

Erik Bogsch – Managing Director, Gedeon Richter



20.06.2011

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Gedeon Richter's Erik Bogsch discusses the company's 100th anniversary, its growing international footprint and the future of Hungarian pharma.

Gedeon Richter is known to be the flagship pharmaceutical company in Hungary, and can proudly celebrate its 110th birthday this year. How would you describe Gedeon Richter to our readers?

Gedeon Richter was the first pharmaceutical company to be established in this sector in Hungary in 1901. It was first established in a pharmacy, which still exists to date. Key milestones in the company's history were the nationalization after World War II, followed by re-privatization in 1990. Subsequently, we successfully executed an IPO to launch the company on the stock exchange in 1994.

Today, we are a fully integrated company, meaning that we have research & development, production, marketing as well as wholesale activities in some areas. Within production, we manufacture APIs as well as finished dosages.

Not just in the pharmaceutical sector, but rather the industry as a whole, we are one of the sole Hungarian companies to have such international presence. We currently have a turnover of roughly EUR 1 billion. Being on the stock exchange, we have substantial shareholders, of which the biggest block is located in the UK. However, rather than strategic investors, these are all different funds.

We are specialized in one area, which is gynaecology, where one third of our income is coming from. We need to have some niches where we can maintain a strong presence, and gynaecology is one of them. We are the company with the widest range of contraceptives and have partners in different countries, including in the US. As you may have read, we now also have a Western European presence following our 2 acquisitions of last year – Preglem and GrÃ¼nenthal’s contraceptive portfolio.

In terms of geographic footprint, we have a strong presence in Central and Eastern Europe, in particular in the former Soviet Union. Russia is our most important market. In Russia, we are in the top 5 companies in terms of sales by pharma.

As far as the future is concerned, we are focusing our activities where there is intellectual added value, be it in gynaecology or in original research in CNS. In the latter area, we currently have a candidate in phase III trials, Cariprazine, for the treatment of schizophrenia and bipolar mania. For this drug, we have partnered up with Forest Laboratories of the USA, which is a specialist in that therapeutic area.

Going forward, we also feel that most of the new drugs will come in biologicals, which is why we have started to enter the field of biosimilars. For this, we can count on our facility in Budapest, while we are additionally constructing a plant in Debrecen, located roughly 200 km East of Budapest.

Altogether, Gedeon Richter is a medium-sized company that needs to have partners in different areas. In this sense, we already have the aforementioned partnership in the US with Forest Laboratories. Additionally, in Russia we for example have a strong distribution partnership with Protek. At the same time, we have licensing agreements with several companies in various countries, including in Japan with Mochida Pharma and in Germany with STADA. We also have a joint-venture in gynaecology in China, as we expect this to be an important market in the future. Also, to decrease our cost-base, we have intermediate and API manufacturing in India.

All I can say is that we strongly believe that the company has strong potential for growth through these partnerships. As a flagship Hungarian company we also want to remain independent and remain headquartered in Budapest, Hungary. In that sense, we do receive the full support from the government.

Taking a deeper look into this geographic footprint, Russia is your number one market as you mentioned. We indeed see that Richter’s sales have grown there by 18% last year alone. In CIS markets such as the Ukraine, you have even managed to realize a growth of 23% in 2010, in the CIS countries and 42% for Ukraine. First of all, how do you explain this strong performance in the CIS and Russia? And secondly, is this growth sufficient to compensate for declining sales in markets such as the US, also a major market for you?

In the CIS region, Gedeon Richter has always had a very strong presence because of the historical COMECON setup. It has allowed us to establish the Gedeon Richter brand as well as the different product brands. When we started selling our products in former Soviet Russia in the 1950s, we represented the equivalent of Western quality. Once the Soviet Union disintegrated, we felt that we should take advantage of the changes and set up our organizations there. Today, we have roughly 1,000 people in Russia alone and around 1,400 in the CIS region as a whole. In addition to that, we have around 250 people in a manufacturing unit in Russia, near Moscow. We feel that the local production is going to be a must in the coming years. We have now seen other companies following similar strategies.

In any company, the product portfolio is key. We have also recognized the need to expand in Western Europe because, if we could not cover the entire EU, we would be at a disadvantage. New products should compensate for the ups and downs which can happen in every market. As far as the future is concerned, I believe that there are 2 key issues which concern every pharma company. The first is the very critical budget problem in every country, and the measures that the different governments are taking. The second is the price erosion issue. Sustainability is an important aspect. While the growth potential is there because of an overall ageing population, price erosion and budget constraints cannot be ignored.

The prime goal of the company is original development. As you already mentioned, you are developing Cariprazine together with Forest. Once development will be complete, what will this mean for Gedeon Richter?

I will be ready to comment on this once the drug is on the market.

As you briefly mentioned, Gedeon Richter acquired the portfolios of Preglem and GrÃ¼nenthal last year. To what extent will external growth remain important to the company?

At the moment, we are not really looking at acquisitions. Our main goal is to improve our product portfolio. Preglem was bought because of the portfolio and the people, rather than the company itself. The same accounts for GrÃ¼nenthal. We made this step to gain better access to the Western European markets.

The acquisitions did give you a stronger presence in gynaecology. Together with cardiovascular and CNS, these 3 areas account for roughly 70% of Richter's annual turnover. Is it not risky to have a lot of eggs in only 3 baskets?

Any company should focus on where it has the most chances, and in that sense 3 areas are better than 1. However, you are right that we have no portfolio in oncology for example. This is a fact we need to accept. It is also an area where there is a lot of competition.

At Gedeon Richter, we try to link speciality - which is in gynaecology- to other products where we have the critical mass - which is cardiovascular. When it comes to volumes, the cardiovascular portfolio is more important.

Heading Gedeon Richter and presiding local industry association MAGYOSZ, you represent Hungarian pharma. How do you see the future for the Hungarian pharma sector?

Hungarian pharma has all the chances of playing an important role. We need to have a dialogue with the government on the burdens that are now being put on the companies in Hungary. Those who add intellectual added value, employ a lot of people and are active in research & development, should receive a more beneficial treatment than others. This happens in any other country. It is maybe not so popular to talk about national champions, but they do exist. In this current environment where it is very critical for every country to avoid recession, it is equally important that there are some companies and industries that are still making progress.

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