

Interview: Nelson Pires - General Manager, Jaba Recordati Portugal, UK and Ireland



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Nelson Pires provides an insightful update on Portugal’s pharmaceutical market evolution as well as Jaba Recordati’s ambitious Portuguese affiliate. Pires shares that diversification is one technique of navigating the market, introduces their expansion into a new therapeutic area, and explains the affiliate’s new venture into Nigeria.

Would you be able to provide our readers with an update on Jaba Recordati’s progress in Portugal?

Jaba Recordati Portugal has opened one new business area in the past four years and has sustained an eight percent level of growth since our last conversation with PharmaBoardroom in 2013. We have entered the top 20 companies in Portugal and currently sit in 16th place in the ranking thanks to our merits—and perhaps the negligence of other companies!

Our strategic positioning is to maintain our role as a primary care company. Many companies are leaving this segment whereas we see the opportunity to grow and meet the unmet needs in this area. Despite market access difficulties, price squeezing and the increase in generics, we can still bring added value to the market through our high-quality products.

We continue to invest in cardiovascular, urology, OTC products, and since 2014 we acquired a gastro line of products shifting our focus, which also represents a shift towards inorganic growth acquisitions. The export business suffers slightly, namely in Angola. We grew in 23 percent last year, although it is a residual business compared to our total turnover, but right now we

face difficulties in accessing dollars and overall payment issues. We compensate these challenges with our internal growth.

What are the primary growth drivers given the evolution in your strategy?

We have the vice market leader in the treatment of cholesterol which enters its fourth year of operations. In Urology, we have a market leader, showing seven percent year on year and has many years left on its patent and our products in gastro are growing consistently, too. We have always valued diversification over targeting one primary growth area, as we know the risks of being dependent on one therapeutic area. Even in OTC we show growth, and in the generics sphere, which albeit represents a small percentage of our total turnover, is slowly growing. We operate generics of our own molecules, because we know that our products are the most effective and often the best in class. In having a foot in both camps; generics and innovatives, we can represent a complete solution to patients that require more than just the mono therapy. This strategy means we sometimes lose money in the short-term with the generic usage, but the patient receives excellent treatment and uses several of Jaba Recordati's products throughout the healing process.

How does the strong growth in Portugal reflect on the internal relevance of Jaba Recordati's affiliates?

It is interesting because typically Portugal belongs in a cluster of other similar sized markets. However, the Portuguese affiliate is on the top ten of the most relevant for Europe in terms of percentage, although if market issues troubles continue, we may find that our place slips. In terms of IMS or IQVIA rankings, we sit behind Italy, Turkey and Tunisia. But Portugal is still better ranked than comparative affiliates in France and Germany. As a result, we have a direct line of communication to the CEO and we report directly to his staff.

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What is the nature of the challenges that you face in Portugal?

The biggest difficulty is the market access; I am sure I am not the only person to comment this. We find that the rule book is hard to follow in Portugal, and we need more transparency in procedures. At times, market access seems more based on political and economic decisions as opposed to evidence-based decisions. Sadly, market access has a knock on effect onto prices, forcing them so low that the market becomes so uncompetitive to enter the market here, which will, in turn affect market access in neighboring countries.

A topic which is seldom touched upon is that Portugal, as an economic agent, and speaking on a macroeconomic level, is an expensive country in which to operate a pharmaceutical business. Petrol prices are high, almost 25 percent higher than those of Spain (despite the fact that the average salary is 20 percent lower), and taxes that individuals pay appear higher than in other competitive countries. This is particularly pernicious for pharmaceutical companies, because we also pay a special tax to the government on euros sold, and pay regulatory, retirement, fiscal and employee taxes. It makes running a business where sales managers need to be looked after, and travel, a challenge. Every increase in fuel prices hugely impacts operations, for instance.

For a multinational organization, this is a challenge that is easier to offset as ultimately, countries lend to one another across Europe in the multinational structure. However, for local companies looking to scale-up operations, this can be a real stumbling block in terms of cash flow and rising costs.

The other associated risk of these challenges is the "Iberianisation" of Portugal, which undermines the relevance of the Portuguese market for European affiliates. Each decision maker that moves away from the country to Spain to cut costs, as is the case with many pharmaceutical companies recently, means that Portugal loses out on investment and the added value that running an affiliate brings to a country. Market access challenges and the decreasing attractiveness of running an affiliate or starting a business in Portugal undermines the status of the overall economy; and we must raise awareness on this issue.

What is Jaba Recordati's commitment to Portugal?

