

Interview: Nelson Pires, General Manager, Jaba Recordati, Portugal

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[Generics](#), [R&D](#), [Jaba Recordati](#)

Nelson Pires, General Manager of Jaba Recordati, the Portuguese affiliate of the Recordati Group, outlines the affiliate's expansion into the PALOPS markets and demonstrates how the company has grown during a time of market decline.

Jaba was a Portuguese-based company until 2006, when it was bought by Recordati, whereupon all organization processes and products were integrated into Recordati. Since 2006, how has the affiliate evolved?

Until 2006, Jaba received licenses from big multinationals for second brand products. Many of these contracts ended with the introduction of generics in 2012—we were selling €36 million in 2007, and we lost around €14 million in contracts, due to generics. This year we will close with almost the same value.

Jaba Recordati is an ambulatory company focused primarily on cardiovascular, urology and pain, with 80 percent of business in branded products, and 20 percent split evenly between OTC and generics. We launched a new antihypertensive product in 2009, new urology and cholesterol products in 2011, and the company is one of four companies in the market that has grown in November (seven percent according to IMS) in a declining market (-5.2 percent).

Since 2011, new products have launched and internationalization to PALOPs has been a key strategy of the company. It is not normal, having an affiliate of a multinational becoming its own small multinational, by the cultural links to the PALOPS. Jaba Recordati has started activity in Angola, Mozambique and Cape Verde, which represents six percent of the company's total turnover. We sell our products there using a local representative. We are supplying European health technology to African countries, training health technicians and doctors, and sponsoring congresses and scientific activities. Our activity in Portugal is a benchmark for Angola, which is the biggest market of the three, although our activity is developing more in Mozambique and Cape Verde. In 2014, we forecast to add two non-Portuguese speaking countries in Africa to our network.

Jaba Recordati has more capability and flexibility to adapt itself, and we can therefore create a small multinational within the affiliate. Recordati Group is growing at a rate of thirteen percent, which we would like to achieve in Portugal. In the medium term, the international business will represent ten to fifteen percent of turnover, supplying patients in Angola with the best available technologies to treat cardiovascular conditions using our brands.

Can Jaba Recordati act as a real speaker for policy formation in Angola?

Angola is a very specific market full of opportunities. The biggest issue we have in Angola is logistics. Most companies represented in Angola are usually linked to South Africa, which makes no sense, in my opinion. Most Angolan doctors studied in Portugal, and it is clear that they need more knowledge and available information. Jaba Recordati is developing local training programs for health technicians, doctors, pharmacists and nurses. We are also developing a website for a training system, providing assistance without a physical presence. In this way, Jaba Recordati can play a critical role. Moreover, Angola can use INFARMED (Portuguese authority) as a benchmark for laws and best practices, since INFARMED is a reference for many countries. It is quite important that Jaba Recordati can influence Angola as a natural partner, continuing to increase annual exports there. Most companies solely export without creating local links, whereas I believe we should create an internationalization business to create local value. After establishing a local affiliate with the right partner, we can develop a link with local stakeholders. It will be a slower process than exporting and it will require more investment, but at medium to long term, it is the best decision for us.

What are the peculiarities that define Portugal for Recordati's purposes?

Recordati Top Management is quite experienced and is very efficient in implementing the Company's mission and strategy. It also has the capacity to adapt to several multicultural scenarios. That is why we are growing so fast in, for example, the US and Russia (two very different countries). While most CEOs of multinationals have international careers, Recordati Managers are always local, because they understand the country and the way people do business. They are also familiar with stakeholders, which is particularly important in a small, Latin country.

Portugal still has some opportunities. Most top companies are focused in the hospital business, and their margins come from this area. Therefore, there is a big opportunity for companies focused on ambulatory products and specialist products sold in the ambulatory market by specialist doctors. This provides Recordati great opportunities, as we are focused on the ambulatory market, primarily in urology, cardiovascular and pain. The company is financially sustainable and is probably one of the best companies, in terms of value in the stock market. We are well managed by headquarters in terms of strategy. Despite the negative market of the last three years in Portugal, Jaba Recordati has always been confident and continued to invest. Unlike other companies, we have not downsized; we would rather launch and reimburse successful new products. Furthermore, in some cases, Portugal is the first country to launch the product. By our results, headquarters can see we are trying to develop a sustainable business, managing opportunities in the local market.

