

Hasan Ulusoy â?? Chairman, Nobel, Turkey



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Hasan Ulusoy, chairman of Nobel Ilac, elaborates on his companyâ??s tremendous successes in Turkey and how they have differentiated themselves through early investment in biotechnology and firmly grasping international opportunities. Ulusoy also highlightâ??s Nobelâ??s vision for 2023 and their global ambitions.

As one of Turkeyâ??s leading pharmaceutical executives, could you start by giving your current assessment of the pharmaceutical market in the country?

In my previous interview with *PharmaBoardroom* back in 2015 I was certain Turkeyâ??s pharmaceutical market would not experience double-digit growth â?? I was wrong. When analyzing the countryâ??s system, the market is connected to the foreign exchange rate in Euro, and as the latter has continuously risen against the Turkish Lira, this has paved the way for advances in the prices of our products here. In 2017, the country underwent a 20 percent growth in pricing with the market standing at TL 26.5 billion (USD 5.5 billion), partly due to inflation. However, with this inflation continuing to rise, current forecasts estimate the year will close with growth at 24 percent, leading the market value to rise to TL 30 billion.

Furthermore, what is interesting to see is the current momentum of Turkeyâ??s hospital product market: in 2010, the latter made up 8.3 percent of the total market, but this figure rose to 12.7

percent in 2017, showing a 50 percent increase in market share over a seven-year period. This on-going growth is extremely promising, especially considering Turkey's first "city hospital" [with 1,253 beds and a capacity to serve about 12,000 patients daily] opened in February 2017 and will be joined by more than 30 city hospitals in 22 cities with a total capacity of at least 41,000 beds by 2020. To capture this growth, we enhanced Nobel's product portfolio with a focus on hospital products, especially injectables. Recently, we have created a dedicated plant that produces both biological products and pre-filled syringes, so in this regard, we can supply hospitals with their specialty and focused needs.

Alongside hospital products, biologicals are the next big opportunity for the country, thus we are already investing in this area. The biotechnology landscape here is interesting, with the market share of these products in volume only worth two percent whereas their value already accounts for 20 percent of the market and is continuing to rise. At Nobel, we have already selected many of these new products to run through our different R&D phases.

The pharmaceutical sector has been established as a strategic sector for the country since the 10th Development Plan (2014-2018). How would you rate the development of the Turkish pharmaceutical industry over the past four years?

I agree that the government has recognized the strategic importance of the pharmaceutical industry and has taken positive steps to develop it through local production and R&D. Through the recent localization program initiated by regulatory authorities, companies are encouraged to produce their products in Turkey as opposed to importing them from abroad as finished products. Due to this initiative, foreign companies have jumped at the chance to approach the local industry to have their products produced in the country and ease the financial burden of this policy.

Although this policy is good for local companies, from a business point of view, support of our R&D centers from the government is appreciated more. Nobel received substantial support in this area back in 2014 when developing our biosimilars molecule, in collaboration with TUBITAK, to create a biosimilar. With both their support and through funding from the IFC fund of the World Bank, we established a new biological facility in the country, with the construction of the injectables area to finish. This facility will allow our products to become vertically integrated. With a bigger facility to be established in the next two years close to Istanbul, where we hope to create many biosimilar products and enhance our R&D capabilities.

In the meantime, we see that purchasing guarantees have been set up all over the world to support the significant investment efforts of local companies - obviously without ever compromising on the quality of products eventually purchased by the government. In Turkey, although the government has started to follow suit, it must increase its financial support of the industry here because there is a big gap to fill. Moving forward, we are continuing to encourage the government to increase their efforts, specifically helping with domestic companies' R&D programs.

In Brazil's biotechnology sector, leading domestic companies have decided to join forces through the set up of joint ventures, such as Bionovis, which is composed of four Brazilian pharmaceutical market leaders: Aché, EMS, Hypermarcas and União Química. While 15+ Turkish companies are currently investing in biotechnology, don't you think that such a collaborative spirit could also usher in great outcomes in Turkey?

The opportunity is not present because here we do not have that mindset or that culture. Companies mainly operate as lone wolves, which is disappointing because I believe joint ventures work but have seen no successes in Turkey.

