

István Hodász - CEO, Egis



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István Hodász, CEO of Egis Pharmaceuticals PLC, introduces the longstanding history of the company and its positioning as a leading manufacturer of value-added generics with a strong presence in the CEE market. Hodász goes on to highlight the company's recent milestones, including manufacturing investments, portfolio acquisitions, new therapeutic area strategies, and a growing footprint in the biosimilars market. Finally, he concludes with Egis' dedication to creating an impactful corporate culture and embracing the digitalization trend.

Please begin by briefly introducing the history of Egis Pharmaceuticals.

Egis is a traditional Central Eastern European pharmaceutical company present in 18 countries, established in 1913. Egis' predecessor, Dr Wander Pharmaceuticals and Nutriments Ltd, was founded by the Hungarian pharmacist Sándor Balla and Dr Albert Wander of Switzerland. From the company's first product, Ovomaltine, they went on to produce pharmaceuticals due to Balla's background as a pharmacist.

The company was a family-led company until the end of the Second World War in 1948 when it was nationalized under communism and renamed EGYT. Sándor Balla fled to Argentina where he went on to found his second pharmaceutical company that still exists, ranked as one of the most successful pharma companies in the country- demonstrating his expertise in the industry.

During this time, five smaller companies were merged into EGYT (renamed to Egis in 1985) and its API manufacturing capabilities were set up in Budapest. Later on, the capabilities of manufacturing finished products were developed including tableting, injection manufacturing, and establishing a galenic plant in Körmend.

After Hungary's political transition, Egis was introduced to the Budapest Stock Exchange which resulted in Servier acquiring 51 percent of the company's shares in 1995. Later on, in 2013 Servier went on to acquire the remaining 49 percent of Egis, making us a fully owned subsidiary of the group.

What have been your top priorities for the company since becoming CEO?

When I became CEO in 2009, I started with the refurbishment of our manufacturing plants along with the renewal and extension of the complementary R&D facilities of each production site. Where we produce APIs, we have the API development centre, galenic manufacturing with galenic R&D, and the same for finished products. After this, we focused on the expansion of capacities such as the recent inauguration of our new galenic plant. Additionally, we have completed the renewal and increased the capacity of our API facility to be fully automatized in which we invested EUR 40 million. Furthermore, our strategy was to enter the biosimilar segment at a very early stage. Our cumulative sales of biosimilars have reached EUR 140 million, and we are the market leader for infliximab, rituximab and trastuzumab biosimilar in the region.

The generic landscape in CEE is very competitive, with well-known regional companies and now Indian manufacturers. How do you differentiate against these other players?

Egis has had a strong tradition of R&D since the 1930s when we first established these capabilities. When we realized the competition coming from Indian manufacturers, we decided to differentiate ourselves by developing value-added products to better meet the needs of patients. Many companies produce generics, and in that respect, it is difficult to compete directly with the Asian players on a matter of price. Therefore, it was decided to leverage our Hungarian colleagues' expertise and creativity to create these value-added products.

First, we focused on fixed-dose combinations particularly in the cardiovascular area and were able to launch three of these products – the first in the world which were quite successful. These were not only launched here in the CEE but also worldwide through licensing agreements with other

major MNC partners for more than 70 countries. This example truly demonstrates that Egis products meet the high level of industry standards and fulfill patients' unmet needs.

How strategic was maintaining the company's legacy and how does Egis maintain an autonomous direction while still leveraging Servier's support?

Keeping the identity of its subsidiaries is a deliberate strategic direction of Sevier. For example, the group's other generic subsidiary in France, Biogaran. It is worth maintaining a well-established legacy, especially in branded generic markets where the image of a company is very important. The value of the Egis brand is very high in the region so it was built into the strategy that we should be able to operate under our/this brand self-sufficiently. Thus, we can create even more value for the Servier group.

What brand positioning does Egis hold within the Hungarian landscape?

Egis is one of the market leaders in the generic market, and therefore, we have certain responsibilities to the Hungarian patients and healthcare sector. We participate in special screening programs that are initiated through the state by corporate sponsorship. Through initiatives like blood donations and other activities, we put special emphasis on being an active participant in the local healthcare ecosystem.

What are your expectations for the company's performance this year?

Since we finished our financial year at the end of September 2019, we can see that Egis grew by eight percent compared to the previous year. The main driver behind this performance was our biosimilar portfolio in which we were able to launch new products. Additionally, we had a strong performance from value-added products such as rosuvastatine-ezetimibe. We also put a strong emphasis on revitalizing some of our established brands which are well known in the region. Particularly, we prioritized this in therapeutic areas which still had a high unmet need like hyperuricaemia. Finally, the 2017 acquisition of Sorbifer®, a prescription drug for the prevention and treatment of iron deficiency anaemia from AstraZeneca, also played an important role in the company's growth during the past year.

To what extent are such M&A activities a growth strategy for Egis?

We started the M&A growth activity in 2015/2016 with the acquisition of Bayer's Biovital vitamin portfolio in Poland. Since then, we have launched many product line extensions under this umbrella brand. Afterwards, in 2016/2017, we acquired additional products in the Russia and CIS region primarily. Hence, we are mainly focused on portfolio acquisitions within our operational geographic region.

In September 2019, Egis inaugurated a new galenic pharmaceutical product manufacturing plant in Körmend. What does this new facility mean for the company's manufacturing capabilities?

