

Interview with Mazen Darwazah, CEO, Hikma

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The company success is built on a unique and daring strategy initiated by your father. The company saw itself as a multinational company instead of a domestic company from the start, and pushed into the US. Your dad initiated the strategy, now you have the reigns to follow up on it. What makes the Hikma strategy unique today?

Hikma started as a Jordanian company, but today the Jordanian market does not represent more than 1.5 or 2 percent of our revenue. The rationale behind listing the company on the London Stock Exchange was to create a company able to serve the global market with affordable high quality pharmaceuticals. The two most important pillars under the success of Hikma are firstly human capital, and secondly quality. From the beginning we embedded the quality processes deeply in the Hikma team and culture.

We got our first US FDA approval in the early 1990s, and the decision to push into the US market was very daring indeed for a small company from Jordan. But the Hikma model prescribes that nothing is too big; we always have big dreams and goals. This is based on our business model, which is based on being able to service the healthcare community and create a better and healthier way of life.

After the company listed on the London Stock Exchange in 2005, we saw a steady stream of acquisitions—would you outline the overarching strategy behind the company’s acquisition strategy?

Over the past years, all of the Hikma acquisitions were aimed at adding to our portfolio pipeline and to enter markets that held barriers, and to complement territories and products. Last year Hikma invested 350 million USD in five acquisitions, among others on Promopharm, a major in Morocco. Establishing ourselves as a local manufacturer in Morocco completes our MENA footprint. Entering the Moroccan market has been a strategic priority for Hikma for some time. In India we had a strategic investment in Unimark, a privately-held Indian manufacturer of active pharmaceutical ingredients and API intermediaries. Through our Baxter Healthcare IMS acquisition we doubled the size of the US business. We furthermore invested in smaller companies in Sudan and China.

Hikma’s business can be broadly divided into three business streams: Branded, Generics and Injectables. Would you outline to our readers the contribution of each of these business streams to the growth of Hikma?

The last group, injectables, has grown as big as the regular business. Hikma today consists basically of two companies: a global injectables company, and a global oral company. The strategic acquisitions we did in Germany and the US were aimed at expanding our platform and to transfer

oncology technology to become affordable in the Arab part of the world. We are very pleased that our company in Germany has been inspected and approved by the FDA.

As Hikma goes forward, oncology and injectables will be essential parts of our growth strategy. Today the number of injectables companies in the world is limited. Recent IMS statistics show that Hikma is the second largest generic injectables supplier by volume in the US, and we have a strong track record of FDA approvals. Just three weeks ago we had FDA inspections of our facilities here in Jordan and in Saudi-Arabia; we are currently awaiting but are confident of a positive outcome. Hikma focuses on transforming its markets by providing affordable medicine, and this is also why we invested in expanding our injectables division. Hikma first ventured into injectables in 1980 and provided the product for the first open heart transplant in the Middle East.

Hikma has been taking over North Africa over the past years. As traditional MNCs are also investing heavily in the MENA region, how have you been able to take on the Pfizers & Sanofis and what strategy will pursue to become the absolute number one in this region?

We strive to be partners with the communities in which we are active, and this is not limited to a momentary situation but extends to cultural factors and social responsibility. When wars occurred in the Arab world, and I have experienced eight during my career at the company, Hikma stayed on the ground. Hikma was born and raised in the Arab world and its business is intrinsically long term. Today the only company that is on the ground in Libya is Hikma, and during the war in Iraq we were assisting doctors and keeping them up to date through scientific conferences. We did the same in Sudan and in Yemen. We are not only responsible for making a profit, but also for creating healthier lives. This is a long term industry.

That is the main difference between multinationals and Hikma: whereas Hikma stayed committed to its responsibility towards the population when the revolution happened in Egypt, many multinationals flew their personnel out.

Dr. Al Rushoud, CEO of the Jordan Investment Board, told us yesterday that the Jordanian pharma industry needs to step up its R&D expenditures in order to remain competitive in the region. As the absolute leader among the Jordanian manufacturers, what is the relative importance that you grant to R&D and what role do you want to give to R&D for the future development of Hikma?

R&D is a buzzword today, but R&D is a culture. It goes into the schools, into the universities and into the philosophy of a country. Last year R&D spending in the Arab world stood at 0.8 percent of GDP on average, but billions and billions of dollars should be spent in order to achieve something. Jordan has one of the highest R&D expenditures in the Arab world, with a still very modest 1.1 percent. Hikma spent 11 percent on R&D at one point, now it stands at 5 percent, but we are essentially a generics company.

Globally pharmaceutical companies from AstraZeneca to Roche are outsourcing R&D to achieve maximum efficiency. Hikma is developing R&D connections with academia, and we are expanding our R&D departments. Today we have those in the US and in Jordan, and we supplemented those through our recent investments in India and China.

Hikma progresses its R&D through subsidiaries or under license. About forty percent of our products fall under the latter category. The other 60 percent consists of own branded generics manufactured for global distribution. Our different manufacturing facilities in Jordan, Saudi Arabia, Portugal, and Germany all produce specific products for our global markets. Hikma is becoming a global company that uses its resources and synergies.

I think we can definitely say that Hikma is one of the companies reversing the trend as an Arab company conquering in the old world instead of the other way around? To which extent do you see Hikma as a role model for the MENA region following the pioneering role of TEVA for the region?

The regulatory aspect is the main concern in the MENA region. It is difficult for multinationals to come and work in small markets, as the preparations needed to launch a product in the US are the same as for Bahrain. I do not believe the takeovers that multinationals are doing in markets such as Egypt will go on, as many of them turn out to be not very successful. Companies need to understand the philosophy of the local market in which they act. Act globally and think locally is key, but this is an understanding that many MNCs lack.

Hikma scans opportunities very carefully. In Turkey for instance we have been looking for a suitable takeover target for years, but we did not decide to buy. We looked at Eczacibasi Pharmaceuticals, Abdi Ibrahim; but we felt that it was not the right timing. It took us ten years before we found a suitable target in Promopharm in Morocco. Pharma is a long term business and partnerships are not created overnight.

Pharma is a long term business indeed? but looking on the short term, if Hikma continues to grow like it has over the past decades, the company will soon be among the world's top players! If we would come back in five years, where will you have taken Hikma?

Hikma will be more global, doubling in size as we do every four years, and we will offer more therapeutic classes. We will also further grow the emphasis on injectables.

What is your strategy to grow the injectables business, will you enter green fields?

We prefer to form alliances, but will also enter green fields and do acquisitions. The growth will be organic combined with adding growth, like we did over the past ten years.

What is your final message to the readers of Pharmaceutical Executive on how Hikma is taking on the traditional MNCs and changing the outlook of the pharmaceutical world?

Look at the markets as human beings, and look at individuals as patients that have to be taken care of. We are not financial institutions; we work in healthcare. More cooperation instead of competition is necessary between healthcare community providers.

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