

# Philipp Haas – Chairman & CEO, DEVA, Turkey

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29.10.2018

Tags:

[Turkey](#), [Manufacturing](#), [DEVA](#), [Internationalization](#)

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*Philipp Haas, chairman and CEO of DEVA, discusses the company's export strategy and current positioning in the international pharmaceutical playing field. Haas also covers the changing dynamics of the industry in the Turkish market.*

**2018 has been marked by increasing price pressure in Turkey. What risks and opportunities has this brought for a company like DEVA?**

There is a saying that in crisis there is opportunity for those who are willing to take it. This difficult moment has created several openings in the market for our portfolio. For example, there are some imported originator products, for which foreign originator companies are not supplying the market anymore, most likely because prices are no longer covering their costs. DEVA is taking such opportunities and supplies the market with its own, locally produced products. Therefore, changing dynamics of pharma in Turkey opened a gap where DEVA has been able to acquire market share. As we have an important capacity and a flexible manufacturing capability, we have been able to fill in some gaps that were left within the market as various players retreated.

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Over the last ten years, we have made significant investments to increase our manufacturing base and quadruple production. In 2006, DEVA produced 60 million product units and roughly 200 million units last year; we aim to reach a production rate of 240 million product units in 2018. Using up-to-date machines with the most advanced technology are crucial assets in propelling our global strategy of increased exports. We continually grow our infrastructural investments. We have recently launched a broad-scale logistics facility, which operates as the gathering point for all products, whether manufactured for the domestic market or international markets, and represent the largest logistics center among all pharmaceutical companies in Turkey.

Pharmaceuticals industry is in a transformation process and I believe that biotechnology will be the key factor in this change. Therefore, we invest in biotechnology as well. We established a biotechnology center and we develop joint projects with TAAK in biotechnology.

Although Turkey constitutes our manufacturing base, our objective is to supply our products to both developing and mature markets, such as the US and Europe. When preparing for such a strategy, we have anticipated the need to develop our manufacturing capabilities to serve not only the Turkish market, but also abroad. Currently DEVA manufacturing sites have US FDA approval. Since 2011, all our production facilities have also been approved by European health authorities, so we already operate under US and EU GMP standards, both for the Turkish and international markets.

### **As a latecomer and only Turkish company to have reached the US pharma market, what is your export strategy to break into developed countries?**

Although DEVA may be a comparative latecomer to the US market, it is the first sustainable mover to emerge from the Turkish industry. Getting US FDA approval is quite an arduous process, but once granted maintaining the productions standards and sustaining this success is even more difficult. Within DEVA, we have created a more sustainable quality structure, which should allow us to comfortably continue passing foreign inspections.

Our export segment is increasing each year by about 20 to 30 percent. However, in the overall sales of the company, this only still accounts for a relatively small figure. DEVA is still in the beginning phase of its export strategy. The first step was to create a solid manufacturing foundation; this way when the storms come, all the progress we have made is not swept away. Gaining foreign accreditations was a major accomplishment in solidifying our capabilities. Our next priorities will be to bolster R&D efforts and further develop DEVA's product portfolio.

### **What key products are driving the portfolio of DEVA in foreign markets?**

DEVA has a wide scope of therapeutic products and cannot be defined by a singular star product. We have a strong positioning in solid oncology where we have been able to supply many first generics to the Turkish market. Our products support the healthcare system and government by saving hundreds of millions of Lira. Our successes have not only grown the company, but also simultaneously aided the Turkish healthcare stakeholders by reducing costs.

Imatinib is one of our main export products, particularly in the German market where we have established own subsidiary, Devatis. We strive to become a fully integrated company and Imatinib is a great example on how we have been able to achieve this: we produce our own raw materials for this product and then also the finished products, supply to our own subsidiaries, and sell our portfolio at competitive prices. DEVA has recently won a major tender in Germany which will likely bring our

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Imatinib brand to a leading market position.

**There is so much market volatility not only in Turkey, but in emerging markets around the world. How would you describe DEVA's in-licensing strategy when it comes to collaborating with foreign companies to bring value-added products to the market?**

The classic in-licensing business model of product supply has never had a significant presence in Turkey. This method was never seen as viable and when greater price pressures began, the model became even more unreachable. We anticipated this trend from the beginning and chose not to follow this path for DEVA. As an alternative, DEVA utilizes technology transfer to bring attractive products for which we do not have sufficient enough resources to develop ourselves to be manufactured in our home site of Turkey; a much more feasible strategy than in-licensing.

**Government officials have said Turkey's top assets is the life sciences sector constitute the geographical positioning and human capital. What benefits can be extracted from these resources to bolster DEVA's growth?**

Turkey has significant human capital; the country possesses a well-educated, highly motivated, and professionally ethical workforce

I agree that Turkey has significant human capital; the country possesses a well-educated, highly motivated, and professionally ethical workforce. This is very important in regards to exporting; establishing credibility with foreign regulators is imperative to our strategy. Data integrity is a very important issue for foreign regulators, especially when other emerging markets are experiencing issues in this area. Turkish employees are very meticulous and have a strong sense of devotion to quality in their work; a fundamental characteristic of our domestic workforce. By leveraging Turkey's image of professional reliability, we can circumvent many of the challenges being faced by other emerging markets in the pharma industry.

**Domestic pharmaceutical production has been identified as a priority sector in the government's 10th Development Plan (2014-2018). How would you describe the industry support being provided by the government during this transition?**

This localization concept is very promising for the industry in Turkey. The government is doing an excellent job in translating this initiative into tangible results on the ground. Even more importantly, localization is being executed very fairly for both domestic and international industry players. As a local company, DEVA is not severely impacted by localization in terms of production and operations. However, the government is juggling the sectors and giving multinational companies a transition period to adjust to the change. Many companies will benefit from the notion and I foresee new investment waves coming to Turkey as a result of the localization philosophy. Overall, for the country, this will be a significant and positive change in the dynamics of the industry.

One of the key product categories where localization can make a big impact on addressing the still huge trade deficit in the pharmaceutical sector is biotech products. Biotech products command very high prices and are therefore the biggest drag on the trade balance. Therefore, local production of biotech products will have a very positive impact on improving the trade deficit, which will have a

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very positive effect on Turkish economy. Eventually, this will help Turkish economy to be much healthier than most of the European and US economies.

Successful launches of domestic biotech products in the Turkish market will allow Turkish companies also to export, so there is a double positive effect on the trade balance, less products are imported and more products are exported. For this reason, DEVA has a very comprehensive biotech development program and we view our investments in the biotech sector as an important, strategic investment into our future.

In US and European markets, the barriers to entry are extremely high for generic biotech products, so called biosimilars. Some countries, lowered the requirements for extensive clinical trials, which, due their huge cost, represent a big barrier to entry, and rely more on analytical methods, which today are actually accurate enough to prove that a product fulfills equivalency to an originator product. If Turkey can define a similar pathway for biosimilar products, then it could certainly overcome its trade deficit in pharmaceuticals and create many new jobs in an industry with a very promising future.

**As a final message, to what extent is DEVA a standards bearer for made-in-Turkey pharmaceuticals and what responsibility do you have as a brand ambassador for Turkey?**

DEVA is an important carrier of the Turkish brand. We successfully met international standards by which we can act as a role model for domestic players. Although our export sales are still budding, DEVA continues to grow and reinforce its footprint in foreign markets. Along with the German affiliate, we have other subsidiaries under development, for instance, New Zealand; a tough market but strategic niche for DEVA. In the pharmaceutical industry, it is difficult to enter a market and create a huge ripple; our strategy is to start small with a stable foundation and construct upwards.

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