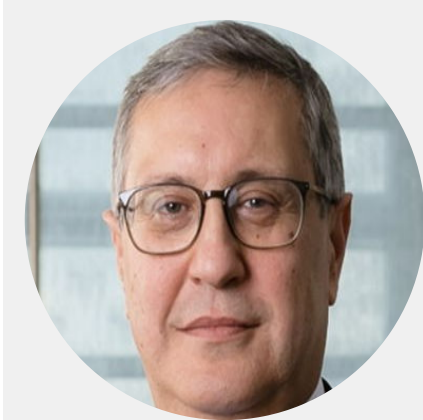


Süha Taşpolatoğlu - CEO, Abdi Ibrahim



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Süha Taşpolatoğlu, CEO of Abdi Ibrahim, Turkish pharma's "national champion", discusses the company's ambitious bet on biosimilars, their position as the licensing and CMO partner of choice for multinational companies interested in Turkey, and the objective of reaching one billion dollars in revenue. In addition, he outlines Abdi's international ambitions after the acquisition of a Geneva-based biopharma company, the upcoming establishment of affiliates in Germany and Saudi Arabia, and the plan to enter the US market.

Can you begin by introducing your trajectory in the Turkish healthcare industry and Abdi Ibrahim's presence, capabilities and performance as the market leader?

I am a medical doctor and I worked for the Ministry of Health after graduating because at the time it was mandatory. After finishing my military service, I joined the pharma industry with Eczacıbaşı and also worked with Sanofi Pasteur and Bayer. In 2001, I joined Abdi Ibrahim as marketing and sales director, moving up to become general manager for all commercial operations five years later. During that time, I was approached by Roche to be general manager for the Turkish affiliate. Four years later, in 2013, I came back to Abdi Ibrahim as CEO.

Founded in 1912, Abdi Ibrahim is the largest pharma company in Turkey and one of the oldest in any industry, not just pharma. It is a 100 percent family-owned company that was named after its founder, Abdi Ibrahim. Nezih Barut, our current chairman, belongs to the family's third generation.

We have been the pharma leaders in Turkey since 2003 and utilize a complex business model. We produce generic products, but at the same time, represent many small to midsize multinational companies doing business in Turkey through in-licensing agreements. Approximately 50 percent of our turnover comes from originator products and the other half from our own generics. The company manufactures for its partners for both local and foreign markets. The CMO business is a small proportion of our current business, but we expect it to increase in the coming years.

Abdi Ibrahim is present in almost all therapeutic areas, including oncology, biologics and consumer health. We have large manufacturing operations in Turkey and also have affiliates that manufacture in Algeria and Kazakhstan. Today, close to 20 percent of our revenue comes from international markets since we export to over 60 countries including Canada, Europe, South Korea and the Middle East. Our total turnover is around USD 650 million but it is hard to give an exact number because of the currency devaluation and pricing situation. In 2007 we were a top 100 company globally with more than USD 800 million. The objective is to reach one billion dollars as soon as possible so we can return to the top 100.

You said in a recent interview that Abdi Ibrahim is undergoing an organizational restructure that will bring a more agile business model. Can you elaborate on the plan?

The company has been executing five-year strategic plans and last year we outlined the new plan called Vision 2025. Our objective is not only to be a billion-dollar company but also to remain the market leader in Turkey, continuously overperforming the industry year after year. Since Turkey is our main source of revenue, we must continue leading the market if we are to expand abroad.

Our strategic plan includes the goal of growing in the international markets and we expect them to account for 35-40 percent of the total revenue. Long-term, the plan is to increase that number to 50 percent.

Abdi Ibrahim aims to add new countries to our portfolio because any international player must be present in the United States and the European markets; we want to be in Italy and Switzerland, Saudi Arabia and Southeast Asia. We currently have plans to open an affiliate in Germany and Saudi Arabia. Internationalization is not an option, it is a path we must take because of the limitations in the Turkish market.

Abdi is a generics company and a strong player in the chemical business, but we also want to be even stronger in biotechnology and consumer health, both in Turkey and internationally. In Turkey,

we want to be the largest biotech company by 2025 not only by in-licensing or contract manufacturing but also by developing our own biosimilars.

Our organizational restructuring is in line with those objectives, we need the best talent working with us.

Abdi Ibrahim is certainly not alone among Turkish companies when it comes to biotech investments, but how does the company's approach differ from the numerous competitors that have invested in the space in the last few years?

We know that biotechnology is the future of the pharma industry. It currently has around 25 percent of the global pharma market in terms of revenue, and is projected to reach 40 percent soon. When we look at the total R&D investment, we see that the main projects are being done in biotechnology.

