

Services Segment



A wide range of services

The Services segment comprises logistics services for the Swiss healthcare market from Alloga (pre-wholesale), Galexis, Unione Farmaceutica Distribuzione and Pharmapool (wholesale), as well as Medifilm, which is active in drug blister packaging. These are complemented by services from HCI Solutions, which provides master data for the Swiss healthcare market and offers management software solutions for pharmacies. HCI Solutions also develops tools to securely manage, communicate and distribute sensitive health data and improve patient safety.

Net sales and operating result

The Services segment generated net sales of CHF 2,372.3 million (+0.4%) in 2018. Excluding the effect of the price reduction measures for medications by the authorities (-2.4%), sales growth amounted to 2.8%. This was achieved in an overall market whose growth (+2.2%, IQVIA, pharmaceutical market Switzerland 2018) was driven especially by the sales performance of hospitals (hospitals: +5.5%, IQVIA, pharmaceutical market Switzerland 2018) as well as by high-priced special medications that are for the most part not supplied via wholesale but directly to specialist doctors (doctors: +1.9%, IQVIA, pharmaceutical market Switzerland 2018). Price reductions by the authorities, which were higher than announced, and strong growth in generics also had an impact on the sales of Services.

The operating result (EBIT) declined by 12.5% to CHF 44.2 million due to one-off effects from 2017 totalling CHF 7.0 million that did not recur in the period under review (sale of rights of the medical practice software Triamed® and a non-operational building in Schönbühl). Excluding these one-off effects, EBIT rose by 1.4% and return on sales (ROS) rose from 1.8% to 1.9%. Investments totalled CHF 36.1 million (previous year: CHF 27.0 million) and were used in particular for the new enterprise resource planning (ERP) software that is being rolled out progressively at Alloga and Galexis.

“The market was characterised by the sales development of high-priced special medications and price reduction measures by the authorities, among other factors.”

Key figures 2018

- Net sales: CHF 2,372.3 million
- EBIT: CHF 44.2 million
- ROS: 1.9%
- Investments: CHF 36.1 million
- Employees: 1,671 (1,388 full-time equivalents)

