Vassilios Katsos – President & CEO, Pharmathen, Greece



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Vassilios Katsos, President & CEO of Pharmathen, articulates the philosophy that has led to the company's strong market positioning: innovation, internationalization and investment. Based on this triumvirate of strategies, he describes Pharmathen's ability to keep pace with the global market while maintaining a focus on R&D and operational excellence.

As one of the key staples of the pharmaceutical landscape proudly rooted in Greece, how would you describe Pharmathen's evolution thus far?

It has been a long, but fantastic ride. Since assuming the position at a young age, I have thoroughly enjoyed my responsibilities and am constantly anticipating the bright possibilities ahead. It has been a blessing to be surrounded by such a talented and dedicated workforce who are strongly anchored to the company's vision and have been our key milestones on the road to success. It has been a long journey since the company's inception in 1969 rooted in my father's vision to provide quality and affordable healthcare. Though it was co-founded by three of my father's colleagues, the company thereafter gradually came into the control of the family. However, my father sadly passed away in 1993, thus prompting my sister and I to take the responsibility of spearheading the company's leadership. At that time, Pharmathen was a medium-sized locally-acting company with a 35-people headcount and a turnover equivalent to EUR 30,000.

At the crux of my leadership strategy is setting the new vision and mobilizing the company into the future. Internationalization was therefore a natural course of action. Though national penetration was still very important given our company's origins, it was imperative for us to develop a stronger

and more competent presence in international markets in order to stay a viable contender in the global milieu.

At the core of this new direction is understanding the distinction between doing exports and being an outward-looking company. For the latter, this characteristic becomes embedded in the organization’s DNA, which influences investment activities and overall corporate mentality. Exports, on the other hand, whether sporadically or structured, do not require as large of a support. Thus, it was in the years 1997 to 1998 that we initiated our exporting activities, and from 2000 onwards, we fully identified as an outward-looking company.

Standing at this critical juncture of corporate change made us realize that in order to be successful, we needed to have a far more robust infrastructure to propel us into the next phase of our business. Thus, within this period, we focused on attracting more investments, building stronger R&D, as well as recruiting people with experience in other European companies in order to be more attuned to the international market. With a rejuvenated philosophy, the company was essentially relaunched in 2000, with a far more targeted approach to go to major European market such as the UK, Spain, Italy and Germany in order to out-license some of our products.

What is Pharmathen’s business model and how was its business performance in 2016?

Right from the beginning, our business model had been based on the fact that we were developing pharmaceutical products and out-licensing their rights in the market. It had been a hybrid model wherein our licensees are responsible for the marketing. Our growth has been accounted for by this model where there is a revenue split and a profit split.

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Pharmathen successfully ended 2016 with over 200 million EUR in sales, with over 80 percent of the operations accounted for by international sales, making Pharmathen one of the largest pharmaceutical exporters in Greece. We account for almost one percent of the total Greek export, which is a testament to the company’s significance to the country. From a 35-people operation, the company today boasts a workforce of over one thousand dedicated employees in Greece and abroad. The company has a very healthy financial standing and we are confident in that our growing R&D activities and strong repertoire of products will be a driving force to propel us towards further growth in the future.

Moreover, in the last three to four years, we have also managed to reposition and enhance our operations from merely generic development to growing in pharmaceutical technologies. Although,

we have always been on the complex and niche side of generics, it was a rewarding shift for us to raise the barrier and look into more complex activities such as pharmaceutical technologies. Today we are recognized as emerging global leaders in some of our technologies, especially for Sustained Release formulations and Preservative Free Ophthalmics, and we hope to sustain these growths for 2017 and onwards.

Recently, Pharmathen has been acquired by leading international private equity firm, BC Partners, which now has a majority stake in the company. How has the company reshaped itself in light of this new management structure?

2015 was perhaps one of the worst years of the economic crisis in Greece, with capital controls and talks about Grexit looming on the horizon. Despite the dire downturn at the macroeconomic level, paradoxically, we envisioned a far larger organization and took the company to the next level. In this vein, BC Partners has shown faith in the values and vision of the company and significantly invested in its future. In 2015, the deal between Pharmathen and BC Partners is acknowledged to be one of the largest in Europe in the healthcare sector. Although BC Partners acquired the majority of the company's shares, the management remains at the hands of the Katsos family, something that was a significant vote of confidence by the investors on the current strategy and performance of the company. Despite the change of ownership, there is complete alignment of the vision and direction of the company moving forward.

