



Pharmacy collection points

“Now I can finally collect my orders outside of pharmacy opening hours, allowing me to organise better and save time. Great idea!”

Edyta L., customer

Health & Beauty Segment

Solid development despite a challenging market environment

The Health & Beauty segment comprises the Retail and Products & Brands Business sectors. In the Retail Business sector, Galenica operates the largest pharmacy network in Switzerland, with over 500 own and partner pharmacies. It comprises the Amavita and Sun Store pharmacy chains, the Coop Vitality pharmacies, which are operated as a joint venture, and the pharmacy network of independent Winconcept partners. Retail's products and services are offered in pharmacies, as well as online and to patients at home (home care).

The Products & Brands Business sector develops and markets both own consumer products and brands and partner products and brands in the retail segment of the Swiss healthcare market and offers various services. These include marketing and sales support as well as product approval, quality control, supply chain management and training.

Net sales and operating result

The Health & Beauty segment increased net sales in 2019 by 6.3% to CHF 1,620.8 million, CHF 1,515.7 million of which was accounted for by the Retail Business sector and CHF 102.1 million by the Products & Brands Business sector. The further strengthening of the pharmacy network and the acquisition of the Bichsel Group in May 2019 notably contributed to the sales development.

The adjusted¹⁾ operating result (EBIT) of the Health & Beauty segment, that is excluding the effect of the new lease accounting standard IFRS 16, increased by 12.1% to CHF 123.7 million. The first-time adoption of IFRS 16 increased EBIT by a further CHF 2.6 million to CHF 126.3 million.

Adjusted¹⁾ return on sales (ROS) was improved by 0.4 percentage points to 7.6% (previous year: 7.2%). In addition to the expansion and optimisation of the pharmacy network, the close collaboration within the Galenica Group, such as

between the Retail and Products & Brands Business sectors, made a decisive contribution to this. The Retail and Services Business sectors in turn improved the efficiency of deliveries to the three own pharmacy formats through four daily automatic reorders of the top-selling products so that these orders no longer have to be placed manually.

Investments in the Health & Beauty segment totalled CHF 22.5 million (previous year: CHF 14.1 million) and were principally used for the development and launch of new products and services, the rebuilding and renovation of pharmacies and IT projects.

The Retail Business sector focused on strong growth in 2019 and achieved above-average expansion of the pharmacy network to a new total of 513 locations. In addition, the Galenica Group strengthened its position in the attractive, growing patient home care market with the acquisitions of the Bichsel Group and Curarex Swiss.

The most important projects in the Products & Brands Business sector in 2019 included launching the new own dermocosmetics range Dermafora[®] in close collaboration with the Retail Business sector and taking over exclusive distribution of the Vicks[®] and Metamucil[®] brands from Procter & Gamble. Thanks to this product range expansion and strong growth in existing products and brands, Verfora was able to further consolidate its leading position in the Swiss consumer health-care market.

1,620.8 Net sales
in million CHF

Galenica Group CHF 3,301.0 million

123.7 EBIT adjusted¹⁾
in million CHF

Galenica Group CHF 166.9 million

Key figures 2019

- Net sales: CHF 1,620.8 million
- EBIT adjusted¹⁾: CHF 123.7 million
- ROS adjusted¹⁾: 7.6%
- Investments: CHF 22.5 million
- Employees: 5,274 (3,975 full-time equivalents)

¹⁾ See chapter Alternative performance measures from page 92 onwards in the 2019 Annual report (full version)



Pharmacy acquisition in Payerne

“The Galenicare team was very professional. It ensured a smooth transition and continuity for the operation of the pharmacy as well as for customers and my team.”

Isabelle Viret, Manager Alpha Pharmacy Payerne

Retail Business sector

Significant strengthening of the pharmacy network

Net sales development

The Retail Business sector increased net sales in 2019 by 6.0% to CHF 1,515.7 million (excluding Coop Vitality).

The number of own pharmacies as of the end of 2019 totalled 356 locations (+ 11 compared to the end of 2018). The expansion of the pharmacy network and acquisitions accounted for 5.6% of the sales increase. On a comparable basis, net sales for 2019 increased by 0.4%. The government-mandated price reduction measures for medications had a negative impact of 1.8% on sales growth. Excluding these price reductions, organic growth (excluding expansion effects) would have amounted to a pleasing 2.2%. Generic substitution of a good 70%, which is actively promoted by Galenica, also curbed sales because of the lower medication prices.

By way of comparison, medication sales (Rx and OTC products) in the Swiss pharmacy market as a whole declined by 0.2% (IQVIA, Pharmaceutical Market Switzerland 2019). Sales of other products (non-medications) declined by 0.7% over the same period (IQVIA, Personal Care, Patient Care and Nutrition 2019).

