Channel Management

Finnish diagnostic companies in DACH region
Webinar – 6th October 2021

Christine Grumbach, Senior Business Developer, EurAsiaGrowth

Overview Medical Diagnostics

Non apparatus-based	**Apparatus-based diagnostics**
Anamnesis (questions, talks)	Radiology
Medical inspection	CT, MRT, PET
Palpation	Sonography (Ultrasound)
Asculation / Percussion	Functional tests (ECG, spirometry, blood pressure, pulse oximetry…)
	Endoscopy
	Laboratory diagnostics

IT-Supported diagnostics (health apps, telemedicine, AI)

01

Similarities and differences in Germany, Austria and Switzerland

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Channel management intro

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Examples of successful distributor models

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Relevant issues for market entry

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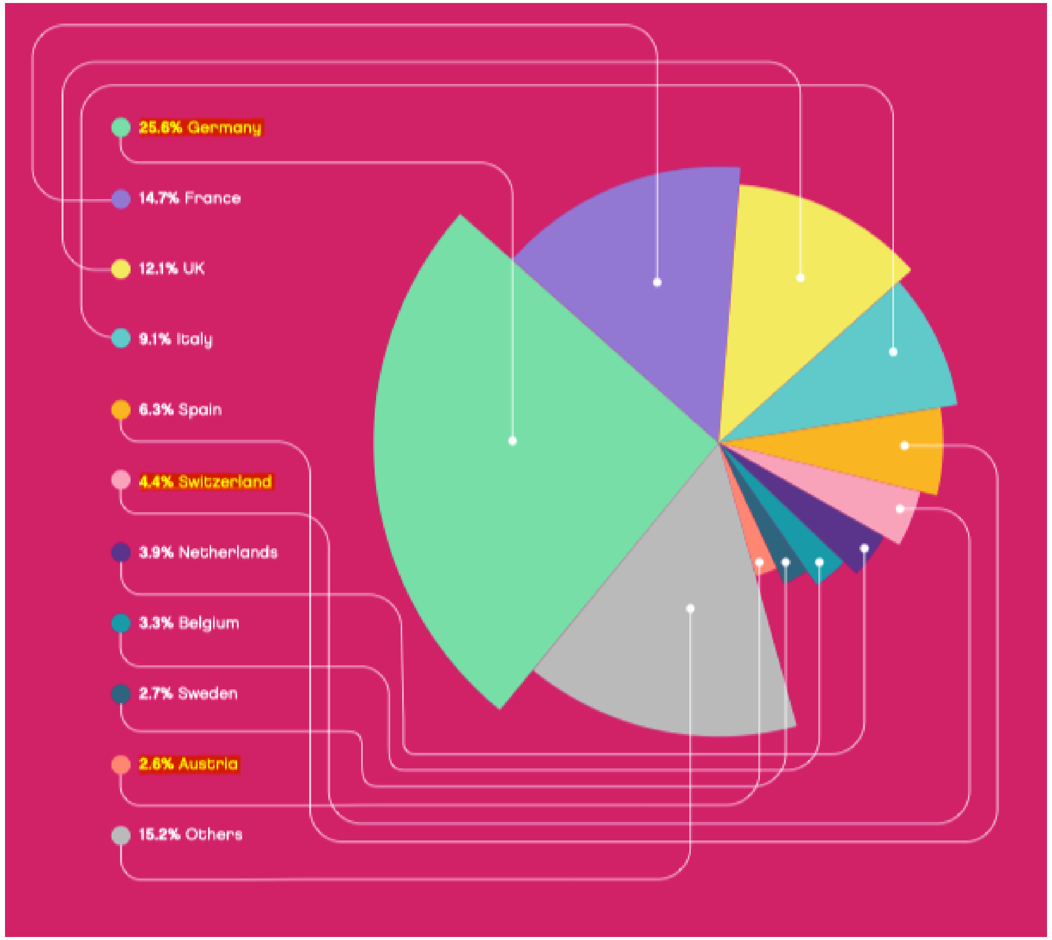
POC, new customer segments, private large cooperations

06

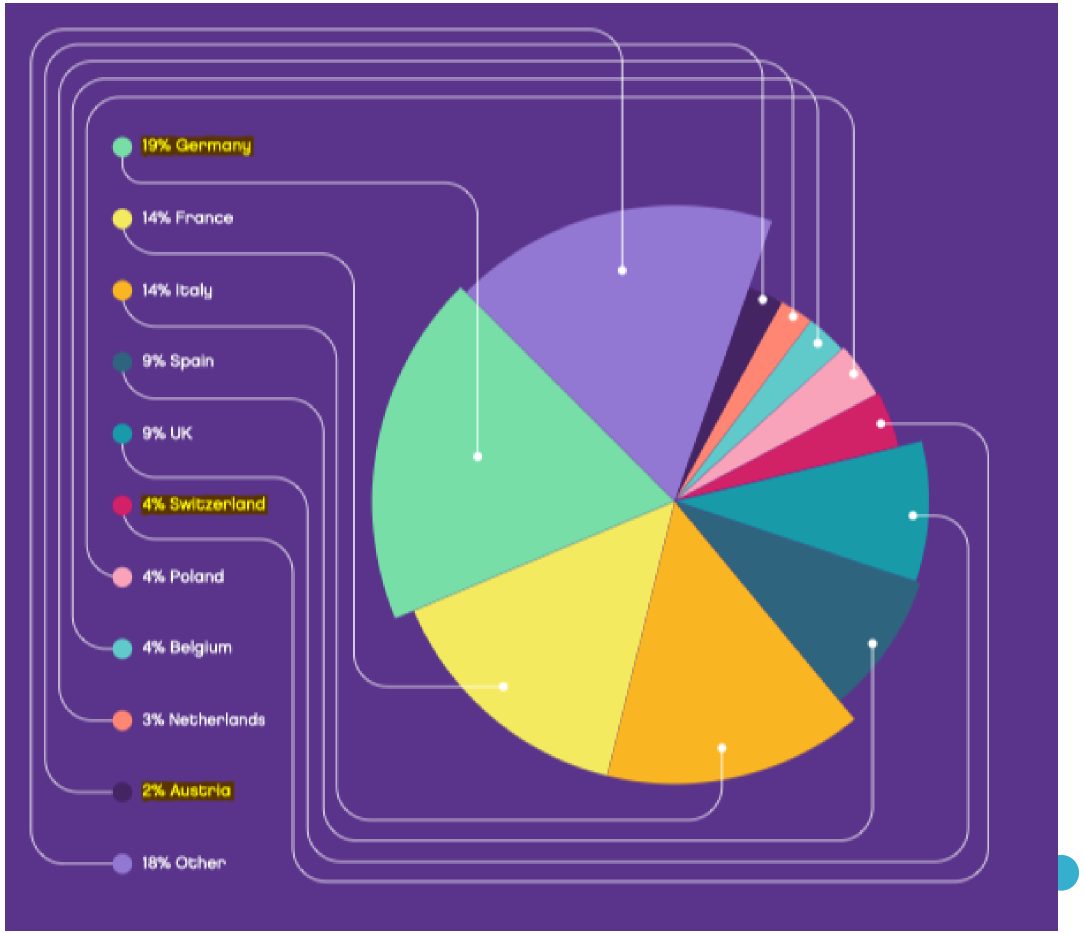
How to manage DACH region distributors with success? Do’s and don’ts

European medical technology market
ca. 140 billion € in 2020

Medical device market by country



IVD market by country



Source: The European Medical Technology Industry in figures, 2021

Channel partners rely on the suitability of the diagnostics to the national funding schemes!

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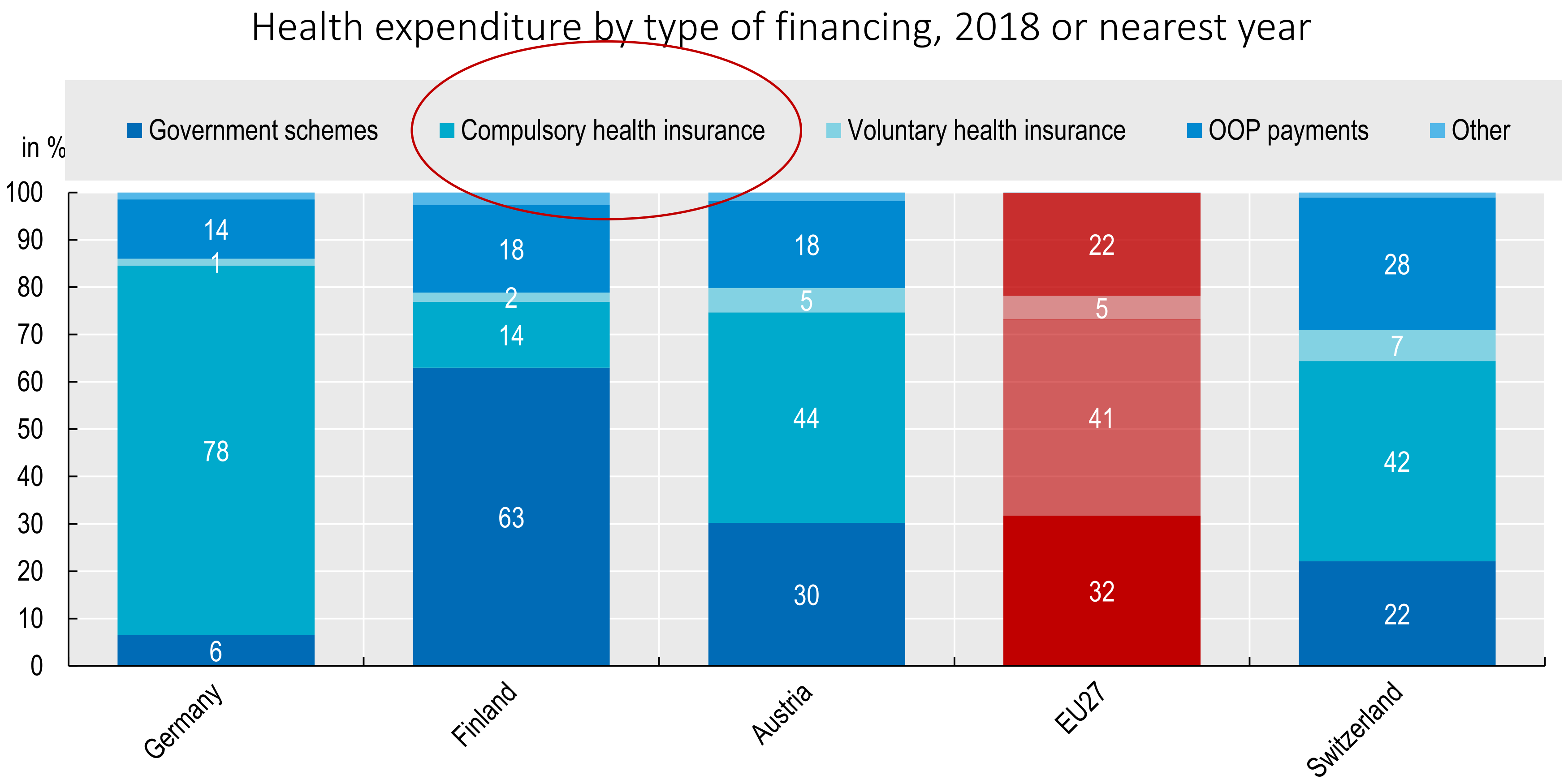

Source: OECD Health Statistics 2020; Eurostat Database; WHO Global Health Expenditure Database

