Interview: Dr. ZoltÃ¡n Ã•cs â?? Managing Director; Dr. DÃ¡vid Greskovits â?? Managing Director; Dr. Attila SzilÃ¡gyi â?? Marketing Director, Meditop, Hungary

> There is no doubt about the Hungarian pharmaceutical industryâ??all we have to do is prove our quality.

21.06.2016

Tags:

Pharma, Pharmaceuticals, Hungary, Meditop, Contract manufacturing, Production, CMO, Manufacturing, Medical, Healthcare, Entrepreneur, Emerging Markets, Interview, Insight, Exclusive, Executive, Free

The leadership of Meditop discuss their history as the first non-privatized, private Hungarian pharmaceutical company, their ongoing strategies for growth in the country, and their evolving portfolio abroad. They also discuss the complexities of the Hungarian healthcare and pharmaceutical market and give an overview of their past challenges and current plans for expansion.

What are the origins of Meditop, and how did the two of you begin your working relationship?

Dr. ZoltÃ¡n Ã•cs (ZA) â?? In the early 1990s a few pharmacists working in bigger companies, for example Gedeon Richter, gathered together and started to dream about the opportunity to start a company after the political changes. At the time I was a young pharmacist who just joined Gedeon Richter and was sent to Nigeria as production pharmacist for 2.5 years for a joint venture. This is where I met David for the first time, despite having both been working for Gedeon Richter. When I returned from Nigeria I joined the company David and others had started. At this time there were many owners as well, but in the end, we are the only two who still remain in the company.

Nigeria was a good experience for me professionally. There were no stable phone connections between Africa and Europe, so even if I had a question there was no one to ask. I had to learn to solve problems on my own. After this experience, when I came home, I did not want to join a big company. I did not want to be a small part of a big machine. The Nigerian experience helped David and I understand each other also.

Dr. DÃ¡vid Greskovits (DG) â?? At the beginning of the 1990s it was very difficult to create your own company, especially without any capital. What we have today was built from nothing. We pursued a smaller scale business in the beginning, which would create some profit that could be reinvested back into the company. Today we are already a midsize company in Hungary, generating almost EUR 20 million in annual turnover and continuing to grow.

Truly, Meditop is a local success story, but as you mentioned this success has not come without difficulties. What were some of the main challenges you faced when first starting out?

ZA- It is difficult today to understand how challenging this growth was. In the United States, for example, you have a large internal market. However, Hungaryâ??s total population is only 10 million and the borders were closed in those days. It is difficult to create a true success story in that small of a market. You have to take into consideration how much a high tech pharma manufacturing plant costs. You have to have a lot of motivation to build up a company like this, with those types of resources. It was not easy for us.

DG- Even with that small of a population there is a lot of competition in the pharmaceutical industry. And local producers are not on the same playing field as importers. Importers represent the big companies; they can produce the product not only for Hungary but for all of Europe or the world. When we started, we had only the Hungarian market.

ZA- What the experience we had in Nigeria gave us was completely different view of the world. It was interesting to go to Nigeria and produce something in an open market, which Hungary was not at the time. You would either succeed or fail. When we came home, we had a different way of thinking. And that helped us to sign our first agreement. This led us to sign many agreements with large multinational companies. And that was the real start, without those partnerships we would not have been able to get the company started.

As the first non-privatized private Hungarian pharma company you have witnessed the transformation of the Hungarian pharmaceutical industry. How has Meditopâ??s strategy evolved alongside this transformation?

[Featured_in]

ZA- We started with contract manufacturing, which used to account for 95% of our activity. Our first agreement was packaging. This allowed us to eventually develop an R&D department. Slowly but surely, our step-by-step growth paid off. A key factor to this growth was always reinvesting any surplus back into the company.

DG- When we signed our first contract, it was unusual that a small Hungarian company would do packaging for a large MNC. But that success led us to start our R&D activity, then later introduce our first generic product and continue to grow. We eventually signed a contract with a German company, and it was a co-development contract. Now that product is marketed in many different parts of the world.

You clearly have had success building up the fundamentals and capabilities of the company. Today, what is your presence here in Hungary, as well as abroad?

ZA- I have to start the story 6 years ago. We recognized that in the long-term we couldnâ??t be in contract manufacturing alone. We had to do something serious to build up the development, production and marketing aspects of the company. And so, we developed a three-phase plan, two of which have been completed. The first step was about 6 years ago when we opened our new packaging department. We began here because at that time packaging was our main activity. The second, completed 2 years ago, was the extension of our factory. All together those 2 steps represented a HUF 3 billion investment. We now have excellent high-tech manufacturing capacity. The next step will be a warehouse and logistic center; we hope to complete this step in 2-3 years. This will help us increase exports, as well as our development.

