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Building A Top-10 Global OTC Player – Q&A With HRA Pharma CEO David Wright

by David Ridley

Exclusive: HBW Insight speaks to HRA Pharma CEO David Wright about the company's plans to become a top-10 global OTC player. Wright reveals that HRA is about to enter Latin America, beginning with Mexico and Brazil, and is currently looking at at least two significant acquisitions to ramp up its expansion plans in the coming months.

France's HRA Pharma is on a mission to become a top-10 global consumer healthcare company by 2023.

In the last few months, the company has announced four major initiatives to take its core brands Compeed and the emergency contraceptive EllaOne to new markets in Africa, Asia and the Middle East, complementing its existing base in Europe and the US.

In this exclusive interview with HBW Insight, CEO David Wright reveals that the company also has its eyes on Latin America, starting with Mexico and Brazil, potentially expanding HRA's geographical reach to every continent in the world.

HRA PHARMA CEO DAVID WRIGHT

Before the outbreak of the coronavirus, HRA was also in the middle of a new deal to ramp up its growth plans, Wright reports, a deal that it will, alongside other acquisitions, take forward as soon as possible.

One of the fastest growth businesses in the OTC world, according to Wright, in this Q&A we get a unique insight into HRA's dynamic growth strategy.



Firstly, how is HRA Pharma coping with the COVID-19 outbreak?

At HRA, we are very busy, but I think being busy is good. Thankfully technology is allowing us to communicate with each other and at the moment. Business is running as well as it can be. Consumer healthcare is probably luckier than most other sectors. The channels through which our OTC brands are distributed are those outlets that are still open at the moment, so from that perspective we're probably in better shape than most. Our current supply chain

looks good and if there's an increase for whatever reason in demand for any of our brands, we're sitting on a strong supply currently which is a good position to be in.

Q HRA Pharma has set itself the ambitious target of becoming a top-10 consumer healthcare company by 2023. How is this strategy progressing?

A The strategy sits on three different pillars. Geographical expansion – opening new markets in white spaces – is one pillar. The China joint venture is in its implementation phase. (Also see "[HRA Pharma Taking On China With JV Partner](#)" - HBW Insight, 14 Jan, 2020.) This is an exciting opportunity for us. Unfortunately, the progress of this initiative slowed down since the beginning of the year, for obvious reasons, to a virtual standstill. However, things are starting to get back to normal in China now. With Mederma, we've established a positive rapport with new OTC distributors in Asian markets in which we were not already present. (Also see "[HRA Pharma Breaks Into US Consumer Health Market With Mederma Acquisition](#)" - HBW Insight, 30 Apr, 2019.) These distributors had an established relationship with Merz prior to us buying Mederma. The level of support we will give to those distributors will be a lot more aggressive and extensive than Merz had with them in the past, but will ensure that these partnerships are strengthened by putting extra resources into the region to support our mutual objectives.

Likewise, we will do the same in Latin America. We've got a partner in the region that I know very well, who is going to help us be a lot more proactive in markets like Mexico and Brazil, so watch this space from that perspective.

Obviously, the US was a white space for us two years ago. Up until now, we've been working on switch projects, but we have had no physical presence in the country. (Also see "[Oral Contraceptive OTC Proposal Moves Closer With Start Of Actual Use Study](#)" - HBW Insight, 21 Jun, 2018.) From this perspective, Mederma was a good acquisition for us, and we will start initiating our investment there, beginning with rolling out Compeed nationally this year. We will also be investing in Canada, a country that will be much more aggressively supported in the future.

Then as you've seen, we've opened up Africa, with South Africa being the first country to see investment, and of course the Middle East. (Also see "[South Africa Next As HRA Pharma Marches On With Global Expansion](#)" - HBW Insight, 4 Mar, 2020.); (Also see "[HRA Pharma Expands Footprint With Middle East Move](#)" - HBW Insight, 19 Dec, 2019.)

