

# Interview: Riad Armanious - CEO, Eva Pharma, Egypt

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*Eva Pharma is one of the fastest growing pharmaceutical companies in the MENA region, and CEO Riad Armanious is aiming to take the company from the 21st ranked generic company at the regional level to third over the next five years, while building business and operations on the ground in various African markets.*

**Eva Pharma is continuing to invest strongly in Egypt, with a major R&D center and new production facility both under construction; what are your expectations for the Egyptian healthcare sector?**

We are building capacity in Egypt because we believe that the Egyptian market is approaching a structural transition. Currently just under 70 percent of medication is paid for out-of-pocket in Egypt and I expect that increased public investment in healthcare will soon help to extend access to medication to a broader segment of Egyptian society, as has occurred in many other countries. In post-revolution-Egypt, any government will seek to provide better care for the Egyptian people and although this is a complicated goal there are signs of progress. A central task will be the establishment of a new social health insurance system, and the current Minister of Health is working very hard to finalize a draft bill on this subject that will soon be introduced to the Parliament of Egypt.

Extending access to tens of millions of people will require a lot of capacity to be built in all aspects of healthcare. The quality of these public healthcare services must also be improved from their

current level, and as quality improves demand from patients currently paying out-of-pocket for private services will increase. Raising the quality of public healthcare services – and then maintaining quality as capacities are scaled up to meet healthcare needs – will be a huge challenge for Egypt, but I am sure we will see substantial progress in the coming years. Our goal as Eva Pharma is to prepare for this transition so that we are able to meet the demand for greater volumes of pharmaceutical products, and ensure patients have access to our affordable and top quality products.

**What have been the primary challenges you have faced while trying to invest in building up Eva Pharma’s capabilities?**

The limited availability of hard currency has been our primary challenge, despite the preferential status that the central bank has given pharmaceutical companies. The cash conversion cycle is quite long and ties up a lot of working capital, which really affects the speed at which we’ve been able to grow. Eva will not sacrifice in terms of quality, meaning we only purchase high quality – generally European made – equipment, so we do our best to plan realistically and manage the expectations of suppliers.

At the same time, we have worked very hard to leverage our existing manufacturing base and boost exports; we have an EMA approved oral solids manufacturing line, which is a testament not just to the quality of our production lines but also the competence of our teams. In 2015 we achieved 55 percent export growth from a reasonable base.

Despite this limitation on our capital expenditures, we have been making a lot of progress. In 2015 we opened a new manufacturing facility just outside of Cairo in Tenth of Ramadan City and we will soon be opening a new R&D center in Haram near the pyramids. We are also finishing construction of what will be one of the largest manufacturing facilities in Egypt, on a 125 000 square meter site in 6<sup>th</sup> of October City which will comprise lines for high volume solids, B-Lactams, Cephalosporines, sterile filling ampoules, dry ampoules, dry vials and eye drops. We are also making continuous investments in terms of technology, as we are developing dedicated facilities for production of immunosuppressants and new generation antibiotics for critically ill patients, as well as production lines for niche dosage forms such as transdermal patches, new-generation inhalation products, and single use eye-drops. Egypt is also in partnership with other four Egyptian companies to build an API manufacturing facility in Egypt which will enrich the local market with high quality APIs at local currency thus helping in the continuity of pharmaceutical business in Egypt and decreasing the dependence on importation which will support our country in saving hard currency that could be targeted to other projects.

**Eva Pharma has made additional investments in R&D, including in the Eva Biomedical European Development Institute in Budapest: what are your expectations for these investments?**

If you look at Eva's portfolio, we currently have 126 brands featuring around 100 molecules across 16 therapeutic areas. We strive to be customer-centric in our selection of products and disease areas, and to meet unmet medical needs. This means offering niche products and specialized dosage forms that are not widely available in Egypt and trying to be first to market, either first generic to market or first to market in cases where the innovator has not sought to commercialize a given molecule in complex markets like Egypt. The Mounir Armanious Research Center, named after my late father, has been established to focus on developing differentiated branded generics and to work in conjunction with API manufacturers around the world to help us become the first to launch and first to market certain generics in Egypt and the other countries we focus on.

The external context is not particularly supportive of these goals as the research ecosystem in Egypt is generally poor. Currently, Egypt doesn't have a law regulating clinical trials, which is a prerequisite for the European Medicines Agency to consider accrediting any facilities for clinical research, so at present any manufacturer seeking to develop a product that can be exported to a regulated market must complete bioequivalence studies outside of Egypt. Such a bill was presented to the pre-revolution parliament and a new version should soon reach the current parliament, so I am very hopeful that such a law will soon be passed, as it would significantly improve the research environment in Egypt and greatly facilitate export development.

