Hakan Koçak – CEO, Koçak Farma, Turkey



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Hakan Koçak, CEO–general manager of Koçak Farma, a company with 47 years in the pharmaceutical industry and the biggest production facility in Turkey, gives a thorough insight into Koçak Farma's background, with their ground-breaking biosimilars as the leaders in the area of oncology with 85 products approved in Turkey, in addition to discussing the next steps for the company with the aid of the government and potential changes to the country's incentives for the pharma sector.

Could you please start by introducing Koçak Farma to our international readers?

Kocak Farma was founded in 1971 by my brother Ender Koçak, serving healthcare with finished products and API manufacturing facilities. We are an important player in the Turkish pharmaceutical market, with 1700 employees and over 600 different types of products, specifically focusing on gynecology, urology, chest diseases, cardiology and general health protection. Furthermore, we have the largest production facility in Turkey at 140 000 squared meters on the outskirts of Istanbul, producing all pharmaceutical forms from tablets to injectables. Our scientific expertise has been approved by TUBITAK, Turkey's Scientific and Technological Research Council, with the company having five patents and 482 Trade Marks, helping to increase our turnover from TL288 million *[around USD 60 million]* in 2013 to over TL725 million *[around USD 150 million]* in 2017 with a combined annual growth rate of 23 percent over this period.

What has been the evolution of the company?

Firstly, we started our oncology business back in 2005 in tandem with receiving our European Union GMP (Good Manufacturing Practice). The company started to produce cancer products then which we were able to sell to the EU. Therefore, we have a long history in this therapeutic area with our expertise and knowledge creating over 100 oncology products, making Kocak Farma a leader in the area of oncology in Turkey, producing one in two of the products purchased in the country. Although we are not the leaders in value we are at the top in terms of volumes in Turkey.

Moreover, we have the first biotechnology and oncology medicine manufacturing facilities in Turkey, certified for EU GMP compliance also. Although there are very expensive cancer products imported into the country, we as a local company pride ourselves on manufacturing the first biotechnological product in Turkey. In addition, we launched the first biosimilar, Enoxoparin Sodium, in Turkey in 2012, followed by the launch of our insulin biosimilar – so we are a company achieving many firsts in the country.

Last but not least, Koçak Farma purchased Eczacıbaşı Baxter serum group products at the end of 2016. Koçak Farma who took over the flag from Eczacıbaşı-Baxter in the production of serum with this procurement operation, has also purchased serum group product licenses, brands, machinery and equipment. This acquisition is an operation within the scope of Koçak Farma's investment plan and with strategic importance in terms of public health. The place and prospect of intravenous serums are undoubtedly very important. In all circumstances ,the local production of the serum is the safety of public health. Domestic production is made easily accessible, and the burden of the drug on public health is reduced, while Koçak Farma has become the market leader in the serum market.

Looking forward, we are working on complex monoclonal antibodies, vaccines and other biotechnology areas we can bring to the country, in our R&D centers approved by the Ministry of Health. It is not possible to grow fast producing only chemical products, so you have to diversify the product avenues in which you can take.

What is your marketing positioning in Turkey compared to other local companies?

We have two different types of sales avenues which we have explored, selling our products in both the retail and hospital markets. We are the second biggest producer of products for hospitals in Turkey both in terms of volume and value. However, this is typically not included in rankings data so looking at the retail market we rank around 25th, with a turnover of around USD130 million.

Furthermore, the company ranked 220 among the Top 500 Industrial Enterprises of Turkey as published by the Istanbul Chamber of Industry, highlighting our strength and importance in the pharmaceutical industry.

Furthermore, Koçak Farma is one of the Top Two fastest-growing Turkish pharmaceutical companies with 33 percent growth. The Turkish market is growing when you look at the Turkish lira values, mainly due to the large population of the country but also to the increase in the older generations and this epidemiological shift, thus increasing the pharmaceutical usage.