The second pillar of our strategy is organic growth. Our innovation pipeline is strong and we'll be introducing innovation as and when we can, over the next couple of years. However, clearly to get to the top-10, we're going to have to look at acquisitions. We are looking at a potential acquisition right now, but we've had to put on the breaks because of COVID-19. I don't think there'll be many deals happening at the moment, but we're in close contact with two players that we could hopefully make a move with by the end of the year, which will add considerably to our revenue development and help us to reach our top-10 ambition.

Q How important is outsourcing to the HRA strategy?

A We have a platform which is unique, we're a €350-400m business with only 240 people. On trade and sales execution, for example, we have exclusive partners around the world, but we don't have any field sales in our organization. We do the same on the manufacturing side, it's all contract manufacturing organization based. This

outsourcing model – which I introduced whilst I was at Boehringer Ingelheim – allows us to scale up our operations quite easily and be flexible in the face of new challenges. Distribution models and shopping habits are changing; what's to say that the changes we've seen due to the coronavirus aren't going to stay in the future? We've got to be nimble and adapt to those kinds of changes. Plus, our profitability to headcount ratio is probably the best in the industry right now.

Since I came to HRA Pharma three years ago, the company has changed dramatically, not just in terms of headcount and the shift from Rx to OTC, but also in terms of the experience we've brought in. I would say we've got a very strong team now both at management level and throughout the different layers we have within the business.

Q HRA Pharma's strategy seems to rely on focusing on fewer core brands that allow the company to be dynamic and flexible in the way it implements its geographical expansion strategy. Would you say this is true?

A You've touched on a very relevant point there. The way I think about it is like a matrix, with HRA's brand portfolio and skill sets allowing us to play to our strengths country by country. Just doing a roll out of a brand across the world at the same time is not something you'll see us do. The dynamics of each market must play into our business strengths. So yes, you're right.

Q So, brand flexibility and outsourcing go hand in hand?

A Absolutely. The key is making sure that you've got the right partners working with you that have the same ambition. There are lots of big companies that outsource their tail brands – brands they potentially don't focus on as much, given the size of some of their portfolios.

The difference with HRA is that we give our partners our core brands, like Compeed. In Europe, for example, Compeed is a massive brand, you're talking about a consumer brand generating annual sales of €300m (\$372m) across the region. Normally companies would keep a brand like that in-house and utilize their own sales teams to manage it. But we don't. This changes our relationship with our partners. By giving

them big category leading brands in Europe, we become very important to them and in exchange we get a lot of focus on our brands. We also bring them along to all our brand strategy days and conferences. We treat them as if they are part of the HRA family, we don't treat them any differently, albeit they are separate organizations.

Q You also mentioned the need for acquisitions to achieve HRA's growth ambitions. What kind of acquisitions are the company considering?

A Do we want to go completely out of our sphere of expertise? Probably not. Anything we acquire would need to have adjacencies with some of our core categories, that's probably the best way of saying it. If there's something in the women's health space, that would perhaps be of interest.

We're not looking at acquiring a big portfolio, simplicity is important in that regard. For example, Compeed was a great opportunity for us, because it was a really strong asset that enabled us to leverage our presence in Europe while also benefiting our other OTC brands like EllaOne, by leveraging greater economies of scale.

We don't want to build complexity; we want to have brands that we can grow. If we end up with six or seven brands with a very good geographical distribution, and turn these into OTC "blockbusters", I would hope that this would enable us to reach our goal of becoming a top-10 OTC player.

Q As the big players seem to be getting bigger, what is your strategy to compete with them?

A The fact that GlaxoSmithKline will soon become by far the biggest OTC company in the world thanks to the JV with Pfizer is not going to affect my approach. (Also see "[GSK Unveils Two-Year Plan For Consumer Split](#)" - HBW Insight, 6 Feb, 2020.) As I said, the main thing is to have very strong brands and not too many of them, so that you can focus.