Ahmed Zaghloul – CEO, October Pharma, Egypt



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Ahmed Zaghloul, CEO of October Pharma, stresses the need for better infrastructure for biosimilars in Egypt to stay competitive on a global level. He also highlights October Pharma's ambitious export strategy, targeting markets in the Gulf Region and South East Asia.

How would you assess the current business environment for Egyptian pharmaceutical companies compared to when we spoke to you in 2016?

The economic situation has definitely improved, as we have significant reserves of hard currency available in the country now. Due to the high population growth, the market is growing, and the government has started making investments on a national level to improve healthcare. Nevertheless, production costs are rising, and pricing pressures continue, so the margins in the industry are still very low. The situation is not as serious as it has been three years ago, because there is a better mutual understanding between the government and the industry. However, we are pressured by the low exchange rate and rising energy costs, so despite growth and higher sales our profits go down. Due to the size of the market, the government is becoming more active as it aims to restructure the role of public companies and improve their footprint. The authorities are also in the process of rolling out the first phase of the Universal Health Insurance in Lower Egypt, but it yet has to be seen how this implementation will impact the market dynamics. If it goes as planned, it will change the healthcare environment dramatically. Today 70 percent of healthcare expenditure is coming from out-of-pocket payers, so this number will go down significantly in the

next few years with the new insurance. Overall, the growth of the market will attract a high number of new players coming to the country, which brings new opportunities.

Can you elaborate on how these opportunities look like?

Around the world, we see a rising number of molecular entities based on biotechnology. Hence, within the next ten years, we will see biosimilars acquiring a significant market share in Egypt; however, we do not have the necessary infrastructure for biosimilars in Egypt currently. While many countries have made significant progress in creating the right infrastructure and legislative framing for biosimilars, those are not accepted by the Egyptian authorities as reference countries for registering products. The reference countries are developed countries in Europe, the USA, Japan and Australia, but not countries like India, Russia or Turkey, which have significant biosimilar capabilities. Therefore, we cannot collaborate with the latter countries to start production here in Egypt. The investment required for establishing an infrastructure for biosimilars in Egypt is too high for local companies, as it requires funds of at least USD100 Million. This sum exceeds the capabilities of most local manufacturers, so we are hoping for government support to drive this matter forward. One solution could be a national agreement for establishing a consortium to improve the infrastructure for this technology in Egypt. The investment in the area of biosimilars needs to be significant, as we will be unable to compete with other countries otherwise. I am confident that Egypt will make significant strides for having biosimilars in the country in the next few years, but it essential to lay the foundation now.

Projects like the Universal Health Insurance Law or 100 Million Seha have been rolled out by the government but rely on significant support from the private side. We have seen many MNCs contributing to the campaigns, so how do you see the role of the local players supporting the government initiatives?

The government and multinational companies have invested a high amount of money on the national screening campaigns. Nevertheless, most of the products for the treatment of the diseases are being produced by local companies, especially for treating the Hepatitis C virus. The local manufacturers play a crucial role for Egypt, as they cover between 60 and 70 percent of the market by volume. For diseases like hypertension and diabetes, which have a very high prevalence in Egypt, local players play a vital part in providing treatments, as even Insulin is produced in the country today. Hypertension treatments are usually based on chemical entities, so local

manufacturers have a high market share, as these products fall into their traditional generics business field. Even if multinational companies would decide to pull out of the market in these treatment areas, there would be no supply issues in Egypt.

Despite economic and pricing challenges in the last three years, October Pharma has been continuously able to grow its revenues. What has been your secret for success and overcoming challenges?

When comparing our manufacturing capabilities to other local manufacturers, October Pharma is a smaller company in Egypt, as we only have two production lines. However, I made the conscious decision to not further invest into assets for production, but instead make investments to acquire and register new products. The reason for this strategy is based on the fact that in Egypt there is an abundance of production facilities, which are not fully used. We have decided to use these factories, while simultaneously upgrading our own production site, to receive international certification in the future. In this regard, we have made significant progress on the way to our goal to reach GMP certification for our export markets.

Last year you have signed a contract with German company Vitane Bio to manufacture lotions for cancer treatment. Can you tell us more about this partnership?

Vitane Bio has been interested in the Egyptian market for many years and considering they have an oncology product with a CPP certification from Germany, which is a reference country, we approached them to discuss a potential partnership. The talks have been successful, so we are currently in the process of registering eleven products, which will be produced locally in our facilities starting with packaging. As the oncology segment is new to us, we will first gain more experience in this sector and then look for partners for manufacturing this type of products in Egypt. October Pharma is a company predominantly focused on marketing and registering products, while still holding medium-sized manufacturing capabilities on the side.

Considering the growth of the market, where else do you see any opportunities for in-licensing products or similar partnerships?

Another huge area of opportunity for us is the inhalers segment, although it comes with significant challenges. I approached a German company producing the machinery for inhalers, but on my visit, I realized that there will be difficulties to match the device and formulations, which is supplied by other companies. Once we found a partner for the formulation, we faced structural obstacles due to strict regulations of the Ministry of Health, so currently, we are still negotiating on an agreement. Once we have reached an arrangement with both suppliers, we will be able to bring products to the market within a few years.

You highlighted increasing exports as one of the main priorities for October Pharma, which has been manifested by an ambitious five-year plan to have exports account for 50 percent of all sales. What have been the first steps of this plan?

Due to the low margins in the Egyptian market, we have set out the goal to have half of our sales coming from foreign countries within the next five years. The first step towards this target was to establish a physical presence in other countries, as we cannot reach the goal with our current business strategy of exporting from Egypt. Hence, we have established an October Pharma branch in the UAE; a new legal entity, which will sell our products by the end of this year. The affiliate will be used as a hub for the Gulf region, which will allow us to sell at a fairer price, as the Egyptian price will not be used as a reference because the UAE will be the country of origin. The plan is also to establish similar hubs in Thailand and Russia, to cover Asia and Eastern Europe. We will continue to serve Southern and Eastern African countries from our headquarters here in Egypt by partnering with distributors.

Where do you want to take October Pharma in the next five years?

With our presence in the UAE being established and plans for more affiliates laid out, our primary aim is to reach the export targets we have defined. Markets like Asia and Russia are not on the mind of many Egyptian countries and we are looking also to find partners for distribution in Latin America, where we see a huge potential for our products. When looking at Egypt, we know that it is not an easy country to do business in, but the situation has improved significantly. The industry needs to step up again to take over the leadership position in the region it once had.

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