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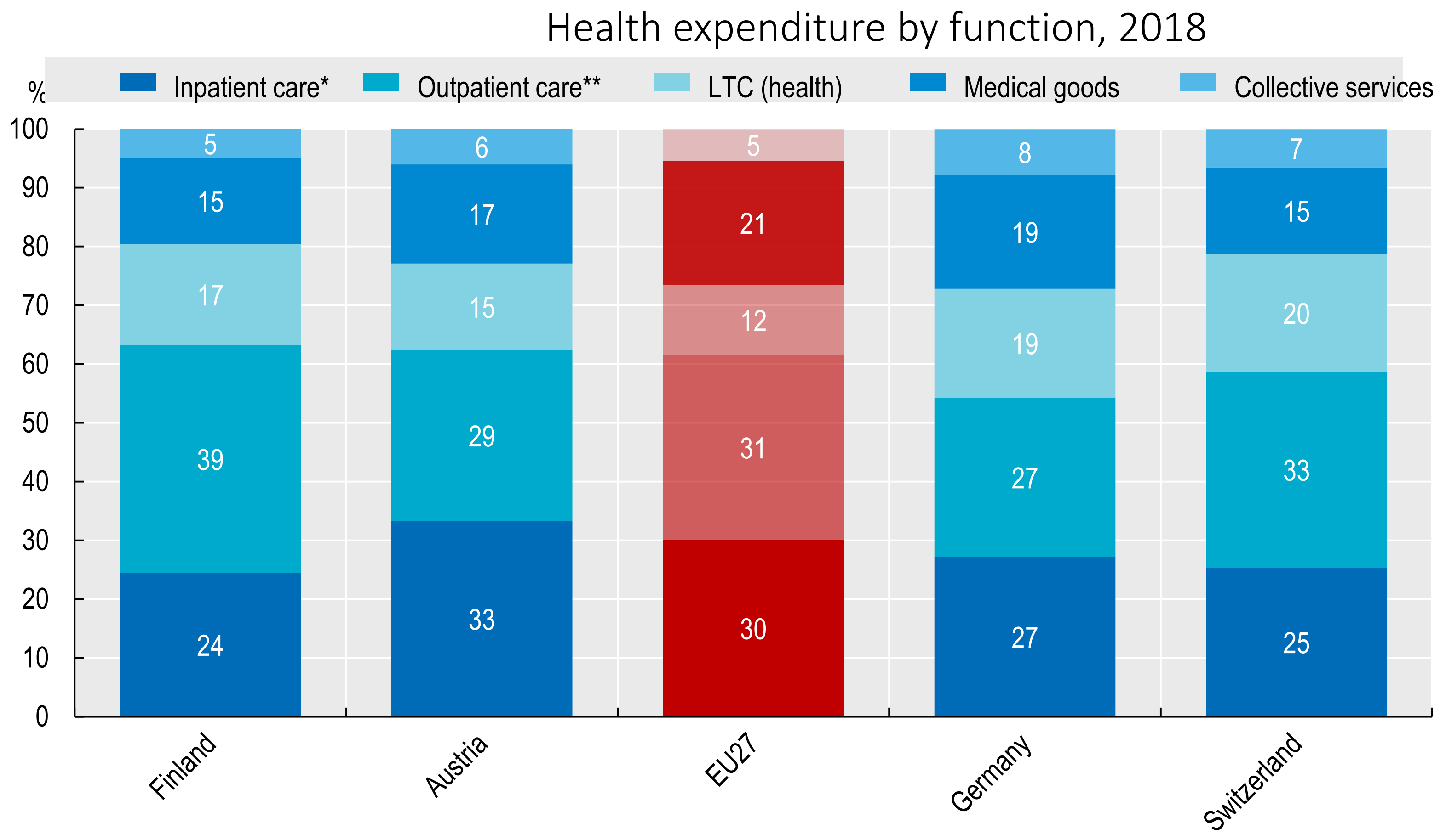
The major part of diagnostics is connected to out-patient care !



* Refers to curative-rehabilitative care in inpatient and day care settings. ** Includes home care and ancillary services and can be provided in ambulatory care settings or hospitals.

Source: OECD Health Statistics 2020; Eurostat Database;

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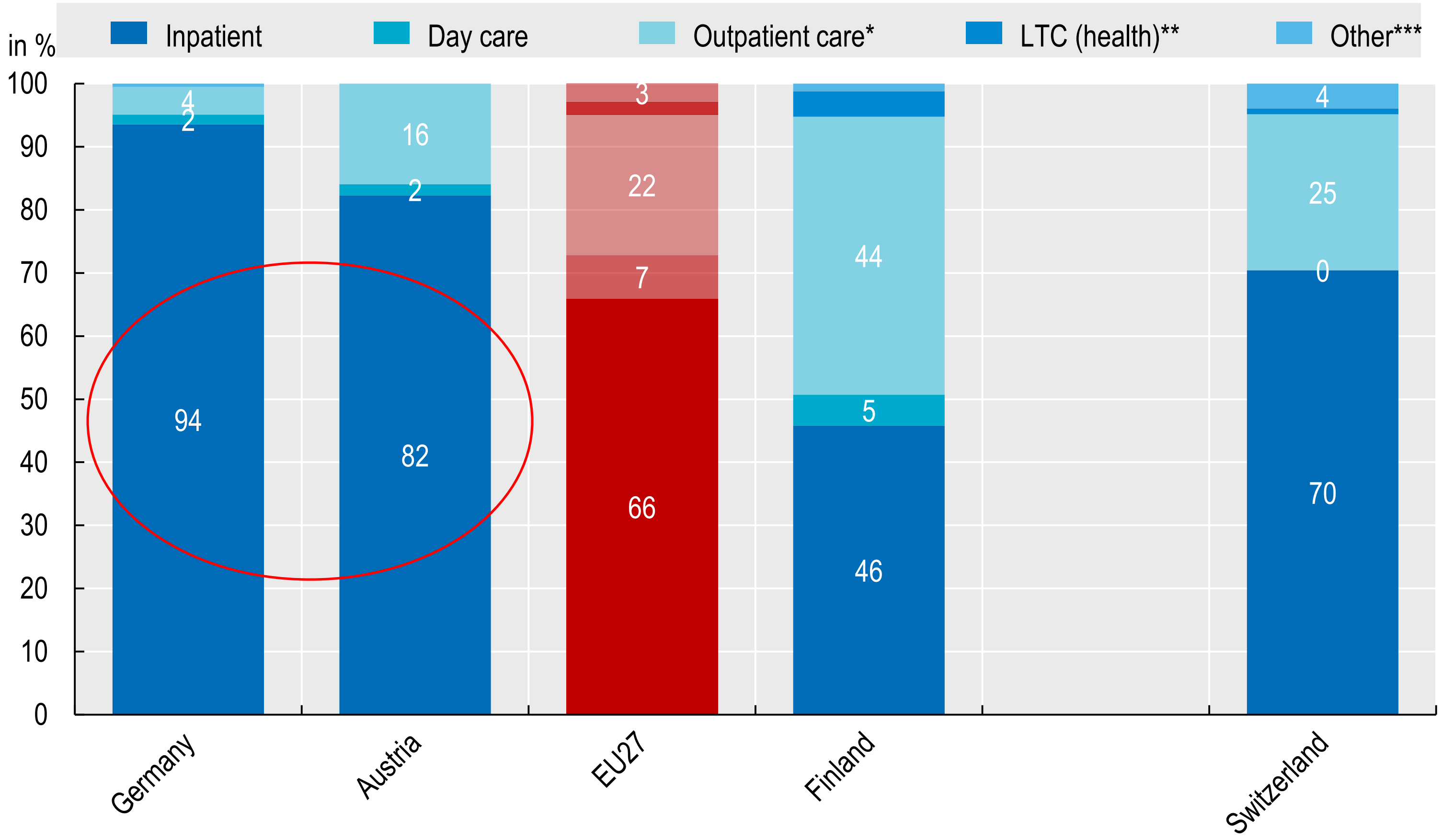
Hospitals in the DACH region are less involved in outpatient diagnostics!

Hospital expenditures by type of service, 2018



*Refers to curative-rehabilitative care provided to outpatients or at their homes and ancillary services.
**Refers to inpatient LTC services for people with LTC needs.
***Includes medical goods and collective health services.
Source: OECD Health Statistics 2020; Eurostat Database.

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Diagnostics are essential in prevention but not all countries put the same focus on it!

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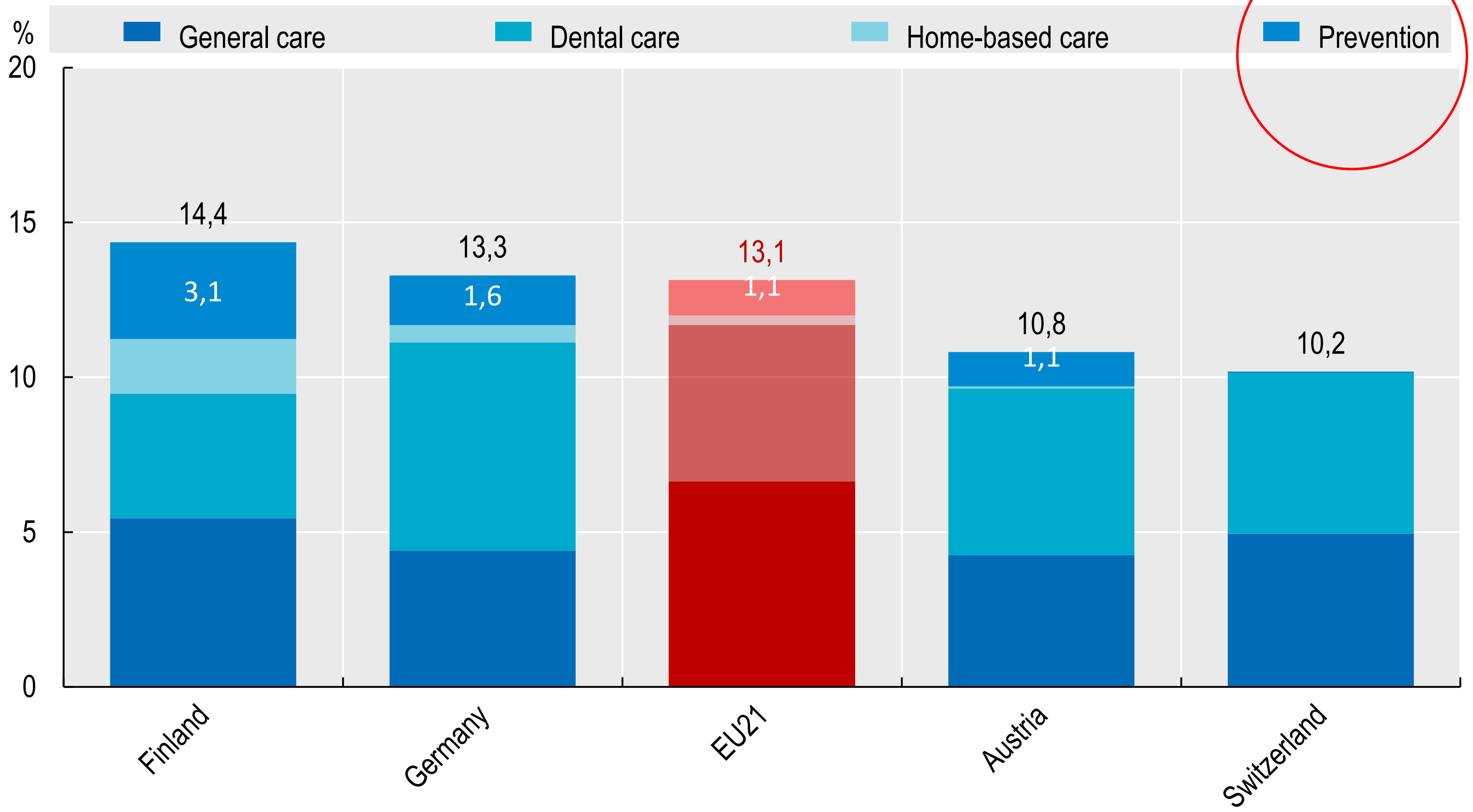
Spending on primary health care services as share of total health spending, 2018



Additional providers of prevention are:

1. Health insurers
2. Occupational health
3. High-end diagnostic service centers (💰OOP)

Source: OECD Health Statistics 2020;