2,372.3

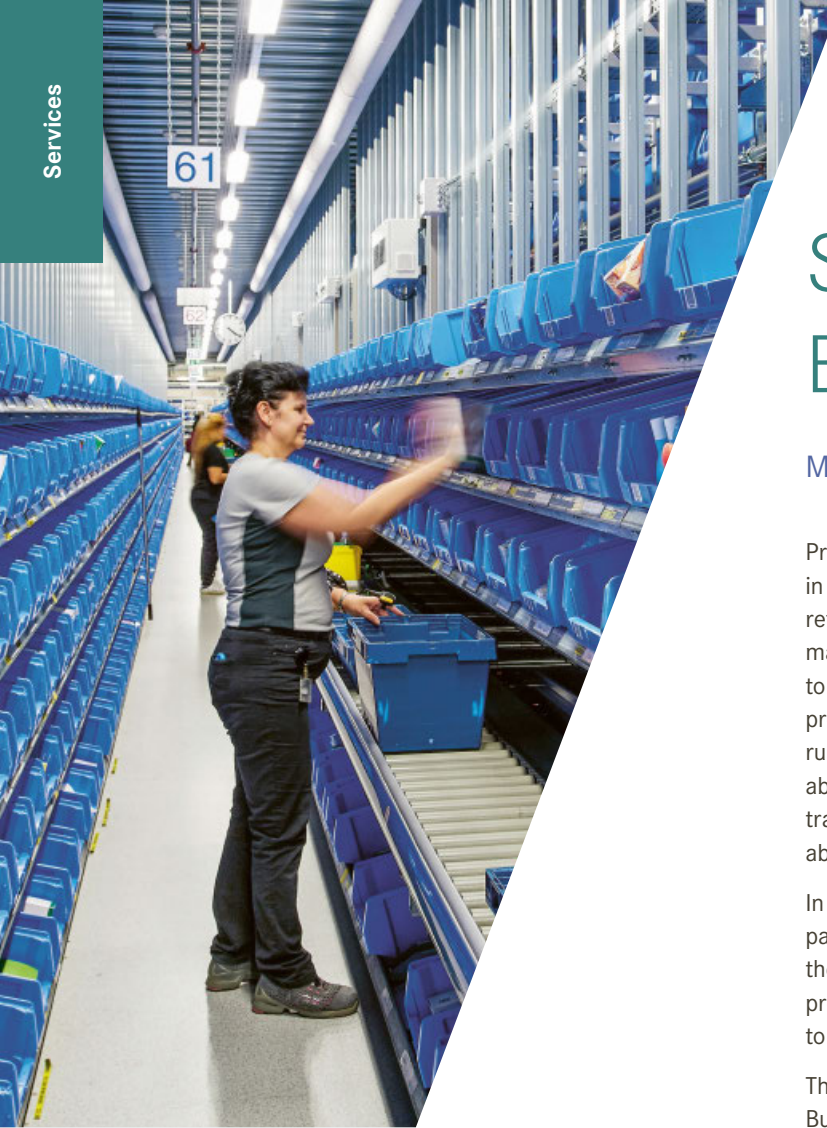
Net sales
in million CHF

Galenica Group CHF 3,165.0 million

44.2

EBIT
in million CHF

Galenica Group CHF 154.1 million (adjusted)



Services

Business sector

More efficient processes, new products

Pre-wholesaler Alloga put a third cold room into operation in Burgdorf in 2018, expanding internal capacity for the refrigerated storage of medications by one third. Alloga also made its transport logistics more efficient with regard to vaccines in the year under review: While vaccines were previously transported on pallets in cool boxes, an uninterrupted chain in temperature-controlled lorries is now available. This means that larger quantities of vaccines can be transported in shorter times, thereby ensuring better availability of the vaccines during the flu season.

In addition, Alloga attracted further well-known pharma partners as new customers and gained major hospitals for the introduction of electronic invoicing in 2018, while also pressing ahead with the ongoing “Modulo” project to switch to SAP’s new enterprise resource planning (ERP) system.

The photovoltaic system on the roof of the Alloga building in Burgdorf was completed as planned in November 2018. Providing an average of one megawatt of electricity, it not only generates electricity for the company’s own use, but in summer, shade provided by the solar panels will reduce energy consumption for cooling the building. With a surface area of some 10,000 m², it is one of the largest systems in the region and quintuples the production capacity of operator Solarstadt Burgdorf Ltd.

New own brand from Galexis

Despite the challenging market environment, Galexis was also able to gain new partners, including Japanese company Shiseido, which produces cosmetics for the specialist retail trade, and is now banking on Galexis’ efficiency and expertise to handle inventory management, shipment preparation and dispatch for Switzerland. Galexis also commissioned a new, optimised cool box that guarantees the required temperature of transported goods for 30 hours. Galexis is thereby contributing further to drug safety and has at the same time taken a leading role in the transport of modern medicines that must be stored in cool conditions. These products are produced using biotechnology and represent a fast-growing market segment (biologicals).

Strategic priorities

- Reinforce customer competitiveness with high-quality services and innovative, tailored offerings.
- Bundle the competences as a pre-wholesaler and wholesaler for customers and suppliers.
- Develop trend-setting E-Health offerings for the Swiss healthcare market.
- Improve efficiency by further optimising processes.
- Promote growth: organically and with expansion of the customer portfolio through pharmacies and physicians, and by resuming direct deliveries from the manufacturer.

“Galexis launched the new pharmaceutical and OTC own brand ‘Felan’ for independent pharmacies in 2018 and is thereby supporting them in positioning themselves in the eyes of their customers and strengthening customer loyalty.”