Strategic priorities

- Bringing customer service alive: tailored offerings, new services, innovative own brands and a compelling presence for all pharmacy formats.
 - Further development of the omni-channel offering.
 - Create a lean, flexible organisation: take advantage of synergies in procurement, product range management and all services to compensate for the ongoing price reductions mandated by the authorities.
 - Promote growth: organically and inorganically by expanding the pharmacy network through acquisitions and openings as well as independent partner pharmacies.
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Dynamic expansion of the pharmacy network

The pharmacy network of the Retail Business sector saw above-average growth in the year under review. A total of 11 locations were acquired and 8 new pharmacies opened. At the same time, 8 locations were closed down as part of optimisation measures and the customers and employees transferred to Amavita, Sun Store or Coop Vitality pharmacies nearby. Accordingly, the number of own pharmacies as of the end of 2019 increased by 11 locations to 356. Together with the 157 points of sale of independent Winconcept and Amavita partner pharmacies, the Swiss pharmacy network of the Galenica Group comprised 513 pharmacies at the end of 2019 (see table on page 18).

Investments in employees and locations

The “Primary Care” project was launched together with HCI Solutions. This initiative supports pharmacists from all formats in meeting the extended requirements to accurately and efficiently document their advice to patients. In 2019, 100 Galenica pharmacists in German-speaking Switzerland received training for the new certificate of competence in patient history in basic healthcare provision.

Galenica continued to invest in the points of sale in 2019. More Coop Vitality pharmacies were transferred to the modern store layout introduced in 2018. Several Amavita and Sun Store pharmacies were also redesigned or completely refurbished. Amavita further strengthened its positioning as a skin expert in 2019. A second centre of skin competence was opened in the Amavita pharmacy in Lausanne-Ecublens. It is based on experience with customers from the “Derma-Center” at the Amavita pharmacy in the Metro shopping centre in Geneva, which was opened in 2017 in collaboration with L’Oréal Cosmétique Active.

Companies and formats

- Amavita pharmacies, www.amavita.ch
- Bichsel Group, www.bichsel.ch
- Careproduct Ltd., www.careproduct.ch
- Coop Vitality Ltd., www.coopvitality.ch
- Curarex Swiss Ltd., www.curarex.ch
- Galenicare Management Ltd., www.galenicare.com
- Mediservice Ltd., www.mediservice.ch
- Sun Store pharmacies, www.sunstore.ch
- Winconcept Ltd., www.winconcept.ch

In tune with customer needs

Being close to the customer is more than just a motto for the Retail Business sector. New products and services are vital for this. All pharmacy formats offered tick-borne encephalitis (TBE) and flu vaccinations in the year under review. An own-brand portfolio of currently around ten OTC products was developed for the Sun Store pharmacies, including Sun Store Ibuprofen. Two further innovations were developed and implemented under the Retail Business sector’s Talent Management Programme in 2019: taping as an alternative to pain relief medication at the Coop Vitality points of sale, and a range of gluten-free foods in the Sun Store pharmacies. The customer loyalty programmes such as the Sun Store “Suncard” and the Amavita “Starcard” have been operated by Galenicare itself since 2019 to ensure closeness to customers and save costs.

A further step towards omni-channel

The range in the Amavita, Sun Store and Coop Vitality online shops with the integrated online ordering and pick-up service Click & Collect was also further expanded in the year under review and is enjoying increasing popularity. As of the end of 2019, more than 60,000 products were available (end of 2018: 40,000) – an expansion of the range that contributes to strengthening the local pharmacies. In connection with this, the range of Careproduct, acquired in 2018, was better integrated into the Amavita and Sun Store online shops and investments were made to enhance usability. Galenicare is continuing to work on online shop content

1,515.7

Net sales

in million CHF

Galenica Group CHF 3,301.0 million



5,134

Number
of employees

Galenica Group 7,071

quality in collaboration with HCI Solutions, so that images and a full description including all relevant information are available for every product. The “Click & Collect” offering was promoted both in store in pharmacies and in a broader advertising campaign including TV ads in 2019.

All three pharmacy formats now have their own smartphone apps, and the e-mediplan module, previously included in the Amavita app only, was also incorporated into the new Sun Store and Coop Vitality apps in 2019. E-mediplan offers a range of practical functions for users, including automatic reminders to take medication and a full overview of an individual’s stock of medications.

Lastly, preparations began in the year under review for the Amavita, Sun Store and Coop Vitality pharmacies to be able to also offer their customers the services of a mail order pharmacy, probably in the second half of 2020.