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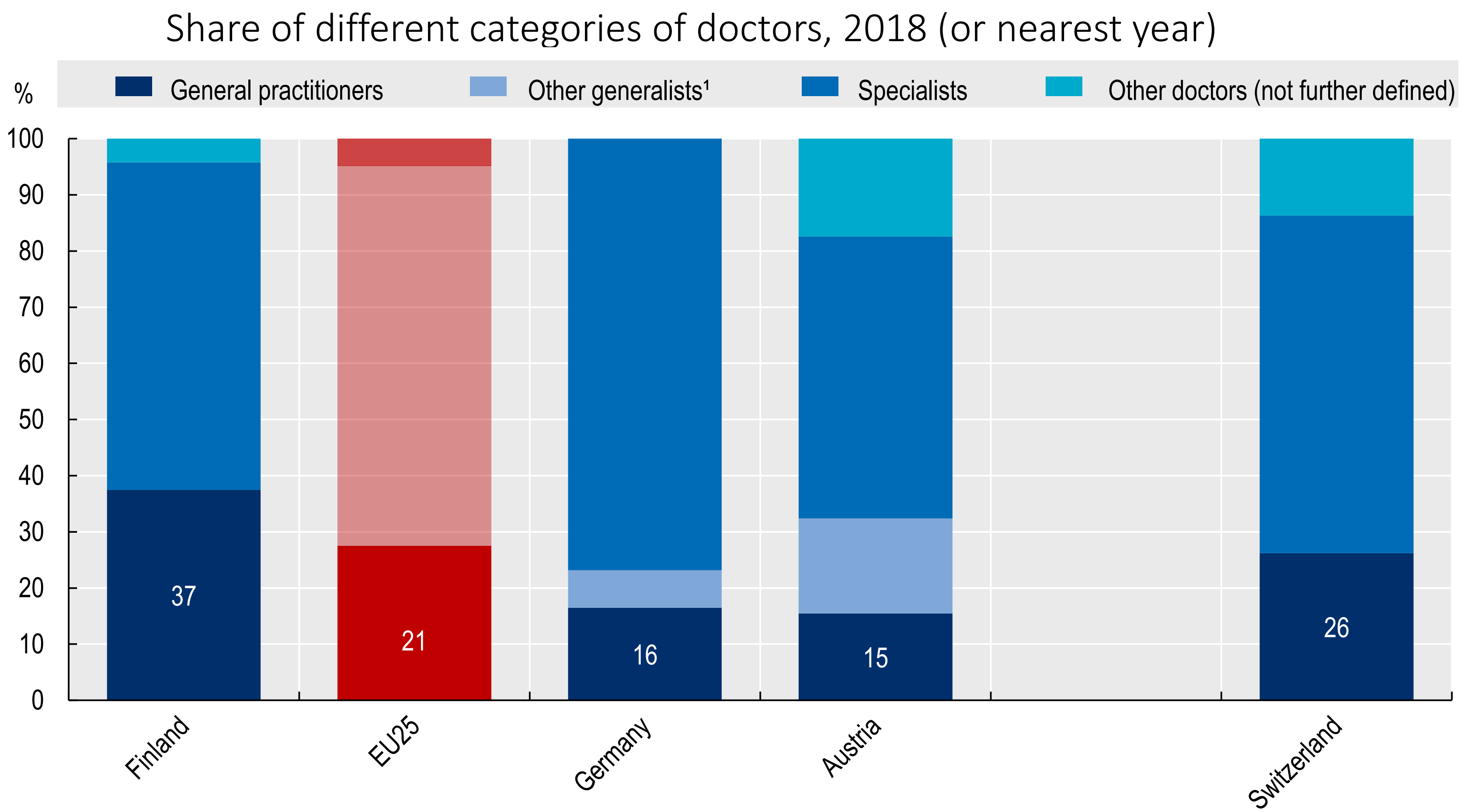
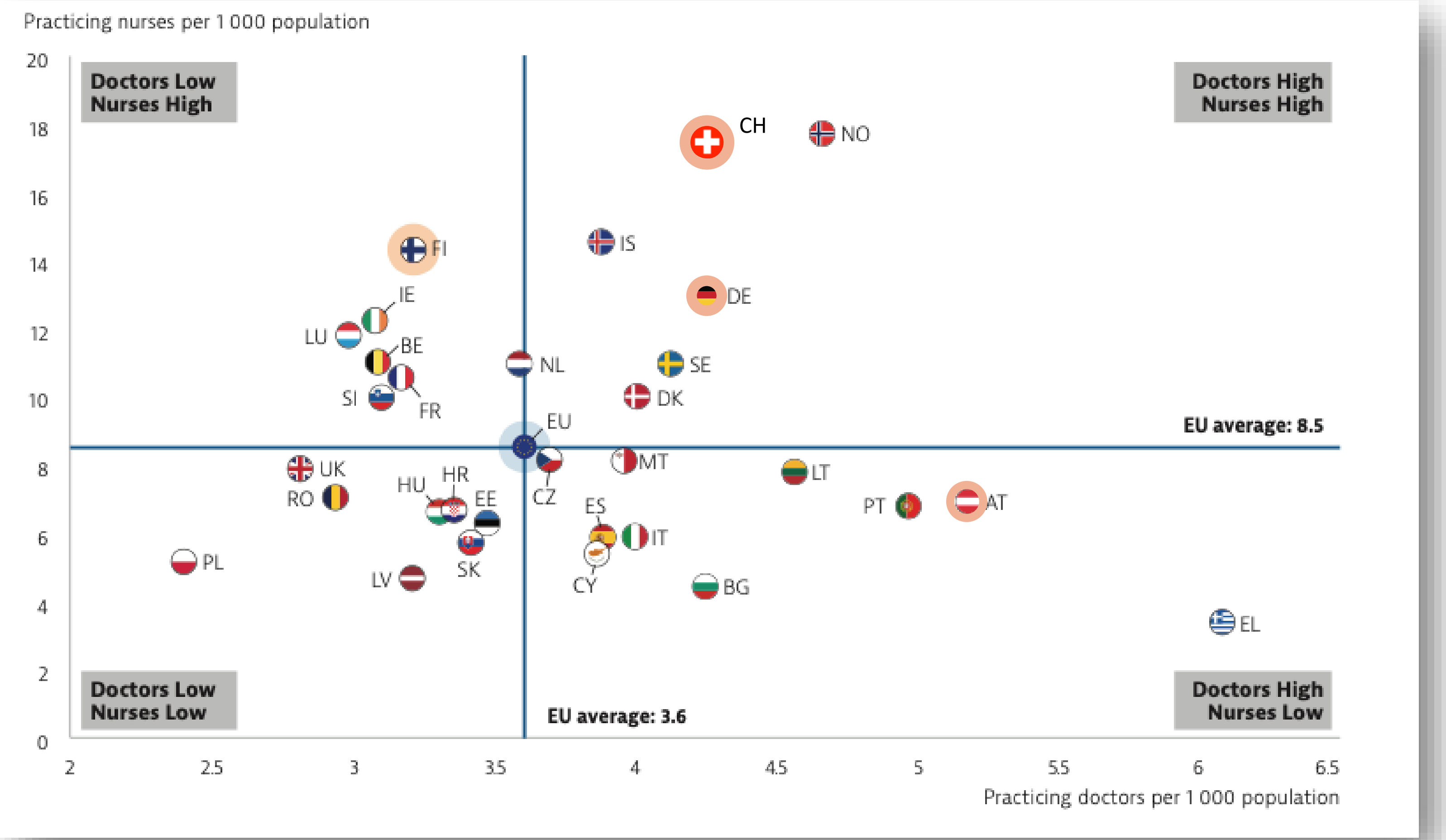
Lack of GPs and unequal distribution of specialists leads to challenges in diagnostic services and care!



1.Other generalists include non-specialist doctors working in hospital and recent medical graduates who have not started yet their post-graduate specialty training.

Source: OECD Health Statistics 2020; Eurostat Database.

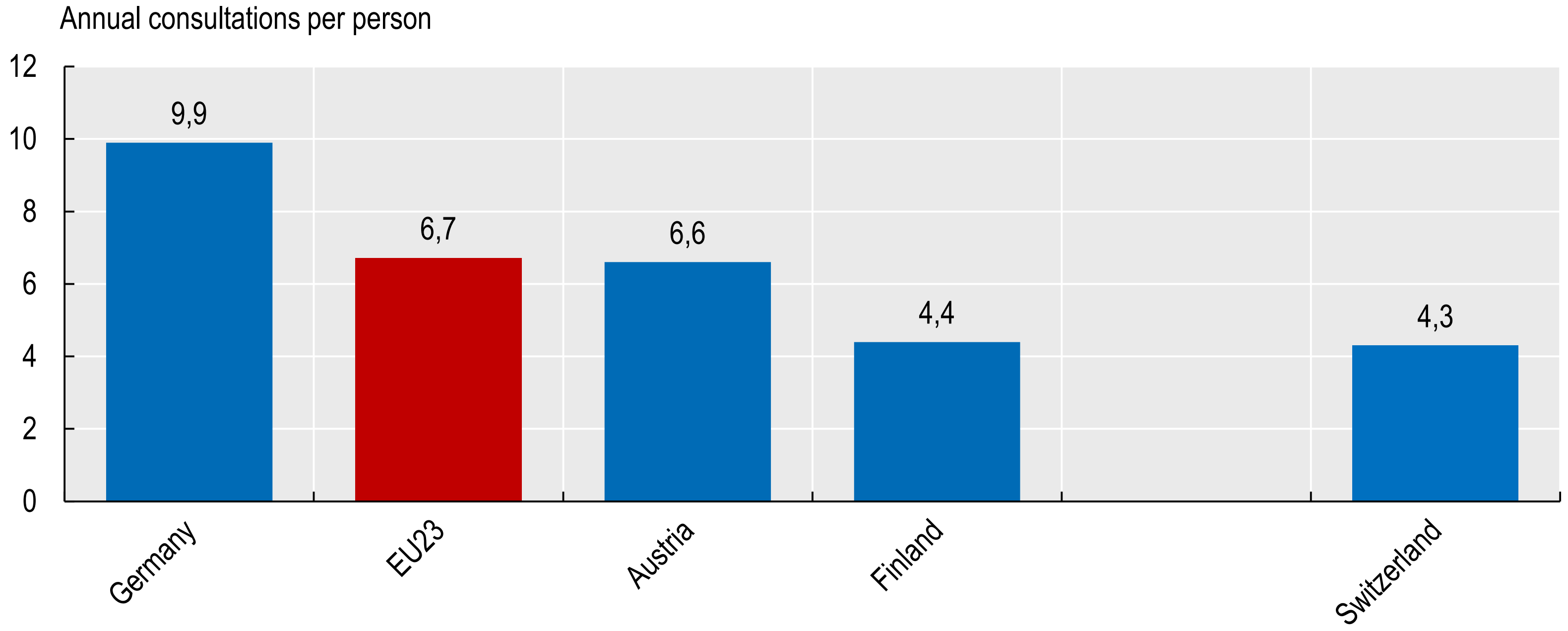
Ratio of nurses to doctors, 2018 (or nearest year)



Source: OECD Health Statistics 2019; Swiss data from Eurostat Database 2020.

Efficient sales and service channels are expected to avoid additional workload for the clients!

Number of doctor consultations per person, 2018 (or nearest year)



Estimated number of consulations per doctor

Germany	EU23	Austria	Finland	Switzerland
2296	**1939**	**1259**	**1310**	**1101**

Source: OECD Health Statistics 2020; Eurostat Database.