Galexis also launched its new own brand range «Felan» for independent pharmacies in autumn 2018. The «Felan» range comprises cost-effective pharmaceutical and OTC products such as medicines containing paracetamol, where the packaging can be personalised with the logo of the relevant pharmacy. Through this new offering, Galexis is supporting independent pharmacists in positioning themselves in the eyes of their customers and strengthening customer loyalty.

High demand for services in Ticino

Unione Farmaceutica Distribuzione (UFD) had a very good year in 2018. Thanks to the high quality of its services, additional services and strong customer loyalty, UFD was able to gain more than ten new customers and local exporters. Demand for logistics services also increased in Ticino. Accordingly, UFD optimised its delivery runs in the second half of the year to increase punctuality while also reducing the number of kilometres driven.

Medifilm: development of new blistering machines

As of the end of 2018, Medifilm served around 9,000 patients throughout Switzerland, thus increasingly easing the burden of carers in care homes or hospitals responsible for administering medications by hand. After some delay, the company will roll out a new generation of blistering machines in 2019 that will double the number of blistered units per hour. They are also more precise than the current equipment and can produce sachets labelled in three languages. To ensure high quality and that the strong demand can be met, Medifilm used two additional conventional machines in the year under review.

Companies

- Alloga Ltd., www.alloga.ch
- Galexis Ltd., www.galexis.com
- HCI Solutions Ltd., www.hcisolutions.ch
- Medifilm Ltd., www.medifilm.ch
- Pharmapool Ltd., www.pharmapool.ch
- Unione Farmaceutica Distribuzione Ltd., www.ufd.swiss

Important progress at HCI Solutions

HCI Solutions has become the central master data specialist within the Galenica Group. In this role, it supported the further development of the online shops and Click & Collect. It also intensively stepped up the expansion of the image database so that the necessary images for the Amavita, Sun Store and Coop Vitality online offerings are available. To this end, products are photographed according to a defined standard. As of the end of 2018, around 50,000 images were already available. The plan is to also offer these images to other interested customers in the online sales market at a later time.

The registration of e-Medication solution Documedis® from HCI Solutions as a Class I medical device was confirmed by the Swiss Agency for Therapeutic Products, Swissmedic, in the year under review. This is thanks to its Clinical Decision Support (CDS) functions, which allow a detailed, patient-specific risk assessment of a medication and provide indications for adjusting drug therapy. Following an initial pilot phase in the hospital region of St. Gallen, Documedis® is now used in various hospitals and care homes throughout Switzerland.

Documedis® is also fully integrated in the Triapharm® pharmacy software and therefore used at all Amavita, Sun Store and Coop Vitality points of sale.

2,372.3

Net sales
in million CHF

Galenica Group CHF 3,165.0 million



1,671

Number
of employees

Galenica Group 6,580

Outlook

Investments in software, products and locations

The focus at Alloga in 2019 is on implementing the new ERP system. A start with an initial pilot customer is scheduled in the first half of 2019 with full implementation set to follow by 2020.