We aim to become the leading pharmaceutical company in Turkey in the next five years. The most critical areas to achieve this will be in biotechnology and oncology products. As the CEO we all have to work hard together to achieve this and contribute to the business. In addition, the company will have to become concise in its product portfolio, mainly specializing in the area of oncology. Furthermore, the situation in Turkey will need to stabilize with a change to the current pricing policy because we need the funds from our sales to continue to invest in the company and our R&D.

Looking abroad, what is your international expansion strategy?

Koçak Farms is exporting a wide variety of products to the majority of countries in the European Union, CIS countries, Australia and South Korea and serving over 40 clients in these countries, cooperating with many leading European countries for both product development and production. These products are high value and high margin, complex products.

However, because of the value of the exported product in foreign currency fell *[due to the freefalling of the Turkish Lira – Ed],* our main focus is still Turkey. We will begin to increase our export capabilities in the next five years with the aim to double or even triple the current levels we see. We are also working to register some of our biosimilar products to the EU, conducting clinical trials and bio-equivalent studies in this area.

Unfortunately, foreign markets look at the price of our products in Turkey and ask for the same price, which is impossible to adhere to due to the discounted prices we sell our products to Turkey’s SGK in order to be reimbursed. The only solution to this would be to keep the discounted price – which is on average reduced by 28 percent – a secret, in order to increase competition and fairness when exporting our products abroad.

What are the current main challenges for the company?

The main problem is the fall of the Turkish Lira, which not only effects the imports and exports deficit, but also TITCK's price reference system. Another problem for domestic companies is that we are importing API's from abroad in either Euros or US Dollars, so it is important to bridge this deficit gap. Inflation has increased 13 percent in 2017 and is continuing to increase, which will not help the import and export deficit either.

In the pharmaceutical industry, we have an import-export gap of over USD4 billion, importing these important materials in foreign currencies, highlighting the need to reduce this deficit when the cost for us is high. If we can produce more high-value products in the country, then it will be good for the country's economy.

Are there any incentives from the government to increase home-grown production and manufacturing?

The vision of the government is to highlight the importance of bringing new technologies to the country through domestic companies' innovation drive. We are in alignment with this vision and aim to bring new technologies to Turkey to make the country more self-sufficient and resilient in crucial, life-changing products.

Therefore, the government has created some incentives for the industry to participate in this vision, but sometimes this is not enough. The main idea is a purchasing guarantee that if a biological product is developed in Turkey, the government can give a payment guarantee for the next seven to ten years.

In addition, they offer a tax allowance as financial support, but this is only once you sell the product after years of development and production. The government does not take any tax from this sale, but the process is long. If we make an investment today, we will only reap the rewards five to ten years later.

While 50 percent of the Turkish population is still under the age of 31, the country is set to experience a fast epidemiological shift over the next decades. Do you see the current Turkish model of healthcare sustainable in the long term?

Our Social Security System SGK is maybe the best in the world, because it covers almost everything related to health and pensions, so as a Turkish citizen you can now undergo free access to healthcare. However, it is very difficult to create a functional system without a budget, so we

have to discount the prices of our products for them to fit into their budget and become reimbursable. This makes the prices of our medicines cheaper than many countries in the world, including Africa, notorious for its cheap prices. Furthermore, Turkey invests little money into its healthcare compared to GDP, so to remain relevant in the system we have to continue producing in the country to keep costs as low as possible.

Looking towards the next five years, what are your main objectives?

We will further develop our R&D and production facilities for biosimilars because we are ready to commercialize with the facilities already established, investing around five percent of our revenues into R&D. Currently, it is very difficult to find extensive quantities of knowledge and expertise in the biotechnology area in Turkey, because there is still little production locally and thus little manpower. We have skilled people and consultants working for us from outside the country, especially from the US, to build up our R&D centres and manufacturing capacities.

What would be your final message to our international readers looking to invest in Turkey?

Although Turkey is a difficult market, it can also be strategically important to pharmaceutical companies due to its growth and potential. I hope Turkey will remain an important hub for production, if not the center for the rest of the world. If the home-grown champions like Koçak Pharma can produce biosimilars and continue to research new biopharmaceutical products that we can export then this will be extremely helpful for the Turkish economy, emphasizing our capabilities or producing in Turkey for the rest of the globe.

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