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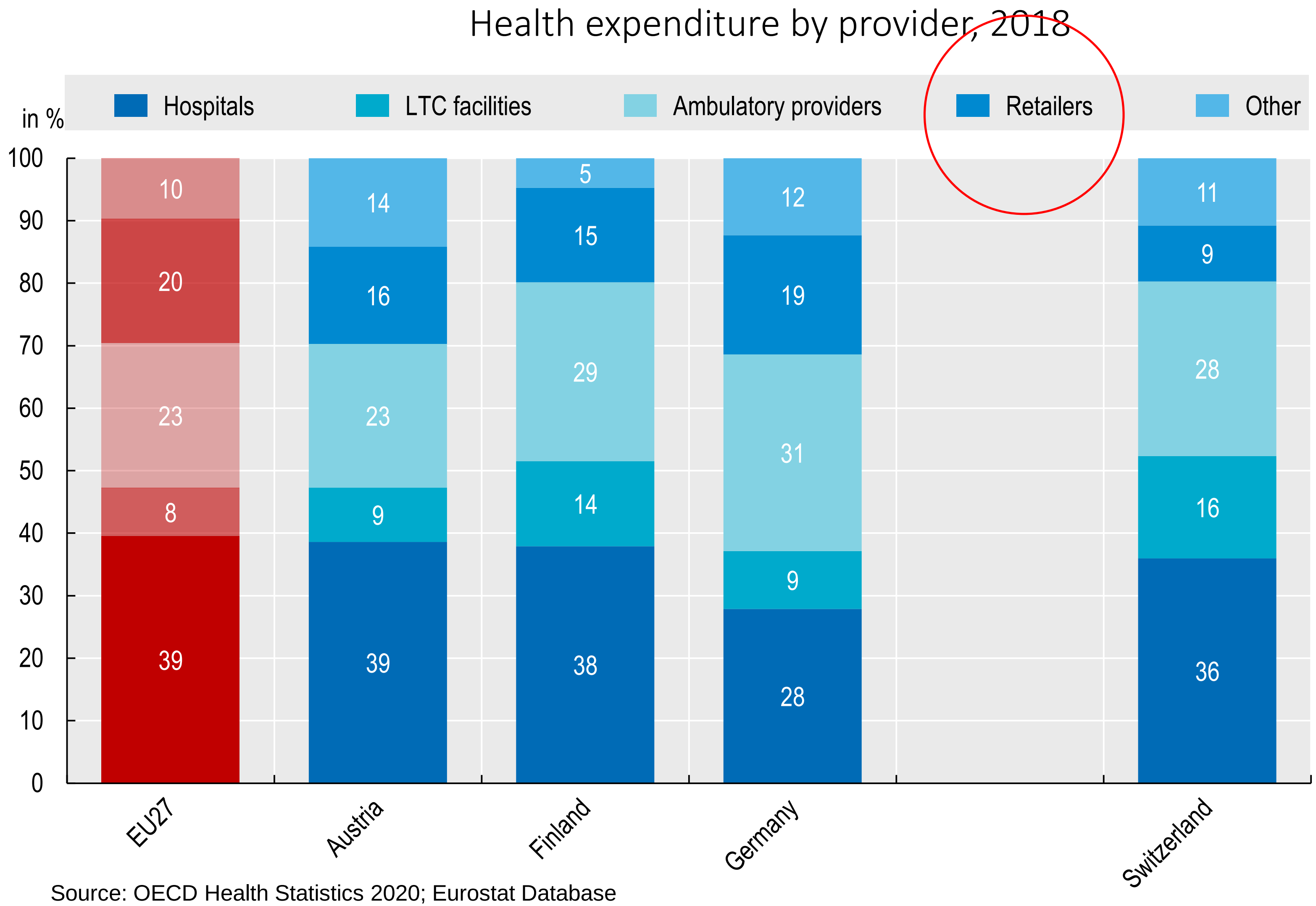
Channel partners must provide access to the key clients for the diagnostics!



Source: OECD Health Statistics 2020; Eurostat Database

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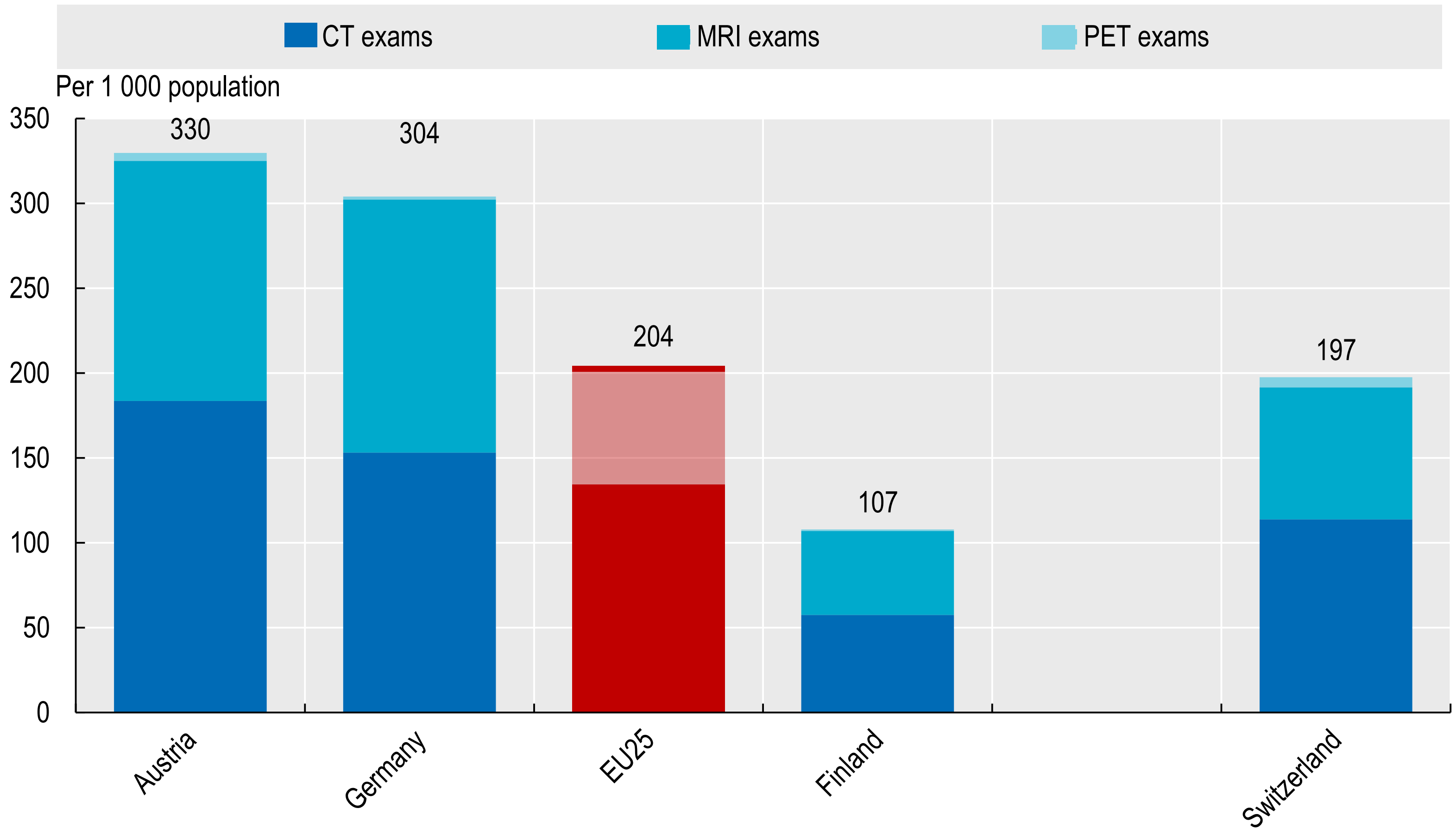
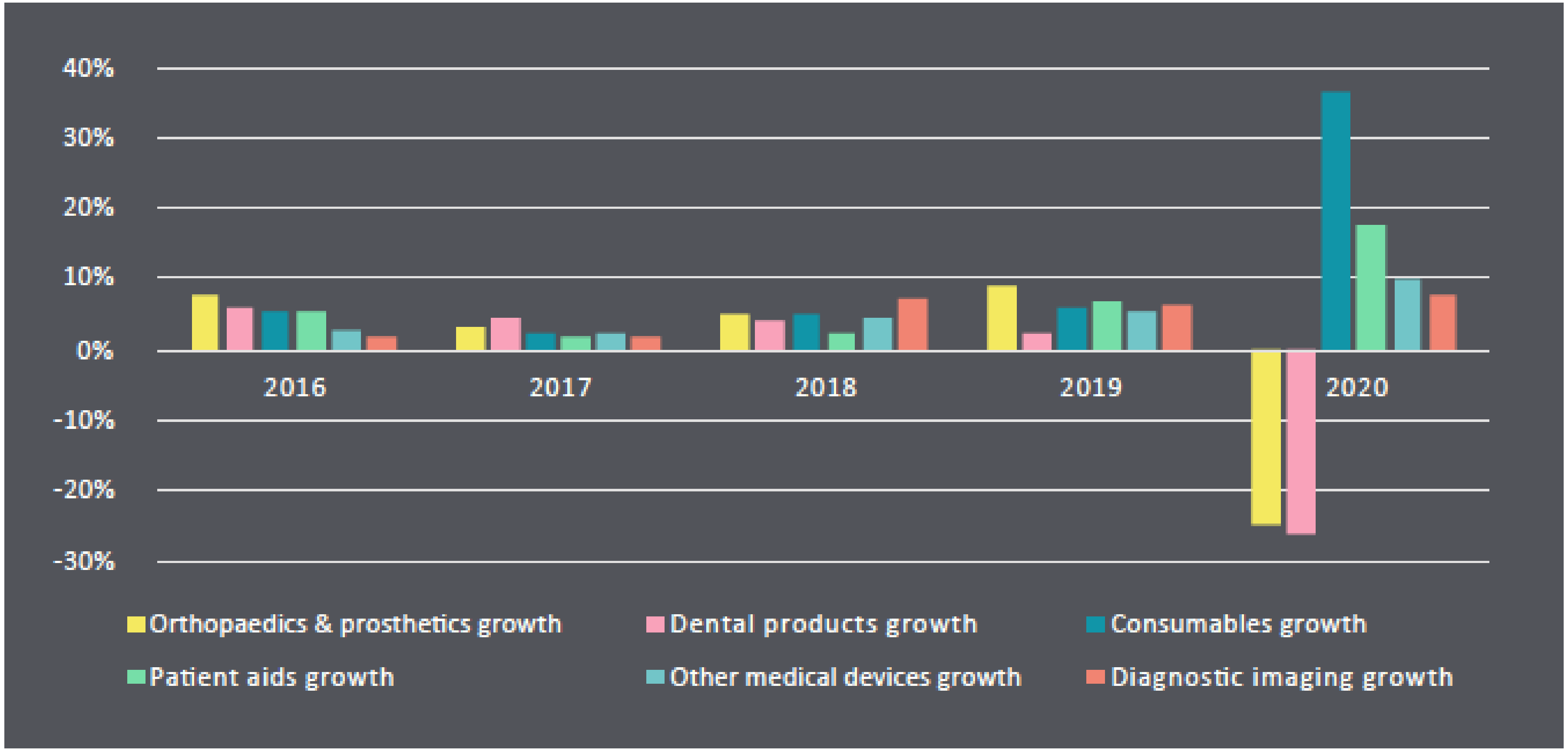
CT, MRI or PET exams per 1000 population, 2018 (or nearest year)



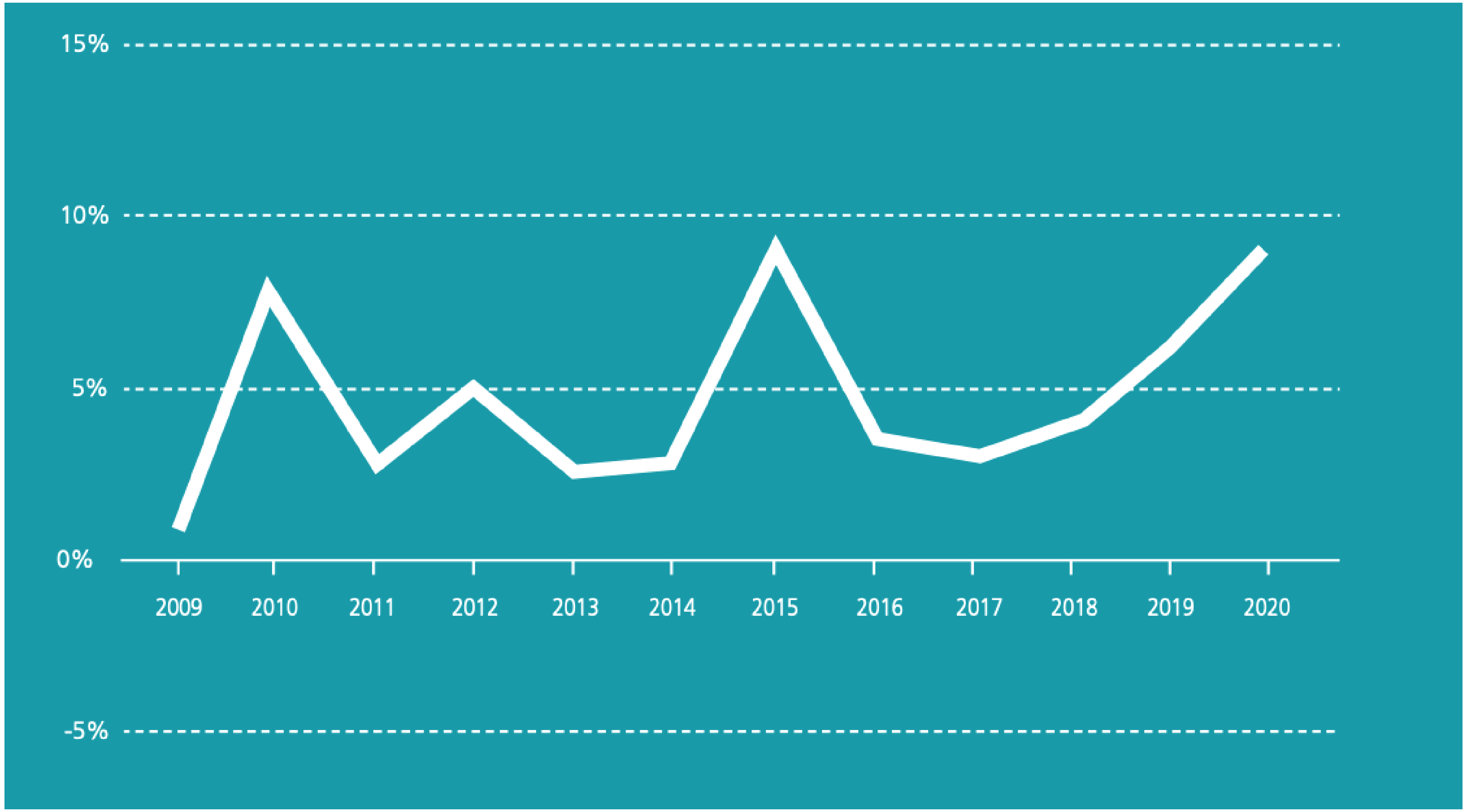
Source: OECD Health Statistics 2020; Eurostat Database.

