb countries, while Kazakhstan will be well positioned to reach other central Asian markets and potentially Russia. However, we were recently made aware that the regulatory agreements between Kazakhstan and Russia are likely to change, but the nature of this potential change is unknown.

**In 2005, the former CEO of Abdi Ibrahim Erman Atasoy told Focus Reports he hoped that the company could increase exports to match domestic sales within ten years. The ten years have elapsed; where does Abdi Ibrahim stand today relative to this goal?**

It is not easy to make long-term projections in Turkey, and since 2005 the pharmaceutical environment has changed dramatically. With the changes implemented in the pricing system in 2009, the whole industry was affected deeply, and many objectives and investment plans that we had hoped to achieve previously, became unfeasible.

I cannot tell you where we are now relative to our 2005 strategy, as we have taken a very different path than was expected at that time but I am sure that we are on the right track. However, I can tell you what we are planning for the next ten years. There are three points that we want to focus on in the future; the first is biotechnology, the second is growing our business in the international markets in our region, and the third is OTC marketing. Today, there is no OTC law in Turkey, and given the 'blue ocean' nature of this market, coupled with the freedom for companies to set their own prices for OTC products, we are interested in this field. Of course, to be able to invest in expanding into these new areas, we must continue to focus on our traditional business selling licensed original products and generics on the Turkish market, so the core of our company will remain the same going forward.

**Looking at your export development goals, what are Abdi Ibrahim's strengths that you seek to leverage in the global environment?**

We have learned a lot over the last ten years, and our R&D facility has become extremely capable. Today, they developed several generic products which are the first generic versions of the molecule worldwide, and several of the products developed by our team are sold in Europe by our partner companies. Another area we are becoming stronger in is value-added product

development, specifically in combination products; we have already launched our first on the Turkish market and have others in development. These two competencies differentiate us from pharmaceutical companies in many countries that do not engage in innovation and take longer to develop generic products, and have a strong impact on our ability to compete in foreign markets.

**Germany has Bayer, France has Sanofi, the UK has GSK, while other countries like South Africa have companies like ASPEN, which are global brands despite not having any original molecules. If there is any chance that Turkey can create such a company, Abdi Ibrahim is that brand. What needs to change or be adapted in Turkey to create the next global brand?**

I agree that if there is a Turkish company that can do this, it is Abdi Ibrahim. I say this primarily because of the company's ownership; while many of the owners of Turkish pharmaceutical companies have already or are trying to sell their companies and get out of the industry, Abdi Ibrahim's board is still pushing their business forward, and willing to take risks and invest to take the business in new directions. Furthermore, our current investment strategy will certainly help increase Abdi Ibrahim's presence on the global market. It is also worth noting that we have the moral support of the government in Ankara as well; many officials have openly told us that Abdi Ibrahim is the company with the potential to become a Turkish multinational pharmaceutical company. We'll just have to wait and see how long it takes.

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