

Carlos Rubi3 - Executive President, Laboratorios Rubi3



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The executive president of Laboratorios Rubi3, Carlos Rubi3, analyses the fundamentals behind the Catalan company's double-digit growth, its international expansion plan, which includes the United States, the doubling of capacity at their Castellbisbal plant, and the challenges of the Spanish market. A producer of hydroxychloroquine, Laboratorios Rubi3 experienced skyrocketing demand during the early phases of the pandemic as well as significant disruption to its regular operations.

The last time you spoke with PharmaBoardroom, back in 2018, you ended the conversation by stating, among other things, the objective of reaching EUR 60 million in annual revenue, a milestone that the company reached this year. Can you walk us through the process that led to it?

For the last five years, Laboratorios Rubi3 (LR) has been growing by an average of 16-17 percent annually. In 2021, our real turnover stood at around EUR 70 million, surpassing the projection of EUR 60 million. The main reason for the company's financial success is our driven and loyal workforce which has gone above and beyond during the COVID-19 crisis, in addition to strong partnerships and new ventures.

It is important to underline the role of our workforce during that time. We do everything that we can to attract and maintain qualified and motivated people, which is why an independent organization has awarded us, for the second consecutive year, the Great Place to Work title, and

this time we were placed amongst the 50 best SMEs in Spain.

As a result of our growth, our Castellbisbal (Catalonia) plant, which currently produces solid dose products, is in the process of doubling capacity. LR does not currently have plans to invest in liquid or semi-liquid forms, instead focusing on what we do well. We do, however, have agreements with other companies to manufacture injectables at other sites, including one development for the United States which is produced locally and serves as a reflection of the company's flexibility.

We are taking this opportunity to implement our Digital Plan which comprises two aspects, one internal and one external. The inside plan is an ongoing set of projects to digitalize everything that can be digitalized within the company, from relations with the workforce through an app called Happyforce that allows information and reactions to flow throughout the company, to the first iteration of the CampusRubio.com to allow us to communicate with doctors. The plan will accommodate all sides of our business, including the creation of a forum for doctors to discuss any particular issue, and will fully digitalize manufacturing, quality assurance and quality control.

Internationally, LR has commercial relations in more than 60 countries and a network of more than 80 partners. While European markets are crucial, we are looking to grow in the United States and in countries that follow FDA guidelines through in-house projects.

The company's steady growth over the years includes maintaining well known and valid branded products divested from big multinationals in the market after they reach the end of their lifecycle in favour of some of our partners that do have the financial capacity to acquire them; the margins are relatively low, but the turnover is big.

You described a laudable effort by employees during the pandemic. Can you expand on the impact of COVID-19 on the company's business and production?

Since LR is a producer of hydroxychloroquine tablets, which is used against some auto-immune diseases and at one point was touted as an effective treatment against Covid-19, we experienced a surge in demand, selling an extra two million doses that did not come back as they ended up in the hands of private individuals and not retail channels. I am not entirely sure what individuals did with the product because it has very specific indications for diseases such as lupus and rheumatoid arthritis.

Even though production and sales of hydroxychloroquine skyrocketed, satisfying demand proved to be a challenge; our team worked overtime seven days a week for three months until the Spanish

medicines agency intervened to regulate sales of the product. We did not make much money out of it because the prices of APIs went up rather quickly; since we were already growing in other product categories, it was more of a distraction.

Moreover, many of our products, which are 100 percent reimbursed because they are used to treat critical illness, did not experience a sharp drop except for those for respiratory infections, for example, due to the widespread use of masks.

According to public disclosures, LR's international business makes up more than 65 percent of total sales in units, with "significant growth" in recent years. How would you describe its business model for international markets?

The company covers almost 70 countries through a business-to-business (B2B) model, with a notable presence in Europe, America and the Far East.

By B2B I mean that we tailor our strategy to each market, for example, if a market is generics-driven, we work with a big generics company such as Sandoz or Mylan (now part of Viatris). In countries where marketing is possible, we tend to choose local companies that excel in a particular area; in some countries, such as Mexico, we may have three or four partners for different therapeutic areas.