However, we at Nobel are partnering with international companies, a venture which has been well received, especially in the field of APIs and their development. Italy and Spain are some of the countries we have successful partnerships with, and we are looking forward to collaborating with other companies in relation to finished products. Joining forces can create ample opportunities on a win-win basis: to the contrary of other Turkish companies, Nobel boasts affiliates in 20+ CIS and Central Asian countries, where Western companies are typically not implanted; therefore, the latter could benefit from our marketing and sales network when our partnerships will reach the commercial phase.

In this regard, we have seen that most Turkish companies have indeed struggled to become truly international, with Nobel being the only exception. What did you do differently to hold onto your international presence?

In the early 2000s, we felt that most pharmaceutical companies in the country were too similar, so we wanted to become different and separate ourselves from the norm. To achieve this, we looked to make a stance abroad, starting operations firstly in Uzbekistan before moving to Kazakhstan and further expanding to other countries as independent organizations. This worked because we took professionals from Turkey, some with no industry background, and trained them at our Headquarters before setting them up in countries abroad, where they have built up successful and profitable operations over the past 16 years. They are our pioneers in their respective countries, helping to fully establish Nobel's strength in different regions, and we are the only company in Turkey to have achieved this. Other Turkish companies have tried to follow in our footsteps but having delayed their advances, this has resulted in the process becoming more difficult for them as market barriers are now higher than a decade ago.

Another of our competitive advantages in international markets is our resilience as a business. Looking at the big pharmaceutical companies, they have a lot of bureaucracy clouding their decision making, whereas we can take quick decisions which are very important in the business world, and this is our strength.

On top of our affiliate network, we see opportunities to increase our international footprint in manufacturing and we have our very own production facilities in Uzbekistan and Kazakhstan therefore being the first company in Turkey to have manufacturing plants outside our borders. In addition, we have started our exploration of Russia, where we have experienced some setbacks due to political problems, but we continue to build our relationship with the country.

Looking forward, what are the next avenues that Nobel will be exploring?

As aforementioned, Nobel will surely expand into other territories and we are continuing to look towards the Middle East and Europe, with the order of expansion depending on the business opportunities that present themselves here. We have already registered our products in Germany, Austria, and Switzerland, through out-licensing our products to local companies and have been doing so since 2002. In Switzerland, we hold 25 percent of the market share with one of our products in its respective therapeutic area. Furthermore, we are looking to expand into the US, but we will remain clever here as we have a different approach and model in mind. Although it is notoriously

difficult to become profitable with a small product portfolio in the world's largest pharma market, we feel that there are niche product categories that can be accessible with the right market approach, including local production.

Looking towards 2023, I envision Nobel as a different but bigger company with a presence in multiple territories in addition to a portfolio of bioproducts in several different markets, as currently there is no biotechnological production in some regions we are present in. Our second strategy is to continue producing orphan drugs in Turkey, through an increase in API production. In 2016, we started producing the APIs and the finished product of two orphan drugs, navigating their successful registration and launch into the Turkish market. This closed the door on the dependence of imports of these orphan drugs, presenting to the government a big economic advantage to increase their production in the country while allowing Nobel to export these products to our international affiliates.

In Turkey, we are among the top five Turkish pharmaceutical companies and we rank top 20 in the country overall, but we are not focused on measuring our presence here due to our international outreach. Our revenue size outside of Turkey is even bigger than within, as we have production facilities and are working in custom manufacturing abroad, so my vision is to increase these prospects. The pharmaceutical market in Turkey is worth TL 30 billion but the world pharmaceutical market is worth USD 1 trillion, so this is the league I aspire to be a part of.

After a considerable contribution to the pharmaceutical landscape in Turkey, what would you like your legacy to be?

My late brothers and I, who have been part of the creation of Nobel, have never stepped away from our word and we feel this trust is very important in the life of business, especially in such a critical sector as the pharmaceutical industry. Trust is difficult to gain, therefore I would want to be remembered for the spirit of reliability we have successfully instilled in all layers of our company.

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