Impact of COVID-19 on various medtech sectors



Source: The European Medical Technology Industry in figures, 2021

European medical device growth rates



Source: The European Medical Technology Industry in figures, 2021

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European IVD market growth rates

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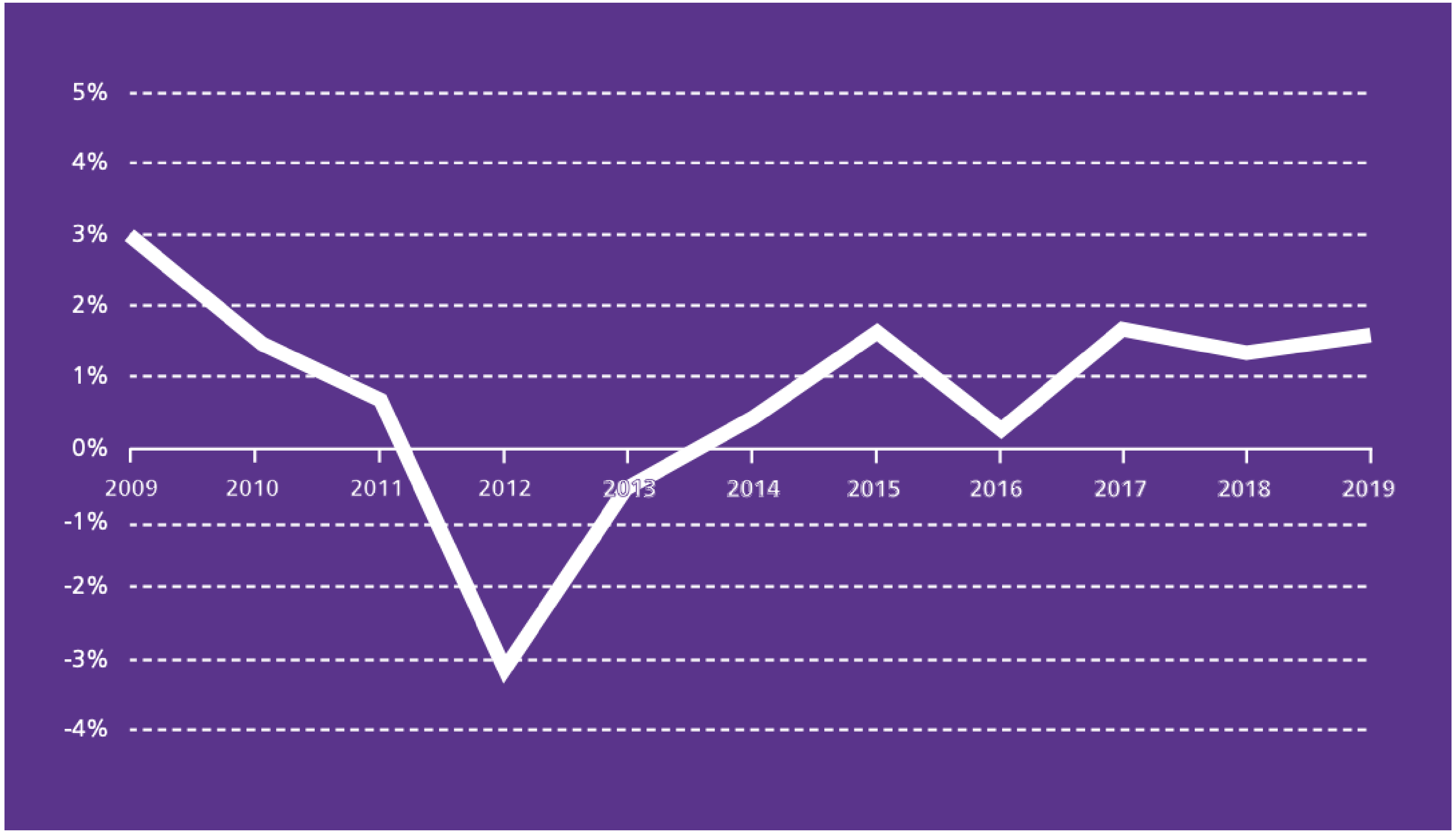

2020

Total diagnostics 25,9%

Reagents total 28,1%

- Clinical chemistry – 15,5%
- Immuno chemistry – 2,1%
- Haematology/Histol/Cyt. -3,6%
- Microbiology (Culture) – 5,8%
- Infectious Diseases 291,4 %
- Genetic Testing 1,1%

Instrument/Consumables 17,5%

Services/Spare Parts 3,5%

Sources:
The European Medical Technology Industry in figures, 2021
VDGH, Working group Market Research, 2021

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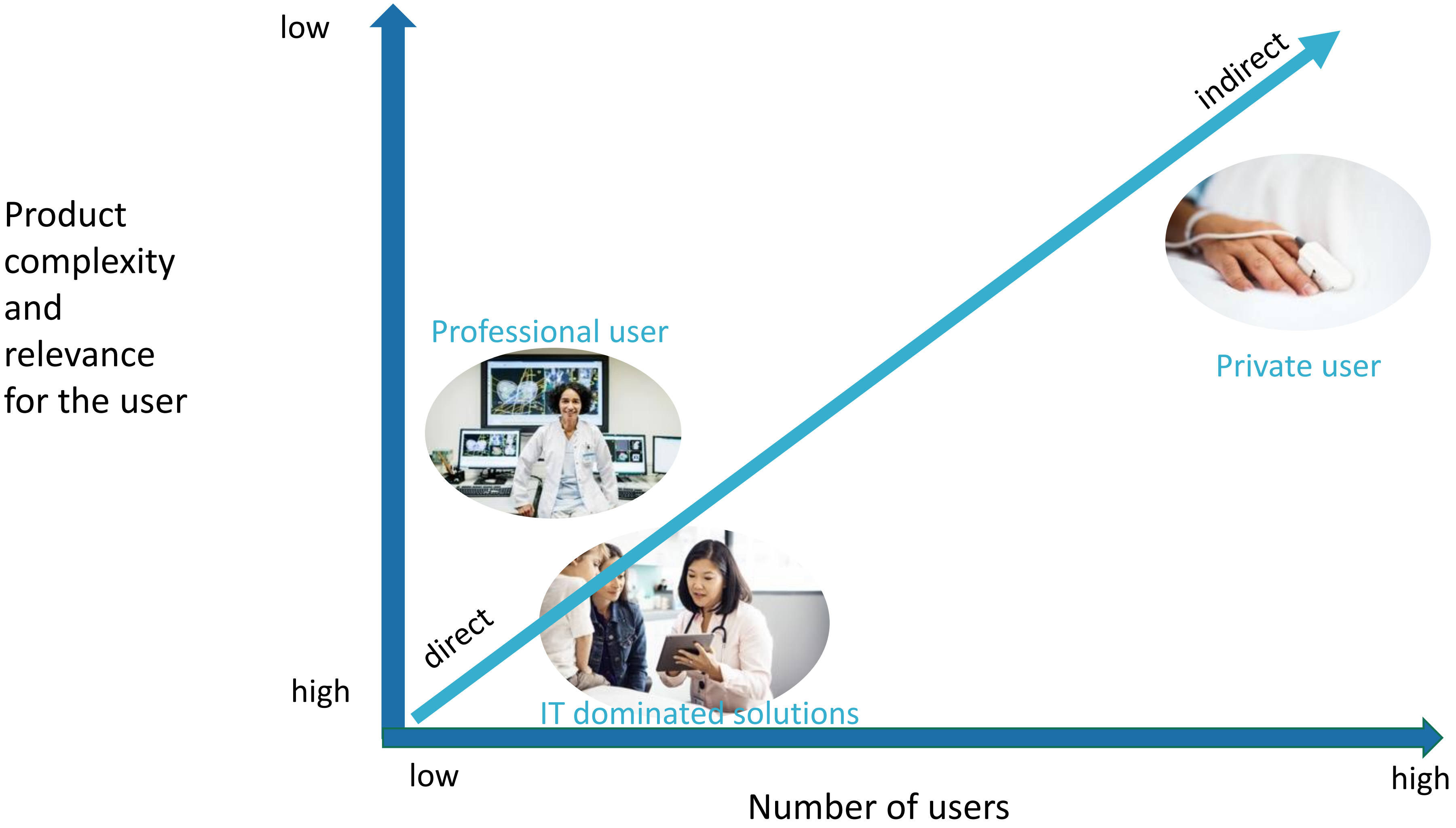
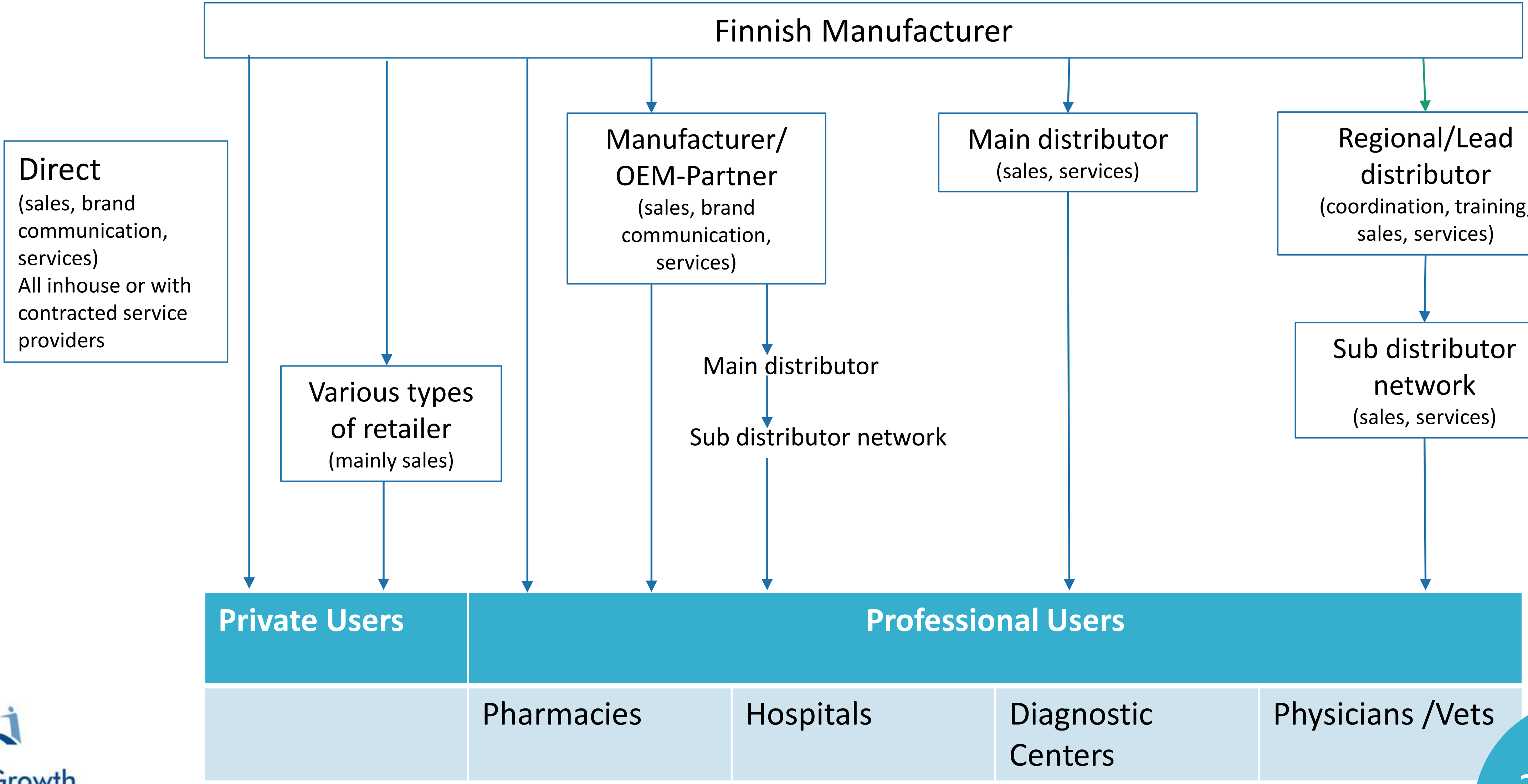
02

