Interview: Mohamed Aldeeb – General Manger, Delta Pharma Bio, Egypt

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Empty markets, where strong and growing demand exists but local supply does not, offer the most potential to prospective investors in Egypt, according to Delta Pharma Bio general manager Mohamed Aldeeb. Aldeeb goes on to explain that such markets include oncology, biosimilars, and baby formula.

What makes Egypt 'the land of opportunity' for the pharmaceutical industry?

All of the opportunities stem from the fact that at a basic level, healthcare is still relatively undeveloped in Egypt and the population is growing rapidly. As such, there are many 'empty markets' in Egypt and the region, where demand is strong and rapidly growing, but local supply is non-existent or very limited. In particular, while oncology demand is growing rapidly and consistently each year across the MENA region, we have only EMIC United Pharma producing oncology products in Egypt, producing old molecules. In fact, we don't have advanced biotech facility in the region, also in oncology. There are a variety of similar examples, including insulin and baby formula, both of which are imported from Europe, even if bottled and packaged here in Egypt, and empty hard gelatine capsules (45 percent imported).

As such, Egyptian manufacturers and foreign investors should focus on producing these types of products. This will require significant investment, but given the significant and growing demand from both Egypt and countries in the Arabian Gulf, and the low labor cost in Egypt, such investments would be quite profitable. Since Egyptian businesses lack experience in advanced biotechnology and oncology drug production, we need medium to large sized foreign companies to establish more advanced facilities in Egypt involving as many Egyptian researchers and technicians as possible to develop the capabilities of the Egyptian pharmaceutical manufacturing sector. In doing so they would be bringing something new to the country, a real added value, securing them profitable and sustainable business.

It should also be noted that many of the opportunities present in Egypt are for foreign companies; fewer for Egyptian companies. This largely stems from the fact that government allows a maximum of twelve different products to be registered in the same "box" for a given molecule; the originator's product, one imported generic, and ten Egyptian generics. The original product usually gets the first and highest price, then the imported generic, and then the Egyptian brands. In practice, the original product could get a price as much as 50 times that of the last registered generic, and this problem is exacerbated by the fact that out of the 14,000 pharmaceutical products registered in Egypt, only 4,000 are present in the market, and thus there are 10,000 phantom products filling up these "boxes", further depressing the prices of newly registered products. As such, foreign pharmaceutical companies are in a much better position to carry out profitable business in Egypt, and are also better able to export products from Egypt to countries in the region, as Egyptian products are at a significant disadvantage due to the extremely low 'country of origin' prices. Moreover, in the past when there have been price adjustments to compensate for currency devaluations and the like, it is the foreign manufacturers and state-owned companies that are able to get their prices adjusted most readily; privately owned Egyptian companies are the last to see any price adjustments, and thus are seeing their margins slowly shrink, with many products reaching the point of unprofitability.

Where do you see the most opportunity for local Egyptian players?

Our pharmaceutical manufacturers need to focus on ways to overcome or compensate for the extremely low prices. The best way to do this is to partner or collaborate with foreign companies by licensing a few innovative products; this way they can participate in the market with a few higher margin products to help finance investment and expansion. This is the strategy that Delta Pharma Bio is following, as we have a portfolio of registered cosmeceuticals products from Difa Cooper, Italy and Inter Derma Cosmetics, Germany; in fact, the company's owner is willing to sell between 20 and 25 percent of the company's equity to the right partner.

Secondly, pharmaceutical manufacturers need to find more innovative products to produce, and new molecules that haven't already saturated the market. One of the challenges in this area is that there is currently no law regarding clinical studies in Egypt, which is limiting efforts to bring biosimilars to market in the country. Moreover, Egyptian companies seeking to export to markets in the Arabian Gulf are required to carry out bioequivalence studies at an FDA or EMA approved bioequivalence center, and at present there is only one site in the region, a facility in Jordan. This represents a significant cost barrier of as much as USD 200000 to begin exporting a product; the cost could be significantly reduced if the government could help to fund and organize the establishment of an EMA approved bioequivalence site here in Egypt.

I would also highlight that there are still 60 to 70 factories currently under construction in Egypt, and I would suggest that at least a portion of them seek to collaborate as the Egyptian pharmaceutical industry is already fragmented enough, and they might better be able to attract business from foreign companies if they merge or form a manufacturing consortium.

Could you give our readers a brief introduction to your company, Delta Pharma Bio?

Delta Pharma Bio was founded in 2007 following the establishment of Delta Pharma on 1997 by the same founder Prof. Dr. Mohy Hafez. We have already built a strong product portfolio that we have manufactured via toll manufacturers so far. We have two facilities under construction that are both nearing completion. The first is located in Tajikistan, and the first production line will be operated by February 2016, producing 23 syrup products to begin. Our other facility located here in Cairo in the Tenth of Ramadan City area, and is also nearly complete, just requiring electromechanical components to be installed.

Do you have a message to potential partners?

At present, 92 percent of pharmaceutical products by volume are produced in Egypt, with just 8 percent imported; that 8 percent represents between 30 and 35 percent of the market by value. The 92 percent is generics market where there are already a huge variety of brands.

Clearly the profitable products fall within the 8 percent of the volume, which are mostly innovative and specialty products. My message is to invite potential investors to come to Egypt with something new, and help to treat patients. Don't look at Egypt as a market where you can easily make a profit, and don't come just to launch new brands of existing products; instead bring something unique.

If you are considering bringing new technology from Europe, Delta Pharma Bio would make an excellent partner, as we have significant experience in pharma from both a manufacturing and business perspective. We are now planning to share constructing factories in Saudi Arabia and the UAE with local potential partners, and will have operational factories in Egypt and Tajikistan within the next year. Furthermore, we have a well-developed product portfolio and presence in the market and our 13000 square meter factory is both well located and well designed. Any partner will find a company in Egypt with a strong base, an experienced team in marketing, management, procurement, finance, well trained manufacturing professionals with extensive expertise and successful track records.

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