For Jaba Recordati, we are investing one million euros into R&D in the next two years; whereas if the management of Portugal was run from a regional affiliate in Spain, it would be easy for this investment to be diverted to a different region, not a country, such as Galicia. Further, we intend to launch a new product each year for the next five years and we intend to enter the central nervous system in primary care this year. Our expectation is to grow, perhaps not in double digits, but sustainably.

Have recent reforms particularly in patient access programs and changes in INFARMED improved market access transparency?

Let's wait and see. We have seen far more medicines approved, which is a good thing—but strategically it is still challenging to evaluate the consequences of each market access decision given the lack of strategy. The system is too complex, we lack resources and technically speaking, political decisions can influence the process too profoundly. Without a clearly defined process, and probably lack of HR in INFARMED combine to result in delays.

Nonetheless, INFARMED recently carried out an excellent inquiry that projects long-term into understanding the pharmaceutical industry. It sought to understand the new molecules that will be brought into the market until 2020. Therefore, the authorities can comprehend the risk of future costs; a start move! We welcome this approach, as opposed to focusing on year by year solutions in healthcare.

As a side point, in an age of big data, we need an IT system that facilitates access to information across the healthcare spectrum; from hospitals, to healthcare centers, to GP practices. That way, we can carry out follow up and improve outcomes across healthcare.

The new President has increased the approvals for new drugs, but we cannot forget that we are still one of the slowest countries in Europe—we recently saw that the only country that is slower than Portugal is Bulgaria.

Do these challenges in the life sciences sector provide opportunities?

The upshot of these challenges is that we see many first time General Managers learning huge amounts in Portugal, because there are so many hurdles, barriers and challenges, to surmount, before moving to bigger markets across Europe. If you can succeed in Portugal, you have proved that you can manage the unexpected and therefore can succeed anywhere! For our business, there is more opportunity given that more and more pharma companies leaving to Spain; therefore, we can maintain a stronger position on the market in our therapeutic areas.

How is the "affiliate within an affiliate" story progressing; namely, the Portuguese affiliate managing an affiliate in Angola?

We have seen great progress in the Angolan affiliate, although we have to bear in mind the geopolitical issues in these countries. Angola's economic progress is linked to the price of oil still; therefore, if the price is below 70 USD per barrel for crude oil then the economy is affected. However, the inherent issue is financing and gaining access to dollars and currency when in the country.

Last year's progress was excellent and we thought to expand further into Angola, but wisely decided against it given the unpredictability of the marketplace. The new government is, nonetheless, making an effort to diversify economy and to create a transparent country. We have opened activities in Mauritania, and seek further expansion into other Portuguese speaking products. The big news is our entrance into Nigeria with local registrations, which is a huge market, poses a massive challenge but of course great potential. We will be present in two cities, Abuja and Lagos; this is the size of Spain, more or less, given the combined population of roughly 40 million.

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How did you advocate for opening an activity in African countries, from Portugal?

Initially, the conversation started with the former COO (actual CEO), Andrea Recordati, with whom I had a good and trusting relationship. At first, he did not believe that I would be successful in my endeavor and was incredulous! However, he trusted me and allowed me to test out my entrepreneurial abilities in Angola. Off the back of the success in Angola, I then spoke to the current CEO, about trying a similar project in Nigeria. Given my management style, which is firmly cemented in leading by example, I was the first person to visit Nigeria, pitching pharmacies, producers and stakeholders in Nigeria. I like to go to new places and get a real sense of the place, negotiating with pharmacists and wholesalers, because in these economies, reading online and learning of companies in newspapers, for instance, is not enough—you must see first-hand the detail and to see if that will complement your operations. We are now finalizing registrations and actively looking for a commercial partner.

The key success factor in being able to explore these opportunities is having a great team. I know that I can go away for a short period to develop new ventures, because I have a fantastic team keeping the ship in order at home in Portugal; the business carries on and I am lucky to have such an excellent team comprised of people who are very senior and often promoted internally. As a result, our people know our values, and therefore the CEO, for instance, is willing to invest in opportunities that we see in Portugal or further afield.

What are the strengths of the Portuguese ecosystem?

I recently came from a lunch with professionals across the industry, from bankers, lawyers, doctors to senior managers and this topic came up in conversation. Clearly, the quality of life in Portugal far exceeds other European countries; I say that as the man who recently took over the affiliate in the UK where commute times are on average 40 minutes a day! We have excellent human resources coming through, and the new generation is quite prepared. I read recently that we have the second country in Europe with MOST PhDs in Europe. We have great fiscal policies for investors looking to move to Portugal. We are one of the most developed IT societies in Europe. Finally, although the healthcare ecosystem may be bureaucratic, it is possible to setup a company in 24 hours here, from scratch!

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