Channel management intro

Channel management starts with channel selection



Typical channel structure options diagnostic devices



03

Examples of successful distributor models

Cardio pulmonary, metabolic and body composition diagnostic equipment for professional users

COSMED The Metabolic Company

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Headquarter in Italy (Rome, Milan)
Business activities in 88 countries

Own branch offices

- United States (2)
- Australia
- Switzerland
- Netherlands
- Germany (2)
- UK
- France
- Denmark
- Hongkong

Local distributor in 78 countries
(sales, training services)

Professional Users		
Sport science / Medical fitness	Hospitals / Diagnostic Centers	Physicians

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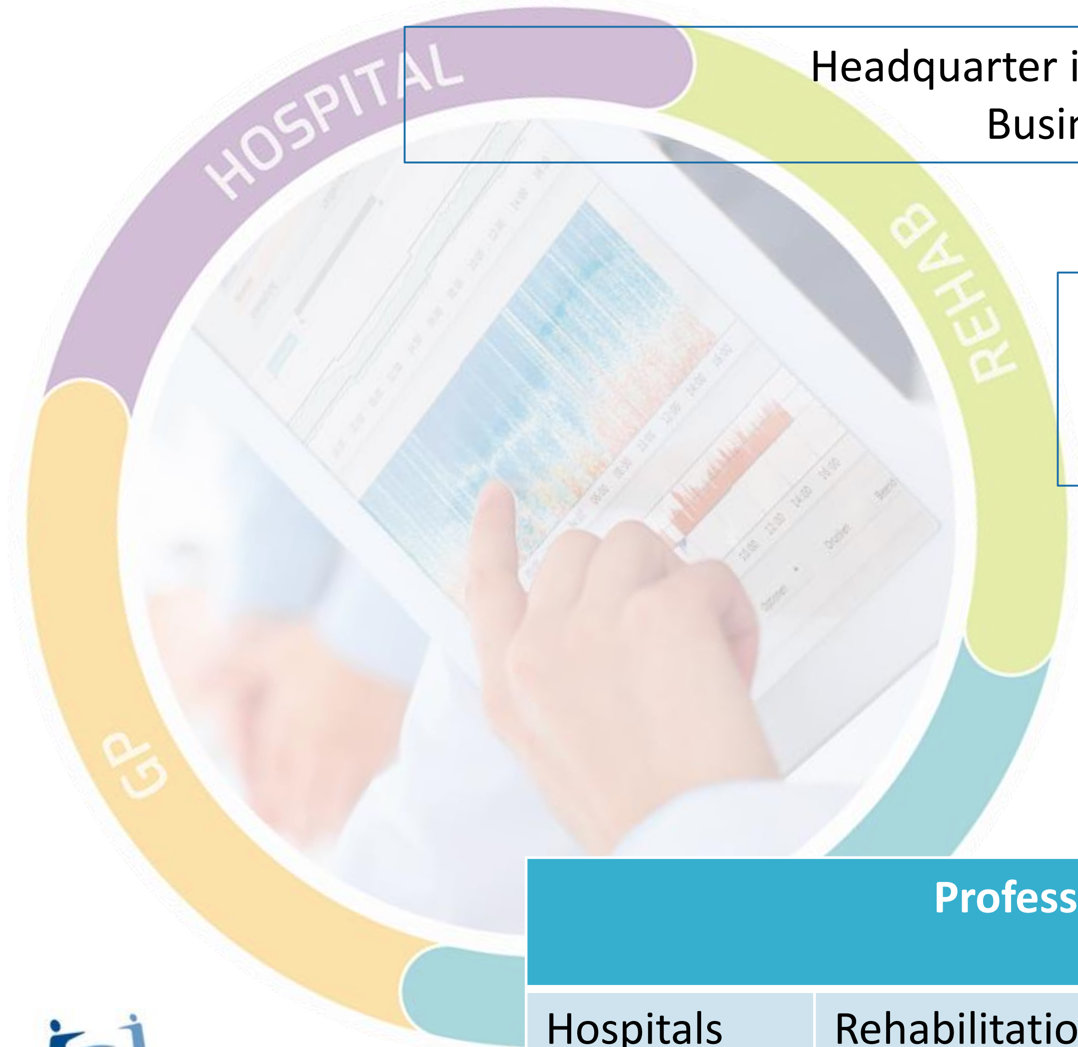
Cardio pulmonary diagnostics + ehealth services



Headquarter in Germany (Ottobrunn, Munich region)
Business activities in > 40 countries

Local/regional distributors in all countries
(sales, training services)

19 distributors in Germany

Reavita AG (CH)

Holter ECG evaluation system & platform (Germany)

Webviewer (Basque region only)

Custo gluco-app incl. device

Professional Users			Private Users
Hospitals	Rehabilitation	Physicians (GP, Cardiologists)	E-health

medisana Specialist home health care market incl. diagnostics

Headquarter in Germany (Neuss, Düsseldorf region)
Part of Smart Healthcare Technology Group Co. Ltd. China
Business activities in > 40 countries

Own branch offices
- Germany (2)
- Spain
- Austria
- Hongkong
- Russia
- UAE

Local/regional distributors in 35 countries
(sales, training, services)

Blood pressure monitor
Personal scales
Blood glucose monitor
Thermometer
Pulsoximeter
Heart rate monitor
Fitness tracker
Home Care Robot

Sars-Cov2-Antigen tests
Medical masks

Own internet shop + Amazon, online pharmacies

Drugstore chains (e.g. Rossmann, dm) & pharmacies

Discounters (Lidl, Aldi)

Special shops for electronics (Media Markt, Conrad)

Private Users

NanoRepro AG

IVD (POCT) + Nutritional supplements

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Business Concept
Contract R&D + manufacturing + external products under one brand and brands of licence partners

Headquarter in Germany (Marburg)

B2C

25 quick tests:
Fertility, prevention, allergy, food intolerance

8 food supplements:
8 products (brand: alphabiol)

Starting 2021:
SARS-CoV-2 antigen for consumers

National

Licence partners

HARTMANN

GRÜN SPECHT Naturprodukte für NatürlichDenker

MIGROS

International

25 Distributors

B2B

Infectious diseases:
HIV-Quick; Strep-A, Influenca AB

Prevention:
Troponin I; D-Dimer; Microalbumin

Starting 2020:
SARS-CoV-2 antigen & antibody tests for professionals

Own internet shop + Amazon

Pharmacies

Various retail channel partners

Suppliers
- Azure Biotech INC
- BTNX Inc.
- Labnovation Technologies Inc
- Nantong Diagnos Ltd.

Private Users

Professional users
(Purchasing cooperations, senior homes, hospitals, physicians, pharmacies)

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Business dynamic during the Sars-CoV-2 pandemic

News 2020 / 2021 – NN6

2018 Break-even

- 10. März 2020: Sales start SARS-CoV2-Antibody-Test
- 30. März 2020: Capital increase 10 %
- 22. September 2020: Sales start SARS-CoV2- Antigen-Test
- 30. Oktober 2020: Order 6 Mio. Euro
- 03. November 2020: Order 8,5 Mio. Euro
- 17. November 2020: Order 14,5 Mio. Euro
- 02. Dezember 2020: Order > 20 Mio. Euro
- 10. Dezember 2020: Own SARS-CoV2 Antigen-Test „NanoRepro“ Brand
- 23. Dezember 2020: Capital increase € 8.00 Mio
- 07. Januar 2021: Application Corona-Antigentest for consumers
- 11. Februar 2021: NanoRepro turnover 10 times higher with record results for 2020
- 25. Februar 2021: Large order about 30 Mio. EUR and potential for additional 100 Mio. EUR
- 26. Februar 2021: COVID-19-Antigen-Test received approval of Paul-Ehrlich-Institute

27.08.2021: Viromed Group purchased large number of shares; merger is in process…..

04

Relevant issues for market entry

05

POC, new customer segments, private large cooperations

06

How to manage DACH region distributors with success? Do’s and don’ts

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04 Relevant issues for market entry

05 POC, new customer segments, private large cooperations

06 How to manage DACH region distributors with success? Do’s and don’ts

04

Relevant issues for market entry

Especially in the areas of sales, marketing & services, the development of digital formats has been massively accelerated by COVID-19, with extensive effects in the next few years.

Digital interaction with important target groups in the health care sector such as doctors, purchasing, medical technology, nursing staff and payers is becoming the standard in medical technology sales.

Georg Stadler, Ex-Chairman Lohmann & Rauscher

Source: Trend Report 2021; Medizintechnik; Spectaris; R. Berger; Medical Mountains

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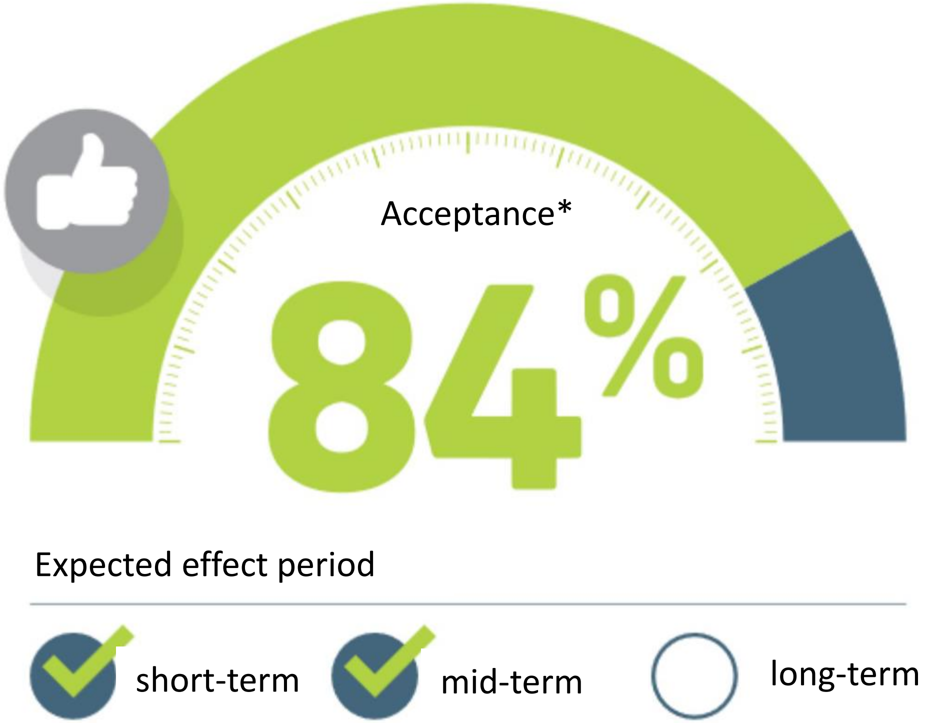
1. Digital sales and services are increasing



- Limited access of sales reps and technicians to all type of care providers
- Webinars widely accepted for trainings of health professionals
- Sales staff and partners need training and support

New sales and communication culture requested

Source: Spectaris, R. Berger, Medical Mountain; Trendreport Medizintechnik // Wie SARS-CoV-2 die Medizintechnik verändert 2021

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2. Exhibitions will be replaced by digital formats

Expected effect period

- [x] short-term
- [x] mid-term
- [ ] long-term

- Reduced number of participants at key events, e.g. MEDICA
- Less chances for direct contacts with users and partners
- Local events stay important

Reviewed resource allocation and optimization of the relationship building

Source: Spectaris, R. Berger, Medical Mountain; Trendreport Medizintechnik // Wie SARS-CoV-2 die Medizintechnik verändert 2021