During this expansion we purchased new continuous coating technology as well. We are always looking for niche areas that are not pursued by larger MNCs. We also look for revolutionary technologies that make us interesting partners for other companies. These investments and the flexible operation have made us exceptional partners for medium-sized companies across Europe. Recently, we have received an incredible amount of inquiries from companies across Europe looking to partner with us. Big manufacturers are not very flexible, but we are. This year, weâ??re expecting about 20% growth from these investments.

How does the growth of your contract manufacturing services impact your R&D departments?

DG- We are also expecting growth in R&D. We have a lot of products in the pipeline, with several original products currently undergoing clinical trials, one of which just finished phase II. So we are looking forward to continued growth in this area as well.

ZA- For example, we have a combination product to treat neuropathic pain. We have just finished the first clinical trial, and now we are either looking for a partner or investment fund to continue its development. We are also looking for support from the Hungarian government also, as they are focusing on the small and medium-sized companies for investment. We are ideal candidates for this because we are committed to Hungary in the long-term.

As it stands today, how much of your business is dedicated to contract manufacturing, as opposed to your own pharmaceutical production?

ZA- At the moment our business is split relatively equally between the two. Due to the recent investments we expect contract manufacturing to grow a bit faster. However, in the long term, the balance will be different. The marketing department right now is focusing on CNS where we currently are very competitive, in some cases the market leaders here in Hungary. We are also registering items all over Europe and Asia and will continue to open these markets.

Are your plans to become a truly integrated pharmaceutical manufacturer or will contract manufacturing always play an important part in your portfolio?

DG- We always wanted to grow and leave the SME status as a pharmaceutical company. We want to develop to a point where we focus more on our own products and less contract manufacturing. This is the future, but it is a far future. We are in a transitional stage right now.

ZA- Contract manufacturing will always play an important role in our portfolio. For capacity reasons, we never refuse a partner. We would never stop cooperation to only focus on our own products. A chair is only stable if it stands on at least three legs, not just one or two.

[related_story]

Additionally, we had a nasal spray, developed by Meditop, that is a standalone OTC product. It required enormous financial effort to keep the product alive and grow the market for the product, but last year we have sold this item to Actavis. It was a very big success that allowed us to invest a substantial amount of money back into the business.

How much of your business is currently focused on exports, and how would you describe the differences you see between the Hungarian market and other countries where you are active?

ZA- At this moment around 20% of our portfolio is exports, but we would like to increase this. Next year we hope to have increased it to around 30% or even more, and we will expect this to continue growing. The cooperation in Hungary was difficult with local companies in the past, and because of this we have worked only with multinational companies. When we visited Germany or Austria, many companies are cooperating with each other. This did not exist here in Hungary; the level of cooperation in this market was very rigid.

Many of the multinationals are primarily concerned with market access, reimbursement, and political uncertainty. As a local producer, what would you consider the most challenging aspects of the operating environment in Hungary?

AS- The generic market in Hungary is very strictly regulated, and the pricing regulations make it very tough to compete. This is why we have to be very careful about the selection of new products. It is probably better to focus on smaller products, no blockbusters, where there is less competition. The Hungarian generics market is traditionally a branded generics marketâ??an area that weâ??ve also diversified into.

How do your strategies differ when working abroad compared to domestically in Hungary? How do foreign companies react to partnering with a Hungarian manufacturer?

DG- We go abroad to look for partnerships. We cannot afford to establish marketing activities in every country. To establish offices in other countries you need a more expansive portfolio, and that is what we are working towards. Speaking to your second question, Hungary has a well-established pharmaceutical history, more than 100 years old. There is no doubt about the Hungarian pharmaceutical industryâ??all we have to do is prove our quality.

For the last 25 years, ZoltÃ¡n and DÃ¡vid, youâ??ve both taken this company through thick and thin. What are the key success factors to your longstanding professional partnership?

ZA- We understand each other and how the other thinks. Our experience in Nigeria helped us as well. We have never had turbulence between us and somehow we always find the right balance with regards to both money and the direction of the company.

DG- There were critical days during the companyâ??s beginnings, but we never thought about quitting. We always worked together to solve the problem. This company is our life, and we want to create something that is remarkable.

AS- Speaking from a more independent perspective, the key factor of their success is their outstanding entrepreneurial spirit, which was unusual at that time in Hungary. This is why very few people started to build up their own businesses. They are brave to have done that. Another key factor is their unwavering optimism and continued focus on the next step for the company.

See more interviews