

Interview: Ricardo Amtmann - President, Laboratorios Sanfer, Mexico



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Ricardo Amtmann, President at Laboratorios Sanfer, explains how they have grown their business by 100 percent throughout the last three years and showcases the added value of Sanfer to patients in Mexico and internationally by offering high quality drugs and boosting the sales of in-licensed medicines.

Could you introduce yourself to our international readers as well as the key activities and operations of Sanfer?

I initiated my professional career working as stockbroker for a financial trading firm for approximately five years. In 1982 I decided to join Sanfer starting from the bottom of the organizational structure until 1996 when my father stepped out of the business and I became the president of the company.

Mr. Santoveña and Mr. Fernández founded Sanfer back in 1941. My father and my grandfather, after several years working within the pharmaceutical industry importing drugs from other countries through its own company, decided to acquire Sanfer in 1957 in order to be able to manufacture its pharmaceutical products locally, always respecting international patent and trade name laws.

75 years later, Sanfer is positioned as the largest Mexican pharmaceutical company offering innovative and high quality drugs to both national and regional patients. I want to reinforce that,

since its inception, Sanfer has complied with the trade marks as well as patent laws and it has been key for our success since international companies have relied on us to launch their products in the Mexican market or to build up other kind of business partnerships such as technology and marketing. In this sense, we are currently working with approximately 30 MNCs and we have always enjoyed long-standing relationships with our partners, some of them with more than 50 years of collaboration.

You have been working in Sanfer for more than 35 years. What have been the biggest accomplishments of the company during the last five years?

One of our milestones in the last five years has been the sale of a minority stake of our equity to an American hedge fund called General Atlantic. The outputs obtained through such operation have been quite positive so far and we used such injection of capital to invest in accelerating our growth in Mexico and within the region.

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We have strongly invested in acquiring companies and products to expand our operations in Latin America. Thus, we have strengthened our footprint across the entire region and now such countries represent 25 percent of our total revenues. I am proud to confirm that, by the end of 2017, Sanfer will have presence in every country in Latin America minus Brazil, which we are still designing the business development plan because of its complex protectionism policies.

Could you expand on how Sanfer developed its internationalization strategy?

Our initial strategy was to first start with our neighborhood countries and step-by-step continuing expanding our business within the south region of the American continent. Therefore, we decided first to sell our products to Central American countries but we rapidly continued our expansion onto South American companies initiating such process with Colombia. In this sense, we acquired companies and product portfolios from MNCs in Colombia, Argentina, Venezuela, Ecuador, Peru, and other countries.

Looking at your figures, it seems that the results talk for themselves. You are now in the top four of the national pharmaceutical industry with more than 400 brands and products being commercialized in the market, and in the meantime, the number of competitors is growing. What has been your strategy to ensure such success?

Our main strategy has been to always run our operations fully complying with the national and international health regulations. As aforesaid, such compliance enabled us to build up strong

relationships with our partners based on reliability.

Hence, we have received numerous offers from international pharmaceutical companies for in license agreements but we have always been highly selective when accepting such partnerships. We are very strict in the way we collaborate with other companies in order to ensure that such agreement is actually profitable with attractive cash flows considering our business model.

We have perceived an epidemiologic and demographic transition in Mexico, how has this impacted your clients' needs?

Historically, Sanfer was founded with the aim of targeting infection diseases, since that medical area was the Mexican health challenge at that time. Nevertheless, we have also perceived such transition and it is a fact that the government is currently more focused on chronic or non-communicable diseases' treatments. Therefore, we have been investing in enlarging our product portfolio in this area and now chronic diseases medications play an important role in our mix of revenues. We have always tried to adapt our offering to the patients' needs and we have been quite successful so far.

The government has recently announced budget cuts in the healthcare expenditure for 2017. What is your action plan to overcome such a challenge?

It is a fact that within the Invekra Group we do have companies such as Hormona that have a considerable footprint in the public market but it is not the case of Sanfer. Indeed, approximately only two percent of our turnover comes from governmental sales and it has strongly minimized any impact from such budget cut. However, we do participate in the public bodies in some specific therapeutic areas such as oncology; mainly because of its high costs to be sold in the private institutions. Consequently, we have enjoyed a quite healthy growth during the last few years.

When we had the pleasure to meet with Mikel Arriola, he told us his main objective is to ensure the financial sustainability of the institution, while focusing its efforts on chronic and non-communicable diseases. As the leading Mexican pharmaceutical company, how is Sanfer helping the government to meet such objectives and how has it impacted your operations?

We are heavily investing in developing three biotechnology treatments in the oncology area and we expect to launch them in the market within the next two years. Nevertheless, quality has always been one of our main drivers, the company being positioned as the benchmark within the industry. It is therefore important to consider that quality is related to higher costs. In this regard,

we are trying to develop our portfolio cost-effectively since we are fully aware of the government's financial limitations.

One of your main objectives is to allocate 25 percent of Sanfer's equity in the stock market by the end of this year. Could you tell our international readers what have been the advancements so far in this regard?

Even though we have grown our revenues by approximately 100 percent throughout the last two years thanks to the collaboration that we signed with General Atlantic, we need more capital to continue investing in national and international business development projects.

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Nonetheless, we are still fine-tuning the percentage of equity that is going to be issued in the IPO of Sanfer. We want to continue maintaining full control of our operations, thus we will probably only issue a small percentage of the shares. In addition, such public process is going to be primary emission and we will carefully select our future shareholders. I strongly believe that such injection of capital will give us the financial capabilities needed to continue strengthening our international footprint and I expect to grow our EBITDA by 80 percent.

We have demonstrated to the national and international business community that Sanfer is a reliable company and our outstanding performance is the result of that. Hence, we have received a huge quantity of offers from the international business community to become part of our shareholders.

What are the key objectives that you would like to achieve in the upcoming three years?

We have been working on the IPO process for approximately 24 months and it is one of the main priorities on my agenda. All the managing board members of the company have been involved in such process since it is going to be a milestone in our history; it will position Sanfer as one of the leading pharmaceutical companies across all Latin America. In addition, we want to continue bringing high quality medicines to the Mexican and Latin American patients being a company considered as a benchmark of quality for all the industry regionally.

Our partnerships are also in the core of our operations and I want to continue enjoying such positive and long-standing collaborations in the future. There is a huge potential ahead in terms of bringing high quality products to Latin America and I want to position Sanfer as the partner of choice for the MNCs community to acquire in the region patented products that are not in their core business.

As the leading Mexican pharmaceutical company, what is the legacy that you would like to leave in Mexico?

I am proud to confirm that Sanfer has had a quite unique culture since my grandfather acquired the company back in 1957. Indeed, we are strict in the way we run the business and all our employees share the same values.

However, it is a fact that we incorporate the best practices from any company that we acquire and any country that we are stepping into but our core underpinnings have been always the same. I like to define us as a unique animal within the industry and this has been the legacy that has been passing through all Sanfer's history. I would like to leave the same legacy to the upcoming generations.

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