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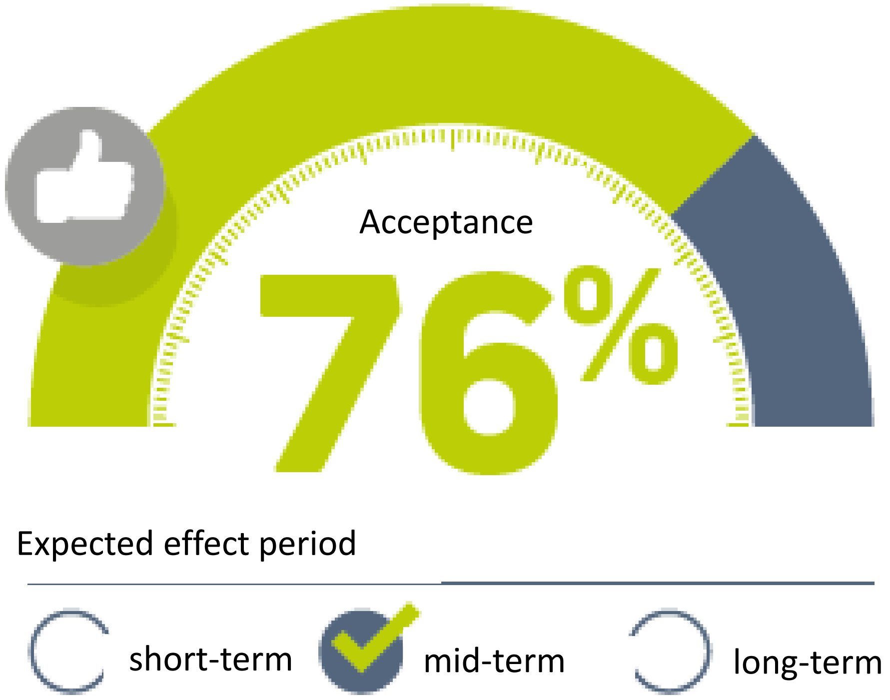
3. Accelerated process digitization in medical technology and hospitals



- Different status and speed in DACH region
- Awareness for digital processes further increased

Seamless internal cooperation between all stakeholders mandatory

Source: Spectaris, R. Berger, Medical Mountain; Trendreport Medizintechnik // Wie SARS-CoV-2 die Medizintechnik verändert 2021

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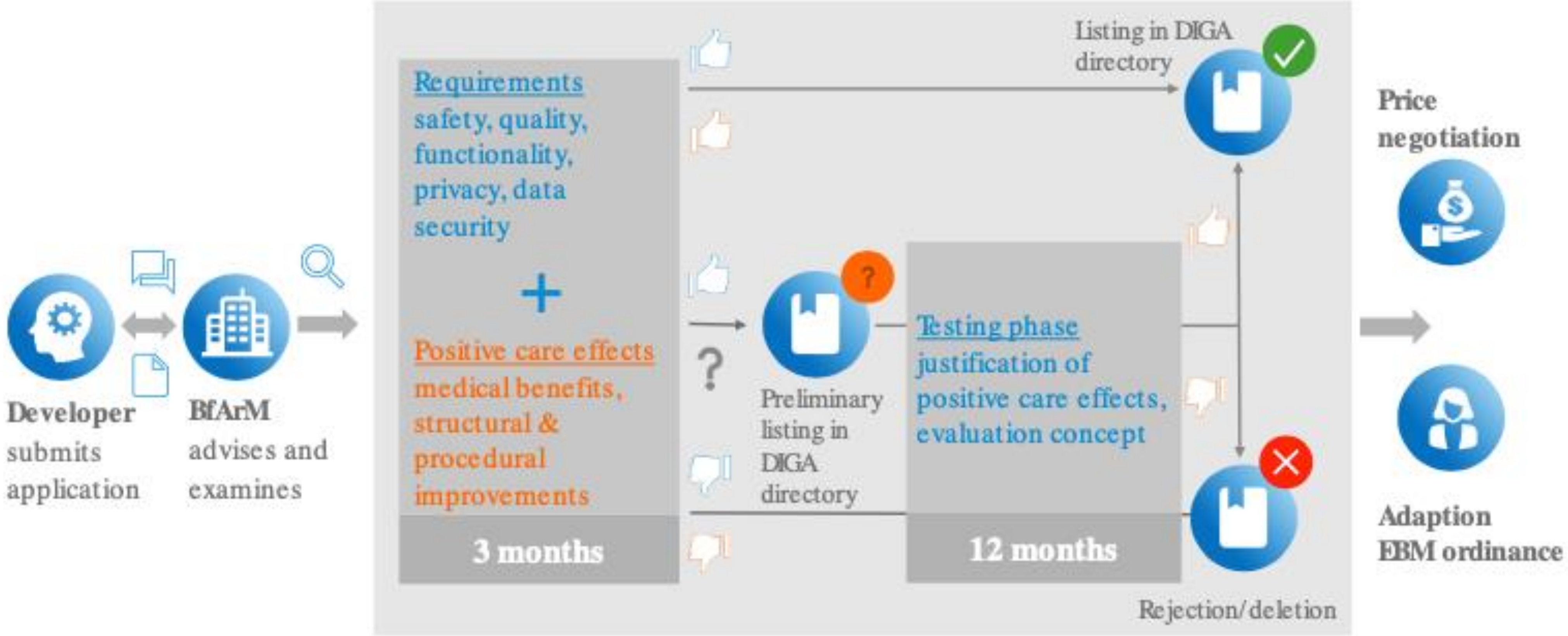
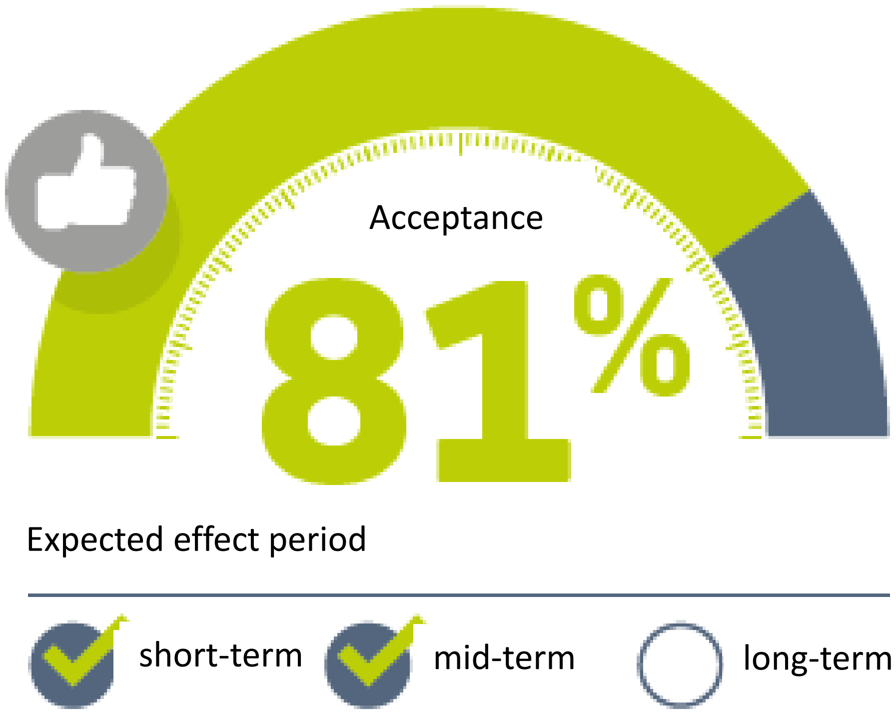
DiGA – New option to short-cut the pathway to German reimbursement system for data-driven MDs (class I, IIa) with proven patient benefits



Source: Federal Institute for Drugs and Medical Devices (BfArM); hih - health innovation hub 2020

4. Accelerated market consolidation



- Visible in health care provision **and** medtech industry
- New EU MDR and MepV (Swiss) since Mai 2021 valid
- Mutual Recognition Agreement, MRA no longer valid!
- Improved competition pressure for SMEs
- Income situation of health insurances under stress
- Market shakeout

Opportunities for survivors!
Challenges especially in/for Switzerland

Source: Spectaris, R. Berger, Medical Mountain; Trendreport Medizintechnik // Wie SARS-CoV-2 die Medizintechnik verändert 2021

5. IVD, robotic/automation and sensor technique are the winners

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Expected effect period

- [x] short-term
- [x] mid-term
- [ ] long-term

- Covid-19 caused a boom in the IVD sector
- Robotic and automation is expected to improve the efficiency
- Leading HC providers count on technologies to balance the lack of personal

Improved awareness for usefulness of selected technologies to guarantee the quality of care

Source: Spectaris, R. Berger, Medical Mountain; Trendreport Medizintechnik // Wie SARS-CoV-2 die Medizintechnik verändert 2021

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The 'NEW NORMAL' specifies winners and loosers

The Conquerors
Companies that manage through digital excellence, competence and qualified specialists to succeed in opening up new markets and customer segments.

The Keepers
They can defend their previous market position by taking advantage of the opportunities offered by digitization more or less efficiently.

The Latecomers
Mainly SMEs. They clearly count to the companies that suffer from the pandemic and the increasing regulatory burden.

Source: Spectaris, R. Berger, Medical Mountain; Trendreport Medizintechnik // Wie SARS-CoV-2 die Medizintechnik verändert 2021

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05

POC, new customer segments, private large cooperations

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Selected hospital groups as key clients for various diagnostics

Position	Company	No. of POCs*/beds	Employees (ø)	Turnover (mio €)	Ownership	Regional Coverage
1	Helios Group	225/28.380	53.423	5.940,00	private	DE, ES
2	Asklepios	160/27.090	36.265	3.537,30	private	DE
3	Sana Kliniken AG	103/11.331	30.638	2.841,20	private	DE
4	BG Kliniken	12/4.694	14.517	1.447,70	public (insurance)	DE
7	Agaplesion	57/6.255	20.411	1.288,90	NGO	DE
14	Ameos	95 /9.000	13.300	880	private	DE, A, CH
-	Vamed	58	19.226	2.067,00	private	A, DE, CH, Czech
-	Hirslanden	39/1.904	10.711	1.796 CHF	private	CH, UAE, NAM,ZAF

*POCs: Hospitals, out-patient clinics, MVZ, rehabilitation centers, competence centers
Source: Bibliomed ; Klinikranking 2019; https://www.bibliomedmanager.de/klinikranking/fw-curacon-klinikranking-2021; combined with own researches

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1. Example – Helios Group & Vamed as part of Fresenius

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FRESENIUS

Sales 2020: € 36.3 bn
EBIT 2020[1]: € 4,612 m

FRESENIUS MEDICAL CARE	FRESENIUS KABI	FRESENIUS HELIOS	FRESENIUS VAMED
Ownership: 32%	Ownership: 100%	Ownership: 100%	Ownership: 77%
Dialysis Products Health Care Services	**Hospital Supplies**	**Hospital Operation**	**Projects and Services for Hospitals**
• Dialysis services • Hemodialysis products • Peritoneal dialysis products • Care coordination	• IV drugs • Clinical nutrition • Infusion therapy • Medical devices/Transfusion-technology • Biosimilars	• Acute care • Outpatient services	• Post-acute care • Project development & Planning • Turnkey construction • Maintenance & Technical and total operational management
Sales 2020: €17.9 bn EBIT 2020: €2,449 m	Sales 2020: €7.0 bn EBIT[1] 2020: €1,095 m	Sales 2020: €9.8 bn EBIT 2020: €1,025 m	Sales 2020: €2.1 bn EBIT 2020: €29 m

Fresenius Medical Care is fully consolidated in the financial statements of Fresenius SE & Co. KGaA
[1] Before special items

As of December 2020

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1. Example – Helios Group & VAMED

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Helios Group	
Helios Germany	Quironsalud Spain
89 hospitals	52 hospitals
130 health centres(MVZ)	70 health centres
6 prevention centres	300 occupational health units
In-patient: 1,1 million out-patient: 4,1 million	In-patient: 0,9 million Out-patient: 14,1 million
73.000 employees 6,3 bill. € in 2020	40.000 employees 3,5 bill.€ in 2020

VAMED	
Prevention & health tourism	VAMED Vitality World with 8 Health Resorts Occupational health management in companies Occupational health centre
Acute and specialized care	6 Health centres and hospitals, Austria 3 Clinics in Germany, CzechRep
Rehabilitation	16 clinics in Austria 3 clinics in Switzerland 1 clinic in Czech 20 units in Germany
	19.226 employees 2,1 bill. € in 2020 (-6,3%)