The development of our Körmend plant allows us to invest more in new therapeutic areas such as dermatology and topical drug development, which will be one of our main focuses in the future. We believe vertical integration is very important within the generic sector. By keeping R&D, API production, finished dosage form manufacturing, and commercial operations all in one hand, this will generate the most value for Egis. This internal capability will also allow us to adapt quickly to patients' needs, for example in dermatology, which we discovered through collaborations with patient advisory groups. All the internal developments of our company will really focus on filling such gaps and being able to offer modern therapies for patients.

What makes Hungary such a sweet spot for pharma manufacturing in the region?

There are several incentives and grants from the Hungarian government to stimulate industry R&D and manufacturing investments. The new galenic pharmaceutical plant was built partly using an EU grant. This is a consortium kind of grant for which we worked together with three universities on the development of galenic products. The grant also includes the construction of manufacturing capabilities to produce these co-developed products.

Additionally, we are constructing a facility in Körmend to be able to produce Highly Potent drugs that have been granted subsidies based on individual governmental decision. There are also tax benefits available for all companies carrying out R&D activities. Moreover, due to Hungary's strong tradition in pharmaceutical industry, the skills and availability of the workforce is a significant factor for several pharmaceutical companies to establish their R&D and manufacturing capabilities in the country.

You have identified the goal of launching several new products by the end of 2020.

What are your strategies to ensure the success of this objective?

This financial year we have produced two new products which were developed in the framework of the above-mentioned university partnership. There is also a third product under development which we expect to launch by the end of next year. We are about to launch four additional cardiovascular fixed-dose combinations in the region. We will further strengthen our presence in the biosimilar segment by launching new biosimilar products.

What is the scope of the company's recent partnership with Mundipharma?

Egis has had a long-lasting relationship with Mundipharma going back to the 1980s when we signed a licensing and manufacturing agreement on Betadine® which became one of our flagship products. This year we started the partnership for Mundi's pegfilgrastim biosimilar, Pelmeg®. Since they acquired Cinfa Biotech, we are very happy to be working with them in the biosimilar field as well. We market this product in Hungary, Romania, Lithuania, and Latvia as they do not have their own commercial structure in these countries.

What makes Egis a partner of choice for entering into such collaborations?

It is absolutely our market knowledge and image in the region. We have set up a very professional team that understands the unique market access issues in the region. These are not pure INN-type generic markets in which you can put a product in the market at a low price and it will sell itself. Healthcare professionals must be convinced about the benefit of the products for patients. Therefore, a more physician-focused marketing strategy must be leveraged in the region and we have the right skills to carry out such a program.

Egis was recently recognized as one of the top employers in the PwC 2019 Most Attractive Workplace Award. What is your philosophy for setting a strong corporate direction and culture?

Our success is owed to the efforts of our 4,400 employees. For me, the most important goal is to become a company that people love working for. However, that's easier said than done; it can be quite a challenge to create such an environment. To accomplish this, we have set up special working groups targeting essential areas like employee recognition which is important in motivating and setting an example for teams. We have formed a group of ambassadors of around 100 non-management employees in order to reach people from all areas/ departments of the company directly rather than only through their supervisors. We invite these ambassadors on a monthly basis to discuss key strategic topics in Egis to reach full understanding and engage all our employees.

Also, we have been prioritizing family-friendliness within the organization. Egis was one of the first Hungarian companies to introduce home office and teleworking opportunities last year. By now, we have approximately 800 colleagues who have already taken the opportunity to work from their homes. Furthermore, Egis has continued its childcare services, like kindergarten and nursery next to our main site, while many other companies have terminated such programs. Considering the labor market challenges in Hungary, these are important steps in supporting our people and creating an environment that will result in low staff turnover.

We reshuffled our HR department for the benefit of both managers and employees. This includes a new customer service department for all employees and a business partner department for the management.

With regards to long-term plans, we are cultivating the next generation of Egis by putting an emphasis on recruiting young talents. We organize and support courses for universities that enable students to better understand the work done at a vertically integrated pharmaceutical company.

In terms of daily operations, we have also created a co-working space in our offices to facilitate collaboration among our teams. In fact, our downtown office was voted the most attractive community space in Budapest at the 2018 Office of the Year competition.

Now that you have been leading Egis as CEO for an entire decade, are you satisfied with where the company stands today?

I am satisfied with what we have achieved thus far but there is so much more to be done. We strengthened our leading position in the regional generic market through first-launched biosimilars, successfully introduced self-developed value-added fixed-dose combinations, and secured our

vertical integration by renewing our production infrastructure. It is important to emphasize the extensive steps taken to improve ourselves for the future, also in terms of enhancing operational efficiency and cultural change.

What is your future vision for the company in the long term?

Besides basing our future on our core capabilities, we are implementing initiatives to utilize digitalization opportunities in different ways. For example, improving operational efficiency through the automatization of internal processes, redirecting ourselves towards Industry 4.0, and of course, digital patient initiatives to better identify and resolve unmet needs with the help of the newest digital technologies. We have already set up three Hubs to address these areas and pave the way for our future.

The emerging digital wave is an excellent opportunity for mid-sized pharma companies like Egis because adopting these technologies requires great flexibility. Therefore, we can reach our goals faster and make better use of new operational methods.

Any final message you would like to deliver on behalf of Egis Pharmaceuticals?

Egis is a great choice for any pharma company that has the right products for CEE patients and is looking to enter the region through a strategic partner.

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