The profiles of the Amavita and Sun Store pharmacy formats were also further honed in 2019 to give them each a clear image in the market. In connection with this, Amavita has been using its newly developed slogan, “Amavita, my pharmacy” for its market presence since 2019 and launched the magazine “My skin” to position itself more strongly as a competent skin expert.

New image for Winconcept

Winconcept, the Galenica Group’s service provider for owner-run pharmacies and drugstores, features a fresh new image since early 2019. The new logo stands for dynamism, momentum and Winconcept’s comprehensive service. The Process One quality management system developed by Galenicare, which is also available to Winconcept partners, continues to be extremely popular and is now also offered to other independent third-party pharmacies that are not Winconcept partners. The customised websites for Winconcept partners were again well received in 2019. At the end of 2019, there were 150 Winconcept partner pharmacies (+1).

Expansion in home care services ...

On 1 May 2019, the Galenica Group acquired a majority stake in the Bichsel Group. Headquartered in Interlaken, the company specialises in the manufacture of individual medicines and medical devices as well as home care services in the field of home nutrition and home dialysis. The Bichsel Group companies continue to operate on the market under their existing names. This also applies to the pharmacy in Interlaken, one of Switzerland’s major manufacturers of magistral prescriptions – medicines manufactured for specific patients. Integration into the Retail Business sector is going according to plan. This transaction consolidated Galenica’s leading position in the growing market for home care for patients (see sustainability coverage from page 37).

... and development of the existing offering

The specialty pharmacy Mediservice also specialises in home care, specifically home care of chronically ill patients. Mediservice strengthened its neurology offering in 2019 with the acquisition of Curarex Swiss. The company specialises in the provision of home-based therapy support for patients with advanced Parkinson’s disease, enabling them to live independent day-to-day lives in their own homes. In the

Own pharmacies and shareholdings

	31.12.2019	31.12.2018	Change
Amavita pharmacies ¹⁾	171	163	+8
Sun Store pharmacies ¹⁾	94	97	-3
Coop Vitality pharmacies ²⁾ (joint venture with Coop)	84	78	+6
Mediservice specialty pharmacy ¹⁾	1	1	-
Majority holdings in other pharmacies ¹⁾	6	5	+1
Minority holdings in other pharmacies ²⁾	-	1	-1
Total own points of sale	356	345	+11

¹⁾ Fully consolidated

²⁾ Consolidated at equity level

Independent partners

	31.12.2019	31.12.2018	Change
Amavita partners	7	7	-
Winconcept partner pharmacies	150	149	+1
Total independent partners	157	156	+1

year under review, Mediservice also saw growing demand for its new videophone therapy support service for chronically ill patients. Around one third of all new customers now use this service.

Careproduct also expanded its offering in the year under review, introducing a wound care product category and launching an own-brand walking frame.

Contribution to cost containment in the healthcare sector

Generic substitution is one of several contributions the Galenica Group makes to cost containment in the healthcare sector. The substitution rate for medications for which a generic is available and for which substitution is possible was maintained at a high 70% in 2019, compared to 57% for the market as a whole. In this way, the Galenica Group pharmacies (including Coop Vitality) again made a contribution of more than CHF 60 million¹⁾ to reducing healthcare costs for patients and health insurers.

For customers of the Prima Pharma basic health insurance model introduced by health insurer Groupe Mutuel at the start of 2020, the Amavita, Sun Store and Coop Vitality pharmacies are the first point of contact for an initial medical assessment. Through this type of collaboration Galenica is also contributing to containing rising healthcare costs (see box on the right).



New collaborations with health insurers

Groupe Mutuel introduced Prima Pharma, an alternative basic health insurance model with a limited choice of healthcare providers, at the start of 2020. It is comparable with the family doctor model. All Amavita, Sun Store and Coop Vitality pharmacies are the first point of contact for customers of this model if they have a health-related issue. The pharmacists conduct an initial assessment and recommend a medication or – if necessary – a referral to a doctor or hospital. CSS has been offering the Multimed alternative basic health insurance model in the cantons of Lucerne, Bern, Basel-Stadt and Basel-Landschaft since 2020 as well. This digitally integrates the different service providers to improve the care of chronically ill patients in particular. Mediservice is a partner in this model as a mail order pharmacy. Lastly, 52 Galenicare pharmacies affiliated with Swica's existing "Medpharm Favorit" model from 1 January 2020. The purpose of all of these collaborations is to contribute to containing rising healthcare costs.