Given this weak R&D climate, Eva has taken several steps to compensate. First, we are continuing clinical trials to develop a few products based on extracts from natural sources, for which we hold several patents. I don't expect this to drive significant revenues in the future, but we continue these projects to reinforce our own internal research ecosystem and to push our R&D teams capabilities. Similarly, we established the Eva Biomedical European Development Institute in Budapest largely as an attempt to connect Eva to the rich research networks in Europe, in a location with relatively favorable research costs and a strong heritage in medical research as a former R&D center for the Soviet Bloc. The research activities in this facility are dedicated to nanoparticles, and through this outpost we have been able to identify a lot of experienced researchers that we are now working with.

**Looking at exports, where is Eva Pharma investing and how much potential do you see in African markets?**

First of all, we continue to invest in Egypt. Egypt is a sizeable market with excellent fundamentals; a reasonable portion of the population has access to pharmaceuticals and access is likely to greatly improve, pharmaceutical spending per capita is still quite low and will have to increase, and the population is growing. We continued investing in Egypt throughout the revolution, with a major commitment to our 6<sup>th</sup> of October facility made in May of 2012 amidst great uncertainty, and Egypt is certainly one of the most attractive markets in the region to invest in.

That said, Eva is working to increase exports and build international business. Our main areas of focus are the Middle East and Africa, where we have sales and marketing organizations in 19 different countries, and sales through partners in many others. Furthermore, a manufacturing facility in Saudi Arabia is currently under construction, and we are interested in establishing operations in Ethiopia as well.

While African markets have limited potential in the short run, in the long run Egypt is likely to play a strong role in African economies. At present, there are many barriers to entry given disparate regulatory systems and infrastructure challenges. These barriers lead to higher costs and less competition, leading to significantly higher price levels than we have here in Egypt, even where patients are very poor and it is a challenge to ensure your products are available to patients instead of counterfeit medications or products from no credible source. If you look at a country like Nigeria with a population of nearly 160 million people, the market is roughly USD 2 billion, so spending per capita is very low yet prices are much higher than in Egypt; right now these markets are quite small, but could have huge potential if access can be improved.

Egypt has a strong pharmaceutical industry with about 80 years of experience in manufacturing, and as a country Egypt has very strong ties to our African neighbors and has played an important political role in the region for many years. Thus Egypt has a relative advantage throughout the region, and we will certainly play an important role in African healthcare going forward. Several Egyptian companies are growing in Africa, but through local operations; you need to have operations on the ground in these small markets if you want to have a sustainable presence in the market. Local operations can be managed from Egypt, which can and already does act somewhat as an economic hub for Africa.

**EMIC United Pharmaceuticals and Amoun were both recently acquired by foreign buyers; would you ever consider selling Eva Pharma?**

No, not at all. We have a vision for what we want to build and being acquired or raising capital from outside investors wouldn't help us achieve this goal. Eva is honestly one of the most successful

companies in this region and PE funds have knocked on our doors for many years, and still are. However, as a private family owned company that is sincerely trying to help patients and physicians in Egypt, we're not interested in offers of cash alone. If foreign companies are willing to contribute technology, or anything else that can help us achieve our vision, then we would certainly consider any and all opportunities for joint ventures or partnerships.

**To wrap up, where would you like to see Eva Pharma five years from now?**

Eva is currently transforming from an Egyptian company to a regional company based in Egypt. We currently rank 21<sup>st</sup> amongst generics companies within the MENA region, and I hope that within five years we can reach the third position; our goals for growth in Africa are similarly ambitious, but data for sales in these markets is limited. To do that we are building three manufacturing sites outside of Egypt, building up capacity in Egypt, and are continuing to develop our sales and marketing presence across the map. Moreover, we will continue to develop additional local manufacturing operations wherever the economics allow; at present we are partnering with ACDIMA, Global Napi, and EUP to develop a shared focused facility in Equatorial Guinea.

Ultimately our goal is to help patients and physicians across the Middle East and Africa. We want to make sure that quality medicines are available throughout this part of the world at affordable prices; the number of people without access is enormous, yet few companies are working to overcome the hurdles to reach and help these people. I hope that in the coming years Eva can make a strong impact in terms of improving access to affordable and high quality medicine across Africa, and we will continue to invest with this goal in mind despite any political and economic turmoil.

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