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2. Example – Sana Group AG

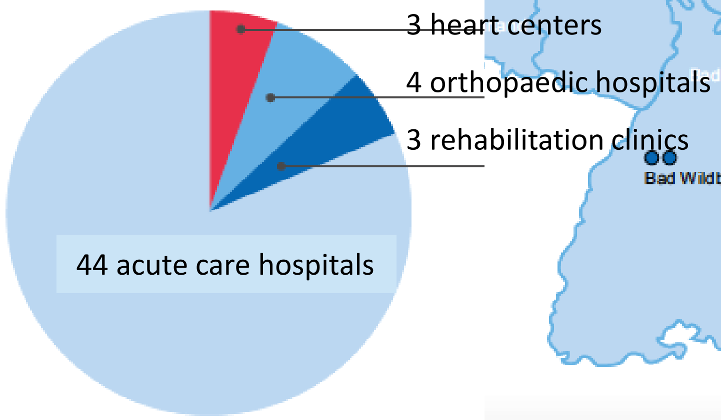
103 Clinics in Germany

- Clinic, majority ownership
- Clinic, minority ownership
- Clinic, managed by Sana
- Care home, majority owner

Stand: Januar 2021

Others:

4 Care homes
28 Medical service centres (MVZ)
30 Medical shops



Services for external Clients

- Purchasing & Logistic (> 600 clients; health service providers in Germany and Switzerland (e.g. Hirslanden Clinic Group)
- Purchasing volume: 2,3 bill € p.a.
- All technical Services (AEMP, Samedis platform)
- Medical Service Consulting
- Construction and Maintenance
- Cleaning, Security and Transport
- Catering

Purchasing services for Hirslanden Clinic Group since 2018

3. Hirslanden - Largest Private Swiss Hospital Group

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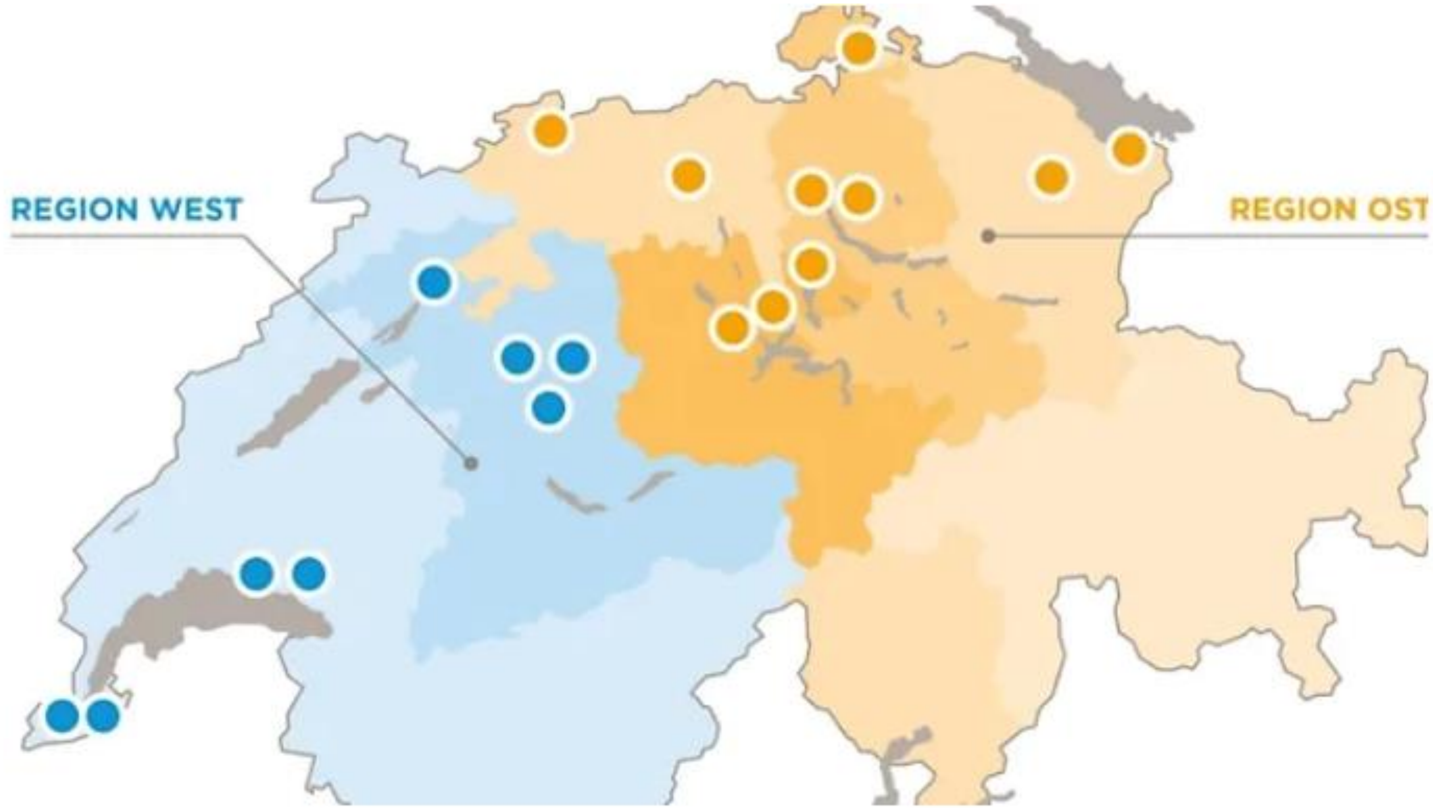

Source: www.medinside.ch; published 17.09.2018; Hirslanden-Gruppe reorganisiert Klinik-Struktur

Centre for preventive medicine and diagnostics, Zürich

- Customised check-ups for men and women
- Cardiovascular examinations
- Preventive cancer screenings
- Comprehensive laboratory diagnostics
- Genetic analyses
- General internal medicine
- Cardiology
- Medical Family Office
- Second opinion services
- Telemedicine

Cooperation with Medbase AG
(outpatient services, pharmacies, health insurances)

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4. IVD – The 5 biggest players in Germany

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Company	Locations in Germany	Turnover in mio € in Germany	Turnover development	Remarks
amedes	65	2018: 364 2017: 354	+ 3%	Incl. purchasing services for physicians
LADR	86	2017: 243 2015: 220	+11%	Presence in Finland, RUS, Pol, Romania
Limbach Gruppe	32	2016: 644 2014: 455	+41%	
Sonic Healthcare	58	2018: 734 2016: 591	+24%	Purchased 2016 Staber laboratories
Synlab	65	2015: 405 2013: 382	+6%	Global player

Source: Branchenanalyse Laboranalytik; 2016; updated 2020

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5. Synlab - Europe’s Number One

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Locations 2020

Germany: 48
Austria: 9 labs, region Vienna
Switzerland: 15 labs + 12 sampling spots

Service sectors

All type of medical IVD diagnostics for human and animal health

Environmental, food and other tests

in cooperation with SGS Germany GmbH

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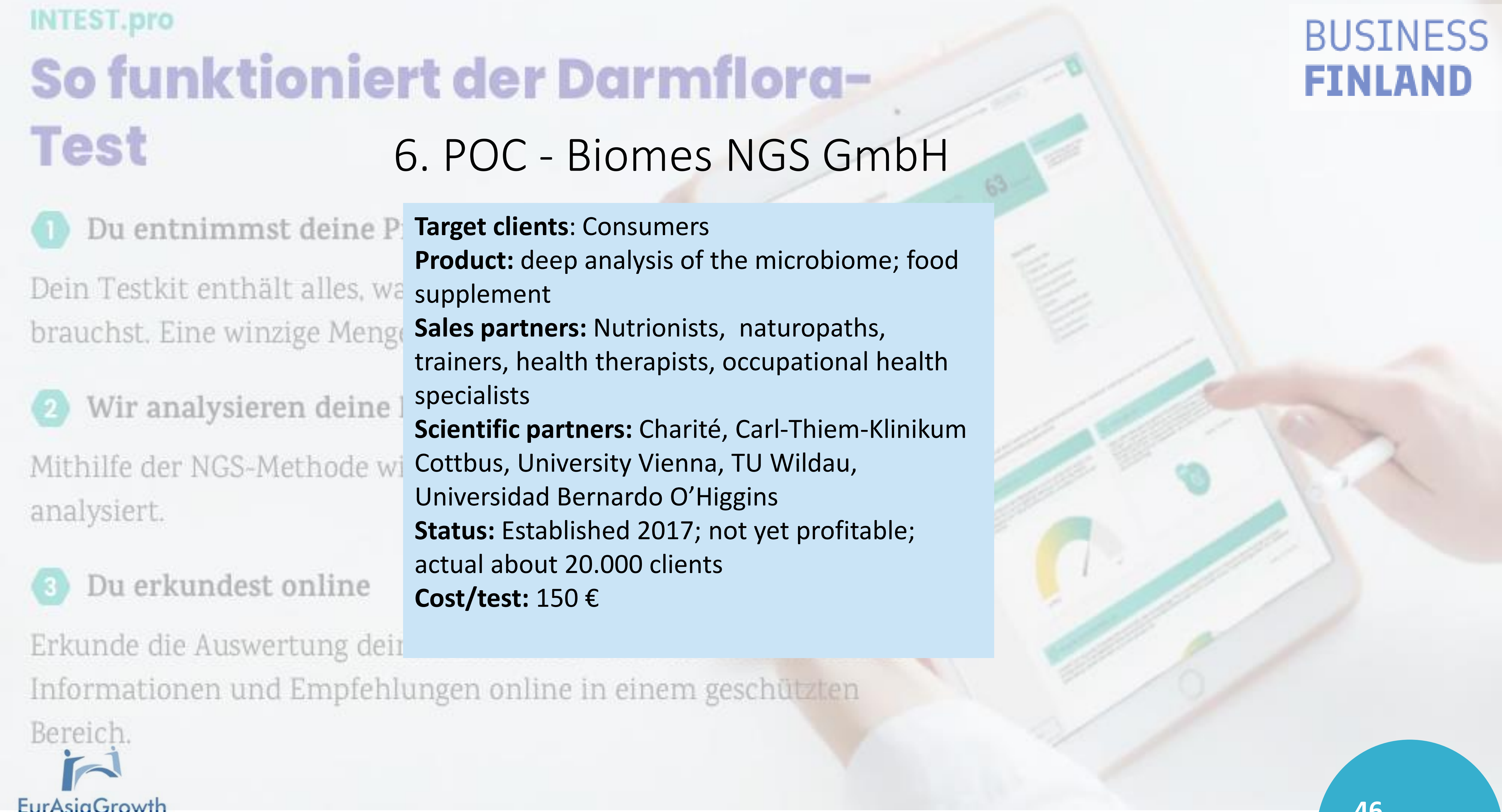

6. POC - Biomes NGS GmbH

Target clients: Consumers
Product: deep analysis of the microbiome; food supplement
Sales partners: Nutrionists, naturopaths, trainers, health therapists, occupational health specialists
Scientific partners: Charité, Carl-Thiem-Klinikum Cottbus, University Vienna, TU Wildau, Universidad Bernardo O'Higgins
Status: Established 2017; not yet profitable; actual about 20.000 clients
Cost/test: 150 €

06

How to manage DACH region distributors with success? Do's and don'ts

Key Rules of Successful Channel Partner Management

Ensure in each Target Market Your Partner Matches Your Channel Strategy

01

Selection process

- Select distributors / channel partners – don't let them select you
- Be prepared to have various type of partners in the DACH region
- Look for capabilities to develop markets together

02

Communication

- Establish simple communication routines
- Develop together new ways of communication channels with the various product users

03

Support and Networking

- Establish long-term partnerships
- Support market entry with money, managers and proven sales/marketing tools
- Build links among national partners

04

Controlling

- Fix concrete and measurable goals for sales and marketing
- Establish a practical reporting system

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Wishes from Your partners…

To be part of the future innovation process is important for us.

It help us to motivate our staff members as well!

We expect to provide input to the channel strategy of our suppliers.

Channel conflicts kill our business.

We appreciate, if our future partner listen better and respect the situation in our country, e.g. pricing, quality expectations, business model.

Sometimes we feel alone if difficulties with products or clients occur.

Support in challenging customer situations is essential.

Awareness for the high competition pressure in DACH markets.

I also expect that the company knows the ecosystem of the markets and its rules.

THANK YOU

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