Philipp Haas – Chairman of BOD & CEO, DEVA



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As one of the leading pharma companies in Turkey, DEVA is pioneering a new approach to generics in the country. Chairman of the Board and CEO Philipp Haas discusses the company's presence and strategy in international markets, how the firm is leveraging its three US FDA-approved and EU GMP-certified production facilities to build a quality-focused image, and how a raft of new investments aims to position DEVA as a local leader. Moreover, Haas explains DEVA's pandemic journey and its substantial investments in R&D.

Can you begin by briefly introducing the story of DEVA as one of the leading Turkish pharmaceutical companies?

DEVA is a 63-year-old company that was founded by doctors, pharmacists and veterinarians. At the time of DEVA's foundation, back in the late 1950s, there was limited access to some needed pharmaceutical products, so these pioneering healthcare practitioners came together and helped build the Turkish pharmaceutical industry. This was in the period after the Second World War, a time when antibiotics were starting to be developed, so the company began by manufacturing its own antibiotics, both active pharmaceutical ingredients (APIs) and finished products.

The company has had a very successful trajectory; in 2006 there was a change of ownership, and the new management invested a large amount of money in new production facilities and gave the company a new strategic direction with modern state-of-the-art manufacturing facilities. DEVA has

prioritized Turkish patients but in parallel has also built the capacity to serve other markets.

2020 was a challenging year for Turkey and its economy but created big opportunities for the pharmaceutical industry. How was DEVA impacted in particular?

2020 was a relatively difficult year, primarily due to the COVID-19 pandemic. We had to restructure our operations significantly, putting the safety and the well-being of our employees first; that was our priority.

Because we accomplished that, we have been very successful in avoiding a big negative impact of COVID-19. All of our production facilities, due to our very strict safety measures, have continued to operate without any interruption. Everyone that could work from home did so, including almost all sales staff and those that ordinarily work at our headquarters. We have successfully manoeuvred in a very difficult environment. It was a big challenge, and I must say I am very proud of our organization because they were able to embrace the challenge and the changes that were needed in a very short time and without disruptions.

One of DEVA’s advantages is that it has a broad portfolio with a presence in almost all therapeutic areas. During the pandemic, various therapeutic areas were affected differently. We have been able to adapt to the new environment as we move towards becoming a specialty pharma company.

What we had to do was basically reduce production in some areas and increase production in others which was relatively easy. We did not have to take major tough decisions; on the contrary, we increased the number of our employees. The company is using these turbulent times and economic difficulties to improve its productive assets.

How affected was the company by the devaluation of the Turkish Lira last year?

While it is true that the Turkish Lira has been under pressure, this is something that we have learned to work with and are doing so very successfully. Currency fluctuations are a fact of life, and we need to be prepared. DEVA has a strong balance sheet and good financial results; we are in a fortunate position that allows us to withstand external pressure.

One of the big trends you have talked about before, and one that could help the country's industry import-export balance sheet, are biotech products. What have been DEVA's investments and your strategy in this area?

Last year, we began building a biotech production site and we already have an R&D centre dedicated to those products. The commercial production site should be finished this year and we are in the quite advanced stages of being able to develop our own biosimilars.

No other Turkish pharmaceutical company spends more on R&D than DEVA, which invests over seven percent of its revenue in the field. What is your strategy in that area?

R&D is extremely important for both DEVA and Turkey because it develops intellectual property and production. It is the gateway to successful production and competition in the marketplace. Without R&D, DEVA would not be where it is today.

We took the decision to create an R&D centre a long time ago and we do our best to improve it. We are spending the most money because we see it as the future for our operations as well as the reason we have succeeded in this environment; it has allowed us to continue registering products outside of Turkey.

We do R&D of generics, looking at ways to develop the products so they are bioequivalent to the originator products. That business model is attractive because we develop proven products with a relatively small budget. At the end of the day, this also has a positive impact on the government's drug expenditure budgets.

To what degree has Turkey been embracing biosimilars?

Biosimilar penetration in Turkey is extremely low. There is a trend towards biosimilars in Turkey and companies are trying to develop them, but the penetration continues to be underwhelming and a market remains dominated by big multinational companies. It is important that local companies become more active in that space because they remain the most expensive products.

Before we speak about the international markets in which DEVA is present, what is the future for the company in the Turkish market?

We are one of the leading companies in the Turkish pharma industry. In the market, we are improving our position in terms of value which is difficult because of the number of competitors. Our focus is on developing the right products that the market needs.

We are developing our business to the benefit of patients, doctors, and the state. The company is not shooting for market share alone, which we see as a consequence of our development as opposed to an overarching goal. We focus on areas where we believe we can create an added value in export markets.

It is always interesting to see which markets Turkish companies choose when they decide to go international. What has been DEVA's approach when going abroad?

The international markets were a big part of the strategy when the new ownership took charge. The new manufacturing facilities, from both a quality and capacity point of view, were built with the objective of exporting into high-quality developed markets. It will help us maintain our great quality but at lower costs.

We have a direct presence in the United States, Germany, Switzerland and a few other markets, and also use distributors or licensing partnerships in other parts of the world. DEVA has a different strategy than other companies; we have been building our international footprint slowly but surely. The company does not go and register 100 products from the beginning only to retreat after two years.

DEVA of course has difficulties competing with some generic companies in terms of price. As DEVA we never compromise data integrity. Our policy is to provide the highest possible quality. The organization works in an industry where quality is everything; people's lives are at stake so we have a responsibility to provide our patients with the best possible quality, nobody can beat us in quality.

I can say that our exports are gradually increasing, and they have started to make a difference.

Is manufacturing inside Turkey and having a local workforce an asset when you need to increase your exports at a moment when the government wants to make the country an

export base?

It is a good strategy for the government to follow because the trade deficit for the pharmaceutical industry remains enormous despite all the efforts to localize production. There are some barriers that a few countries have put up, so it is important that these are eliminated in regulatory terms.

Many companies think about building a production facility but fail to recognize what comes next. Products need to be stored and distributed with good logistic practices, which is why we built our logistics center; we want to control the quality of our products for as long as we can. We used to ship to an outside center, but you cannot always control the conditions.

You have discussed your bet on biosimilars, the R&D centre, your strategy for international markets and the logistics centre, but what is on your agenda for the next five years?

DEVA's export strategy will be crucial to its success over the next five years. I have communicated that internally, so the organization is focused on it. At the same time, we want to increase our market share in Turkey which is achievable thanks to our strong R&D. We are trying to develop products for Turkey first and then for the export markets.

Turkey is a fantastic country that has a lot of potential because of the great pool of young talent available. The Turkish people are very hard-working, conscientious and honest. They have ideal characteristics for the pharmaceutical industry. The country has great conditions to be successful in the pharma marketplace. But the non-tariff barriers in some countries should be eliminated for mutual international operations.

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