Ideally, we want to capitalize on the strengths of the two business models that we have been blessed with – that of a family business mindset and of a more corporate structure. We would like to cultivate the culture of leadership and strong vision that is emblematic of a family business, whilst incorporating mechanisms for efficiency and expansion that is characteristic of the business world. We aim to eliminate the nepotistic leadership style of a family-run company, while also avoiding the highly bureaucratic processes of the corporate world. Blending the advantageous elements of these two styles is our overarching aim.

What do you foresee as new growth areas for Pharmathen?

We have had strong organic growth coming from our own internal development, predominantly from our R&D activities, which is the foundational basis of all our operations. Currently, there are three labs, two of which are located in Greece and the other one is in India. We boast a total of 200 talented research scientist working within this department, and we have been acclaimed as one of the largest R&D-based companies in Europe for the last 10 years. We invest an excess of 30-35 million EUR for R&D each year to maintain this positioning.

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Furthermore, we have a strong geographical coverage that extends to over 85 countries – ranging from continental Europe, United States, Canada, Australia, as well as the MENA and APAC regions. We partner with more than 230 conventional and blue-chip pharmaceutical companies around the world. Throughout this international growth, we remain cognizant of the evolution of our products. Once a product is entering its maturity phase, it is the most opportune time to prepare launching new innovations in our pipeline.

The next round for Pharmathen requires being inquisitive in investing and acquiring other pharmaceutical companies with similar and complementary technologies, whilst retaining a strong backbone in R&D and differentiation. Our goal is to create one of the strongest development organization with a mission statement to develop both generic and innovative products for big pharma. With this strategy, we are confident that Pharmathen will double in size and revenue within the next five years. Ergo, the formidable organic growth will be further complimented by M&A type growth, especially in bringing forth the next generation of products and enhancing the basis of collaboration for our partners. We would like to stay abreast of the rapid pace of change in the momentum of the market.

What has been your rationale for entering different partnerships and collaborations?

The overall strategy is to create strong alliances, through differentiated products and competitive terms. This has been the backbone in which Pharmathen operates. Our philosophy as a company can be summarized through the three I’s – innovation, internationalization and investment. All three elements need to be in absolute harmony and cohesion at all times in order to consider ourselves in a healthy state of business.

In regards with innovation, our key pre-requisite is to have the ability to bring added-value to the market. With our current pipeline and expertise in the company, this aspect is already well-balanced and well-ongoing. In the context of internationalization, the most important thing is to have the best product in the market and create a network accordingly. Without the proper network, any product with international ambitions will fail. Thankfully, we have already secured this with 85 countries and over 200 partners in Greece and globally. Most importantly, for investments, it necessitates an economic equilibrium and efficiency to continually re-invest in the pipeline, as well as re-invest in the integration capacity in order to fuel the cycle and maintain the competitive advantage. To a certain extent, it is also necessary to have a backwards integration in manufacturing and be able to control the supply chain in order to get the best environment in this

regards. These three I’s are the core supporting elements of our philosophy shaping Pharmathen’s future.

How would like the Pharmathen brand to be perceived and how has it been received so far?

The Pharmathen brand is a synonym of operational excellence and innovation. It has been well-built in the market as a result of the strongly articulated philosophy anchored on innovation, internationalization and investment. We take pride in our smart products, efficient management styles, as well as a notable track record in the industry. These elements are complemented by a strong proficiency to invest and propensity to launch the next generation of innovative products in our pipeline. We are constantly challenging the bar set in the environment, as well as for ourselves. The branding coherence with our philosophy is the ideal balance to place us in that strong stance that we are in now, as well as to lead us to the direction of further excellence.

How would you like Pharmathen to be perceived – as a Greek company that expanded internationally, or as an international company that happened to have its roots in Greece?

We want to be perceived as an organization that brings added value to its stakeholders – that being patients, customers (as we have B-to-B operations internationally), employees of the company, as well as shareholders. We are confident that we are in the right path of our strategic vision, and we stand at an ideal positioning today. We are clear in who we want to be and what we want to do. The superb business performance each year is a testament that we are investing the right direction.

Though we are making waves globally, our hearts will always beat and remain in Greece. Part and parcel of the Pharmathen business model is to ensure that we leave a strong legacy for the country. Nevertheless, we are an internationally-operating company and we should be rightfully perceived as such.

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