The company believes that good service is key, which is why we work on a rolling forecast of 90 days to ensure that partners receive products within that timeframe, therefore, having a predictable business.

International success, however, has not necessarily translated into our home market, Spain, a country facing significant challenges derived from a healthcare expenditure of around seven percent of GDP; Spain is not investing as much as similar European nations. The low prices paid in the public system for medicines have resulted in a lack of access to new products and indications, and less competition in several therapeutic areas, as well as no rewards for the companies that invest in incremental innovation.

Speaking about products and therapeutic areas, how has LR's portfolio evolved and where are you investing?

Up until 1999, the company was 100 percent focused on pharmaceuticals but, after realizing that pharma products or a particular formulation were not the solution to many problems, the company invested in medical devices such as in vitro diagnostics, which are closely linked to medicines. One of our oldest in-licensed products, used for interstitial cystitis, apart from being a big seller, has shown in studies that patients have no recurrence for five years after a six-month treatment.

Moreover, we recently announced the acquisition of Fisiopharma, an OTC specialist in the development and marketing of food supplements for sale in pharmacies with a focus on the locomotor system and the central nervous system, which makes it a perfect fit.

The Fisiopharma acquisition could be considered a return by the company to the OTC space after divesting its portfolio in 2017. What are your expectations of the project and how does it fit into your overall strategy?

Due to the particular characteristics of our products, LR has traditionally not paid a lot of attention to pharmacies, so re-entering the OTC market solves two problems for us: a price issue and increased awareness by pharmacists of the LR brand not only as the maker of best sellers but as a diversified company.

In addition, and this is part of the second component of our Digital Plan, we have recently acquired part of a digital health company with a product for attention deficit disorder which is a non-pharmacological way to treat the disorder. The area is perhaps more relevant than ever since the attention span of people continues to decrease because of the proliferation of digital gadgets. The initial development of the product is finished and it is already on sale in Spain, but the product has to be improved and clinical trials must be conducted before deciding new markets and prices. Germany is a natural market since it already reimburses similar products, something that we do not expect to happen in Spain for at least four to five years.

You spoke earlier about delays in access to new medicines and indications in the Spanish market and relatively low healthcare investment. How is the situation in Catalonia in particular?

While the Catalanian authorities are performing their duties as expected, not many things can be done without sufficient budget. The region strives to provide an above-average service, but it has a large deficit with the central government and is therefore unable to cover the expense; it is the

most indebted region in Spain.

Catalonia excels in research and clinical trials because of a unique ecosystem which is considered one of the best in Europe, ranking around 5th in the continent, but the issue remains the same, a lack of financial resources. It is truly a shame to see locally developed innovation that must venture into international markets in search of funding.

Figures from Biocat appear to support your statement regarding Catalonia's prowess in research and clinical trials, revealing that, if considered a country, the autonomous community would rank 13th globally in number of clinical trials. In addition, it is the birthplace of many Spanish pharmaceutical multinationals such as Grifols, Esteve and Ferrer. Why do you think that is?

In a way, Catalonia has historically been more European than Spanish, with a lot of manufacturing, a trend that has continued with high-tech products and services. Catalonia's production of successful companies is not an achievement made overnight, it is due to historical reasons and a distinct entrepreneurial culture of which LR can serve as a good example.

The company would have been founded 10 years earlier than it did if my grandfather had not prevented my father and uncle from starting it because he had created a pharmacy business model which he thought was almost perfect. My grandfather's pharmacy had 36 employees, opened 7 days a week, 24 hours a day, and employed a client fidelization program; he was a respected innovator that enjoyed the protection from its employees which did not allow the pharmacy to be collectivized. Out of respect, his sons waited until he passed away to transform the company. In short, LR is an example of an innovative Catalan family-owned organization with a solidarity mentality that has evolved along different generations.

New partnerships and international expansion have resulted in revenue growth, but how do you foresee the future of the company?

LR is driven by market dynamics and, at least for now, is a niche company which, considering that we compete in global niches, is not a bad place to be at. The next step will be opening subsidiaries in European countries like Germany, France or Italy, and somewhere in the Far East.

From a broader perspective, we would like LR to remain a family company which will allow it to continue having a long-term view, always protecting its reputation and employees.

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