Interview: Petar Vazharov – Executive Vice President APAC, Alvogen; Jefferson Wang – General Manager, Lotus, Taiwan



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Petar Vazharov, Alvogen's executive vice president for Asia Pacific, and, Jefferson Wang, general manager of Lotus, provide insights into Lotus' tremendous evolution from a local generics company into a regional player holding international ambitions, and highlight the main achievements of this fast-growing company since it joined the Alvogen group in 2014.

In 2014, Alvogen became the first foreign company to acquire a majority stake in a Taiwanese pharmaceutical company, while Lotus used the proceeds of the share issue to acquire several of Alvogen's businesses in Asia. Could you briefly explain what was the strategic thinking that motivated this merger?

Petar Vazharov (PV): Alvogen's fundamental strategy was already defined back in 2009: firstly, aiming to the US market, and, secondly, penetrating emerging markets, namely Central-Eastern Europe (CEE) and Asia Pacific. Acquisitions are a typical method to accelerate commercial success in a given region, allowing ambitious companies like Alvogen to access already-established platforms with strong capabilities in R&D and product manufacturing at local and international levels.

However, the main challenge in Asia is to find companies that are qualified for regulated markets such as US, Japan and EU, whether it relates to the development and manufacturing of

groundbreaking products. In this regard, Lotus stood as a very good foundation for Alvogen to both enter Asian markets and deepen our international reach in other advanced markets, as the company already held a production facility approved by US FDA, EU EMA, and Japan PMDA in Nantou, Taiwan.

Additionally, Lotus' R&D capacity was already particularly mature, prompting us to now leverage this unique expertise for the development of oral oncology and hormomal products targeting the regulated markets. Finally, one should not overlook the potential of the Taiwanese market, which has been growing around six percent annually. Overall, investing in Taiwan provided us with interesting opportunities in the domestic market, while Lotus truly displayed all the specificities needed to become our regional platform in the APAC region and bolster our R&D and export ambitions in advanced markets in the meantime.

Two years after this strategic acquisition, where does Lotus stand in 2017?

PV: When we acquired Lotus in 2014, the company was essentially focusing on the domestic market. It had some business in the US but only on an opportunistic basis: its main strengths were in manufacturing and product development but the company's marketing approach clearly needed improvements. After some changes, Lotus has transformed into a true regional player in Asia and now generates business with annual revenues around USD180 million — compared to only USD 20-25 million in 2014!

Besides increasing our market share in Taiwan and in some very promising regional markets including Korea, we now want to further transform Lotus into an export hub targeting Japan, the EU, and the US. We have already started to leverage Alvogen network in the US for example, as Lotus received four US FDA ANDA approvals in 2016 alone. In this international endeavor, we can rely on the company's two R&D centers located in Korea and Taiwan, while Lotus's R&D approach is essentially focused on the development of high barrier, high value products.

[Featured_in]

Moving on to our portfolio strategy; currently, Lotus's key direction for pharmaceutical development are based on the strengths of its two R&D centers great market opportunities and would enjoy better margins while their development is particularly complex and expensive.

I'd also like to highlight our outstanding service record here at Lotus, which is at 97% in 2016. We believe that our exceptionally high service level and attractive product portfolio will position Lotus as the preferred partner of our customers.

Mr. Wang, you were appointed general manager in September 2016, with the mission to establish Lotus as one of the leading pharmaceutical companies in Taiwan. What are your main priorities to reach this objective?

Jefferson Wang (JW): My main focus is to rapidly strengthen our organization's internal capabilities, better integrating our sales and marketing capacities so that we can compete with multinational companies implanted in the country. To do so, I notably recruited experienced professionals coming from affiliates holding strong capacities in the hospital sector, such as GSK, Janssen, and Pfizer. After only six months, we have already been able to more efficiently leverage our product portfolio and make the most of our recent product launches, while our domestic sales grew by at least 30 percent.

PV: Some of the key issues I identified when coming to Taiwan were the low efficiency in sales channels and less focus on marketing since Lotus mainly services the domestic market at that time. We have been reshaping our sales and marketing strategies for the past two years based on our optimized portfolio. Now, Lotus' focus is no longer on commodity generics and we should generate profit with higher efficiency with the changes.

To sum up, in the domestic market, though we still stand as a relatively small company now, we are positive that through the above-mentioned portfolio development to increase sales and marketing efficiency we can double our EBITDA within the next two years.

The National Health Insurance Administration (NHIA) is very focused on cost containment, while total healthcare expenses in Taiwan only amount to 6.6 percent of the country's GDP. How does being focused on high specialty generic products translate into a competitive advantage in Taiwan ?

PV: Although Taiwan's healthcare system displays very high approval ratings, cost containment has indeed been a priority in the agendas of the past and current governments. In the meantime, generics penetration rate in Taiwan remains actually quite low, which we could be seen both as a great market opportunity and as the evidence of long-standing regulatory hurdles. For instance, the chemotherapy Imatinib stands as our blockbuster product in the CEE, where we quickly gained around 10-15 percent market share within only six months. Here, generic version of Imatinib only displays a disappointing two percent market share since its first launch, as bringing first-to-market generics remain challenging. In Japan, which stands as another country with a low generics penetration rate, the government has been implementing various incentives to foster the development of the generics industry, but Taiwan still lags behind.

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JW: Overall, market access remains challenging in Taiwan, as regulatory approval takes around 25 months. Furthermore, in Taiwan, multinationals usually sign exclusivity contracts with hospitals covering two to three years, so generic companies are forced to wait until they can list their offering in hospitals' registries. In Japan, the government has set the goal to reach 80 percent of generics penetration by 2020; but in Taiwan, the true decision-makers in this regard are hospitals' boards, not the government.

Lotus' products are now distributed in 11 markets in APAC and the company is notably active in Korea, Japan, China, and Thailand. Which markets do you identify as the most critical to sustain the regional growth of Lotus over the upcoming years?

PV: So far, Korea stands as the biggest contributor in terms of top line sales and account for around 82 percent of our regional profits, while Taiwan comes second. These numbers clearly underline the critical importance to explore other markets and expand further into Asia.

We already hold our own B2C footprint in four countries, Vietnam, Korea, Taiwan and Thailand. In the meantime, we have also developed B2B channels in Korea, Taiwan export, Hong Kong, Singapore, China and Japan, a complementary strategy that has proven being very successful in Korea (around USD 20 million of our domestic sales). We are planning to reinforce our B2B channel in China and Japan by filing more products and expanding our network of partners.

What are the main objectives you want to reach within the next five years?

JW: From a customer point of view, Lotus will become the partner of choice of key opinion leaders and healthcare providers in Taiwan, with strong and flexible commercial teams whose main objective is to swiftly meet the needs of local stakeholders. Continuously developing world-class service, paramount quality, and a competitive portfolio based on local partnerships and our in-house portfolio are our strategic priorities when it comes to servicing our clients in Taiwan and in the region. Internally, we are also focusing on lowering our operational costs to ensure we fully benefit from the rapid increasing of our sales.

PV: In the mid term, we want Lotus to become a regional leader, meaning we need to strengthen our positioning and expand into other Asian markets. My goal is to double our current revenues within the next five years and become one of the top three multinational generics in Asia. Lotus no longer stands as a local generic player and our international expertise as well as Alvogen's global network will be critical to fulfilling our ambitions.

Despite its crucial importance, Lotus’ promising R&D pipeline is just one of our key assets. Lotus is particularly open to close new, local partnerships for the marketing of leading brands. In this regard, adopting the right business development approach, strengthening our in-house capacity, and identifying the best partners will play a key role in the development of the company, not only in the region but globally.

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