

Xavier Carbonell - CEO, Palex Group, Spain



We want to continue being the number one medical device distributor in Spain. Furthermore, we want to be the reference distributor for Europe

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Xavier Carbonell, CEO of Palex Group, a leading Spanish medical device player, discusses how the company's growth has been triggered by acquisitions to grow their portfolio and distribution arm, as well as how they are positioning themselves as a gateway for foreign companies wishing to bring medical devices to the EU. Furthermore, he elaborates on the companies R&D strategy and the innovation they aim to deliver from their own solutions.

Originally you started your career as a physician. What led you to the business world of the healthcare industry?

I worked for around 10 years in one of Spain's largest hospitals in Barcelona, Vall d'Hebron, within the breast cancer unit, helping patients while in the meantime taking part in research through clinical trials. Because of these trials, I had a strong relationship with the pharmaceutical industry and after some time I was approached by Novartis to be Head of the medical Oncology business unit in Spain.

I decided to take this leap of faith, knowing that it was a completely different path. It was interesting to now be on the other side and trying to put in place clinical trials in hospitals, rather than just being a part of their implementation. I gained experience in this position in areas such as marketing and medical marketing, even undertaking an MBA. After some time, I was given the option to move to the US with the company, but instead decided to stay in Barcelona and take up

the role as Head of Oncology at Amgen Spain. Therefore, I was able to gain experience in big pharma in both an American and European multinational company.

What led you to the medical device world?

After 5 years at Amgen, in 2007, by coincidence, I was introduced to the family owners of Palex Group. They knew my story and surprisingly asked if I would take over as the CEO. I knew that I could comfortably do most of the job, though needed to build up knowledge for other areas as the medical device industry is quite different to oncology and pharma in general. Therefore, I shadowed the CEO at the time for one year, and in 2008 I took over the reins. Thus far it has been a great experience, and I love the flexibility and decision-making nature of the job, rather than former positions where, in the end, I was always reporting to HQ.

How has the company grown over the last 10 years?

When I took over the company in 2008, Palex Group had an annual turnover in the 50 million EUR range, and now we are projected to hit 150 million EUR by the end of 2018. Furthermore, we have grown our staff from 150 to 450 over this period.

What has triggered this staggering growth?

The big change occurred around four years ago when the company was turning over around 100 million EUR annually. I was asked by the family to construct a business plan for the following five years, so I came up with two cases.

The first was to continue on our current pathway, though having in mind that Palex at the time was a family owned company that needed to finance all investments, be it through the banks or their own equity.

The second was a much more aggressive approach and was ultimately chosen. At that time the Spanish market was filled with companies struggling financially. We could have let them fade out, though we decided to acquire these smaller entities and grow our network across Spain. Furthermore, we made acquisitions of larger groups that had their own portfolio that was different to ours. This not only allowed us to grow in size but also in terms of the product range that we can

offer to the medical community and patients.

What are your current portfolio growth drivers?

The largest area previously was definitely cardiac surgery. Since we acquired these other companies, we have split our risk and diversified our product approach and allows us to not rely on one area. Our role is to act as the partner between the seller and buyer, and not just distribute products, but provide a solution that creates added value to the whole chain.

The company is making moves into growing abroad. What is your international strategy?

We are within Spain and Portugal as Palex. Five months ago, we struck up a joint venture with JIMRO (Otsuka Medical Device Company) to act as the exclusive distributing partner in Europe for their large medical device business arm. This will over time incorporate their new technologies and we are currently distributing in the UK, Germany, France, Nordics, Spain and Portugal, while in the meantime building relationships to soon move into Eastern Europe and other countries.

On the other side, we acquired a company around 7 years ago with RFID technology. We have invested a lot of money to develop our own systems, SmartCabinet® and SmartKanban®, and we see our self-developed products as our future. We now are dealing on the other side and are distributing to Germany, the UK, Malta, France, Italy and the Gulf Countries.

How do you go about looking for partners and what makes Palex the partner of choice?

We are extremely close to the market having around 300 people on the ground understanding the realities of the market and the trends, so we can tailor our approach for the needs of our clients. We have an advisory board for each business unit where we discuss how we can approach the market, which allows Palex to remain agile and flexible in meeting targeted needs.

And really this approach of always looking for what is next, and what innovation we can introduce is part of Palex's DNA. In fact, if you look at our history, we were the first to bring nephrology to Spain, first to bring cardiac valves, and first to bring Davinci robots. Now, we are pioneers in dialysis at home, preventing patients from needing to go to hospitals. This not only saves the

healthcare system money, but benefits patients' lives drastically.

You mentioned in a recent interview that innovation is part of Palex's DNA. What is your strategy towards R&D?

We have our own R&D department and business development team that is working to find innovative solutions. Though investing this money is one thing, but the critical part is how we work, and this must be smart and targeted.

To do this, we have a task force that meets that incorporates all facets of the business, from general managers and marketing personnel to people on the ground, allowing us to get views from all perspectives. We then decide which areas to target using our acute market knowledge of the trends impacting the healthcare system.

In that regard, we have targeted two key areas that we believe will give us good growth in the future. Firstly, neurovascular, and our knowledge from the cardiovascular sector will assist us in this. Secondly, robotics, which we believe has huge potential.

Which markets are you looking at for these solutions?

Mostly the European and LATAM regions. We understand that from our distributor background the regulations in each market are vastly different. Therefore, we are working hard to find the perfect partners, and thus far we have some encouraging progress.

Some of these companies we are engaging with are purely wholesalers, though others are looking to incorporate our technology into their own processes. For example, Alcon is looking to use our solutions to help monitor their contact lenses throughout the entire supply chain from production until the end client. Also, we have an agreement with Omnicell to monitor medicines using their storage throughout the hospital. This has us both using our solutions to create a more efficient overall system for medicines and medical devices.

R&D is a high investment business. How does Palex fund such endeavours?

When we restructured the company four years ago, a part of that was to shift the funding of Palex. In today's current structure, the majority of the group is owned by a Venture Capital company, with

the family having also a good share of the pie. This has given us a healthy pool of financial resources to invest in our R&D strategy.

Another model we utilize is the creation of the Palex Venture Capital Fund. We search the market for companies that are developing some medical devices solutions that are around one year from reaching the market. We offer them some financial assistance, which gives us a share of the company and also distribution rights in certain regions, but most importantly we can offer invaluable knowledge from years of experience. This means we can tell them what solutions will work or not work based on what already is available to consumers.

What steps must you take to continue on the company's impressive growth path?

Firstly, we have some companies in our pipeline that are offering some interesting solutions
Secondly, we will continue to acquire some interesting propositions within the market, and this will help us grow our portfolio and diversify our risk. Also, during this period, we believe it is a good time to digest the growth in the past 10 years, and completely integrate the new staff and products into Palex so we can work efficiently towards the same objectives. I am targeting 200 million EUR in annual revenue by the end of next year, and this is definitely achievable.

Where do you envision Palex in the long term?

We want to continue being the number one medical device distributor in Spain. Furthermore, we want to be the reference distributor for Europe, and like what we have done with Otsuka, be the premier partner for companies from outside the EU wanting to distribute their products within it.

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