A few years back Abdi invested in its own biotechnology production and R&D facilities and recently obtained GMP approval for the factory which includes vaccine production. Because of our timely investment, we are now able to produce almost all kinds of biotech products. But in order to be a strong player, you must be able to bring new products to the country and we have registered biosimilars in Turkey already, our objective is to continue bringing products via in-licensing.

At an early phase, we understood that R&D would be crucial for Abdi to succeed in biotech, which is why we are developing biosimilars through AbdiBio, one of which will probably be the first biosimilar of its kind worldwide.

Turkey is not generally considered particularly competitive in biotechnology in the eyes of multinational companies, it is of course hard to compete with Switzerland or Germany, but also with South Korea, India or Argentina. To address this, we needed to collaborate with other companies to acquire the know-how and opted to partner with an American bio start-up called Ocugen which is developing biotech eyecare products. We have learned how the business is conducted in the US, what the necessities are and how to develop them in Turkey. In addition, we bought 28.5 percent of OM Pharma, a Swiss biotech company, in order to obtain even more know-how.

The main differentiating factor for Abdi Ibrahim among Turkish companies is our willingness to invest in, and collaborate with, international players.

Abdi Ibrahim's chairman, Nezih Barut, called the OM Pharma investment a “paradigm shifter” for Turkish pharma. What is the paradigm you are shifting?

When you look at the last two decades of the Turkish pharmaceutical industry, you will observe that many of Big Pharma companies, particularly from Europe, acquired local players to enter and compete in the Turkish market. For example, Swiss investors bought Deva, Italians acquired Ibrahim Etem and the Czechs bought Eczacıbaşı.

The OM Pharma acquisition is the first time a Turkish company has inverted the trend and bought a European company. We knew the company well because of our previous relationship with them as we used to represent their products in Turkey. When another partner of ours, which had a stake in OM Pharma, decided to sell their share, we were very interested.

OM Pharma will continue to be a separate business, but it will help us learn how to conduct business efficiently in other markets.

How is a leading company like Abdi Ibrahim dealing with the pricing challenges in the Turkish market and what solutions do you foresee?

Because of pricing structures and high devaluation rates, many companies have opted to increase the number of products in their portfolio as the solution. Abdi Ibrahim is attempting to take a similar approach, working intensively in R&D to bring more and better products to the Turkish market. But in our opinion it will not be the real solution because the pricing mechanism will not be changed soon. The industry faces obstacles that go beyond pricing, we also must contend with delays in registrations and the regulatory framework, particularly on biotech products. Whatever the issues are, Abdi Ibrahim will not turn its back on Turkey's market and will find new business models to continue creating win-win situations for patients and the authorities. But evidently, our organization cannot continue to depend solely on the local market.

Our approach to the salesforce is an interesting example since the Turkish pharma business model differs from the European markets. In Europe, resources are spent more on science than the salesforce, but we have the opposite in Turkey where nearly half of the employees work in marketing and sales. It is an expensive model that will probably change.

Looking at the internationalization strategy you have discussed, Abdi has invested and partners with local companies in places like Algeria and Kazakhstan. What is the rationale behind that approach?

When we decided to be an international player, there were two different options: to invest in markets where market entry was relatively easy, that had high profits but also high risks, or go to markets where market entry is difficult but allow you to have a predictable business. In order to learn how to do business abroad, we chose to go to North Africa, the Balkans, Azerbaijan or Georgia.

We could try to enter those markets alone as Abdi Ibrahim or by doing joint ventures with local companies. In the end, we decided to do it both ways depending on the market.

Today, we are confident in our capacity to do business internationally and are ready to go to more difficult markets like the United States and Europe.

Not many Turkish companies have a big presence in the US market. How can Abdi Ibrahim become the trailblazer?

At the moment I cannot give you a precise answer because we are still in an early phase, not only from a promotion point of view but also understanding what we must do in R&D and production. I expect that a decision will be made at the end of this year. We could try to export directly from Turkey, buy a manufacturing site in the US or partner with a local company. It remains to be decided.

In Germany and Saudi Arabia, we are about to establish our own affiliate and have already signed an agreement with a general manager. We will most likely enter those markets as Abdi Pharma.

One trend that an international player cannot afford to ignore is sustainability and corporate social responsibility. How does Abdi Ibrahim look at its role in society?

Abdi Ibrahim has a strong brand in Turkey not only because of its quality products but also our work to improve society. We are focusing on sustainability since it is the responsible thing to do as a leading company, but also to ensure the continuity of our business and be congruous with our mission of healing people. Companies that are not investing in sustainability will not be able to compete and maintain a presence in many foreign markets.

Is there a final message you would like to convey to our audience?

As the leader in Turkey's pharmaceutical industry, we are committed to healing people and being an international player in the near future. Abdi Ibrahim wants to heal people all around the world. We know how to create and foster successful partnerships and are ready to cooperate with global companies.

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