To what extent is R&D part of your operations?

The main critical Portuguese success factor is the high quality of health centers and doctors. The main barrier here is Portugal's lack of worldwide image, and the subsequent ease of investment in growing markets.

The other relevant issue revolves around innovative products that are not approved for economic reasons, so it is easier to invest in clinical trials where products are approved faster. Furthermore, my company needs more patients and centers involved than the ones we have at the present, not because we are a big market, but because we are a relevant affiliate within Recordati. Even though the Portuguese affiliate only represents 2.7 percent of the total group, we are one of the best-ranked affiliates within the group. Also, while the bureaucratic process has improved in the last year due to INFARMED's efforts, in general it has been quite difficult, particularly in regard to the need of both local and central approval for a study, which can sometimes have political implications. The authorities are finally realizing that the market of clinical studies is one that can bring as much as

€50-100 million in value to the economy, according to APIFARMA, since a clinical trial involves investment in many areas. A patient can access products earlier and the companies invest in hospitals and health technicians, which are the country's strengths.

Where do the manufacturing facilities of Jaba Recordati stand today?

More than 50 percent of our turnover comes from corporate products, so this production comes from Recordati manufacturing facilities worldwide. Regarding Jaba Recordati we had manufacturing facilities, but we sold them to Tecnimed Group in 2009 as a spinoff (named Atlantic Group). Our success is based on maintaining the manufacturing process of those products here. We have an agreement with Tecnimed and all local products that used to be manufactured in our plant, are still being produced here in Portugal. So, we keep contributing to the growth of the Portuguese economy, which is good not only for our partner, but also for us. Tecnimed may not be the cheapest option, but they are flexible and a positive partner. Our philosophy is to add local value. Our entire portfolio, including some international brands, is still manufactured here in Portugal.

What is the strategic importance of Jaba Recordati to the organization?

Portugal is becoming less strategic simply because the Recordati group is growing faster than the affiliate. With Recordati's entrance into the US, as well as some acquisitions in Turkey, Tunisia, Spain and Russia (among others), the Portuguese affiliate is becoming less important. If we want to be a European-based multinational, we have to be in all the markets, and Portugal is a small market. As mentioned before, this affiliate has achieved earlier product launches than the rest of the market, and it is often one of the top markets for certain Recordati products, particularly hypertension. But in terms of turnover size, Portugal is less important. However, our flexibility to create a supply chain to grow in the Portuguese market, which is declining, and to develop new markets will be useful for international opportunities in sub-Saharan markets.

If we came back to Portugal in five years, where would you like to be?

The government is constantly changing laws despite the agreement not to do so. The Health Ministry is the only part of the government that is achieving its target. While Jaba Recordati continues to have growth and confidence from the headquarters, my fear is that other multinational companies will be pushed so much in the future they will have to leave Portugal, or become Iberian and be managed from Madrid.

In a way, we are always available to negotiate as an industry, and that is why we are paying, despite the market declining from €2.6 billion in 2010 to €1.8 billion today. Medicines and pharmaceuticals are always the target; people do not try to determine how to reduce lack of efficiency in hospitals, because it is easier and faster to do it with medicines and pharma industry but is only conjectural and not structural and of course has a limit. I do not think people see the real added value that medicines and pharmaceuticals have. Despite heavy investments by companies like Jaba Recordati, I fear that when you return to Portugal, you will find a generic market, without innovation; with no multinationals, that had gone to Madrid, and patients being treated with medicines from the 1990s. When stakeholders see us as a partner who is investing in the health system and in people, rather than being cash cows, they will define the right role for medicine and take better decisions. Ultimately, Portugal will gain the best managers in the world, because managing this country is not easy.

Our continued focus on innovation in branded and OTC products, including local ones, will provide medium-term growth. The internationalization process can be an opportunity that we will sustain. If you come back within five years, you will see Jaba Recordati growing in the IMS ranking while other companies will be decreasing, because of disinvestment in Portugal, which will be considered a non-

strategic, generic-driven market with low prices and no adopted innovation.

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