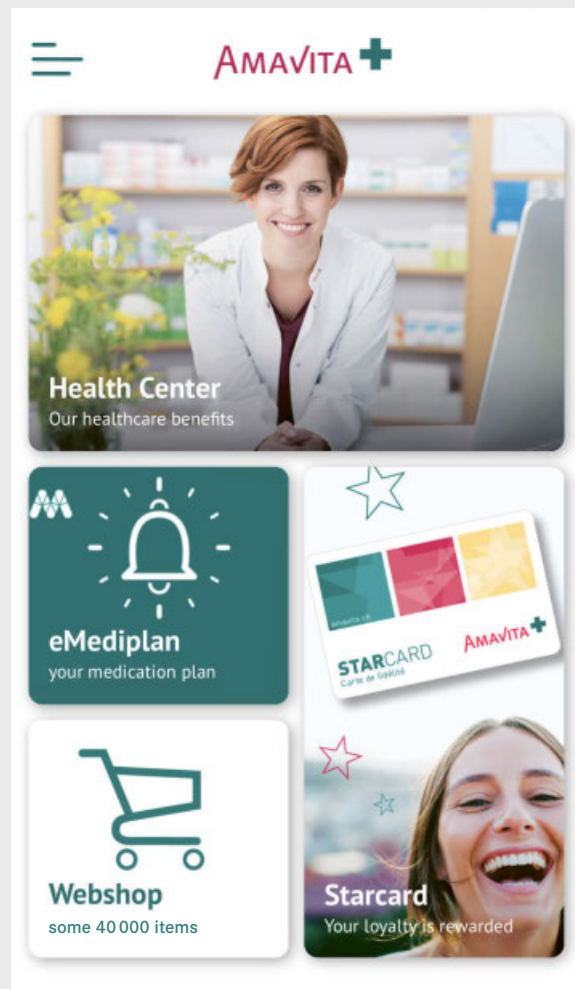
UFD regained the Pedroni Group, which comprises 16 pharmacies, as a customer at the beginning of 2019.

Modernisation of Lausanne-Ecublens distribution centre

The project to renovate and modernise the Galenix distribution centre at the Lausanne-Ecublens site advanced, and a building application was submitted at the end of January 2019. Construction work is scheduled to begin in the third quarter of 2019 and the project should be completed in the course of 2021. Galenica is investing some CHF 30 million in the modernisation of the building and in facilities with a higher degree of automation. This has the potential to reduce the number of full-time positions by around 45 in Lausanne-Ecublens. In addition, certain orders will be taken from the Galenix distribution centre in Niederbipp, which

Digitised medication now also available in a patient app

The e-mediplan module was added to the new Amavita smartphone app at the end of October 2018. This module, which was developed internally at Galenica by HCI Solutions, is the smartphone-compatible version of the existing e-mediplan incorporated in Documedis® and offers customers a range of practical functions, including a digitised medication plan, automatic reminders to take medication, an overview and rapid management of the individual's stock of medications, targeted suggestions for less expensive generic alternatives to the medication plan and contact information for medical practices and pharmacies. This new offering is aimed in particular at patients who depend on several medications at once and provides them with a comprehensive, clear overview of their current medication. Following the pilot with Amavita, there are plans to also offer e-mediplan on smartphone apps from Sun Store and Coop Vitality in the course of 2019 and then to make it available to customers outside of the Galenica Group.



will in turn require additional members of staff. The plan is to stagger the job cuts in parallel to the construction phases, with most of the downsizing absorbed through voluntary departures and retirement. A consultation process will be held to review measures aimed at avoiding employee terminations and mitigating the consequences of any necessary layoffs.

The new own brand range «Felan» for independent pharmacists will also be expanded with additional products including pregnancy tests, plasters and thermometers.

HCI Solutions will continually develop its products and thereby contribute to promoting digital networking of all players in the healthcare market.

Key figures wholesale/pre-wholesale 2018

	Wholesale: Galaxis, Unione Farmaceutica Distribuzione	Pre-wholesale: Alloga
Storage		
- Number of prepared boxes	>9,062,000	–
- Number of delivered order lines	>39,825,000	>1,760,000
- Number of prepared packages	>119,802,000	>83,800,000
Distribution		
- Annual tonnage	>13,750	>7,230
- Number of packages	>161,000	>557,600
- Number of pallets	–	>63,450
Structure		
- Number of items in stock	>47,000	>9,460
- Number of suppliers/partners	>1,200	>75
- Number of points of sale supplied	>9,200	>11,430
Technology		
- Degree of automation in Niederbipp	66%	–
- Degree of automation in Lausanne-Ecublens	29%	–
- Degree of automation in Barbengo-Lugano	45%	–
- Degree of automation in Burgdorf	–	35%