¹⁾ Calculated using average price differential between original and generic of 29.9%, according to the study "Effizienzbeitrag der Generika" (Efficiency contribution of generics), 2019 edition, bwa Consulting Bern

Outlook

Further developing closeness to customers, online and offline

Galenica intends to steadily expand its leading position in the Swiss pharmacy market by further developing all channels. On the one hand, this will be done by consistently expanding and optimising the pharmacy network and launching new, innovative services and products with added value for customers, and on the other, by steadily enhancing the range of products available in the online shops. This includes new areas on the Amavita, Sun Store and Coop Vitality websites where prestige cosmetic products will be presented in a particularly attractive way, as well as the planned mail order pharmacy for prescription-only medications. The networking of both online and offline offers will make a significant contribution to the successful implementation of the omni-channel approach.

The second phase of the refurbishment of Zurich main station began in 2020. The entire south side will be renovated by 2023. This also affects the “Bahnhof Apotheke” pharmacy. During the works, the pharmacy will operate from provisional premises under the Amavita brand and offer all Amavita services.

To date, the prescriptions of customers from all three pharmacy formats have been scanned in centrally and have been digitally prepared for further saving and use at Lausanne-Ecublens. To optimise this time-consuming process, all branches will be equipped with small scanners during 2020 so that the prescriptions can be scanned directly in store. This will result in greater safety, a higher level of efficiency and better customer service.

Mediservice aims to expand its therapy support offering in 2020. This should make it possible, for example, to support patients when they take vital parameters such as temperature or blood pressure. To improve coordination between the various parties involved in care, a pilot project will test data protection-compliant integration.

In addition, the integration of the Bichsel Group will continue as planned in 2020.



Digitalisation at POS

“Thanks to the new screen, customers have a visual tool to help them in their decision-making. It also looks smart and is space-saving. All in all, a practical and innovative piece of equipment!”

Karo Issa, Manager Coop Vitality Pharmacy
Zurich Airport



Products & Brands Business sector

Sustained leading position in the Swiss consumer healthcare market

Net sales development

The Products & Brands Business sector, which mainly comprises the business activities of Verfora, achieved net sales totalling CHF 102.1 million (+11.3%) in 2019. This pleasing growth was due in part to solid increases in sales of Algifor®, Triofan®, Triomer® and the magnesium-based products, as well as the launch of the new own derma-cosmetics range Dermafora®. Distribution in Switzerland of the well-known Vicks® products and of Metamucil®, which was taken over from Procter & Gamble at the beginning of 2019, also contributed to this success.

Products & Brands increased net sales in the Swiss market by 11.4% to CHF 82.1 million, thus clearly exceeding the growth of the consumer healthcare market of 1.0% (IQVIA, Consumer Health Market Switzerland 2019). As a result, Verfora was able to successfully build on its leading position in the Swiss consumer healthcare market in the year under review.

Export sales were up 11.0% to CHF 20.0 million. Solid sales of Perskindol® in Asia and Anti-Brumm® in Europe contributed in particular to this positive performance.

Partnership with Procter & Gamble

“This strong partnership with Verfora is based on trust, cooperation and efficiency. I am very confident that it will help our products reach new heights in Switzerland.”

Michael Mignonat, Commercial Associate
Director Europe, Asia Pacific, Middle East & Africa, P&G

Strategic priorities

- Strengthen leadership position in the top OTC categories, with a focus on pain, rhinitis, flu/colds, coughs, wound disinfection, mineral supplements and mosquito/tick repellent.
- Consolidate and further grow share of the consumer healthcare market in pharmacies and drugstores throughout Switzerland, building on the good partnerships and added-value services offered by Verfora.
- Expand the branded business into new areas such as derma-cosmetics and complementary medicine, and develop related skills.

Verfora: successful positioning in the market

Following the renaming of Vifor Consumer Health to Verfora in 2018, product packaging was redesigned, and a new advertising image launched. The packaging design won Verfora's agency the "European Launch of the Year Award" 2019 at the Consumer Healthcare Marketing Event in London. The advertising campaign ran mainly in the first half of 2019 and focused on TV ads, online videos and a strong presence at points of sale. The new identity allows Verfora to successfully position itself as a strong specialist trade partner for pharmacies and drugstores in Switzerland with its well-known brands and products.

Dermafora® launched

One of Products & Brands' most important projects in the year under review was the launch of its new own Dermafora® derma-cosmetics range. Manufactured in Switzerland, the skincare products are based on plants traditionally used in Swiss medicines in combination with the latest skincare research findings. Close collaboration with the Retail Business sector in particular helped ensure success for the launch in Amavita, Sun Store and selected Coop Vitality pharmacies and for the related employee training.

Complementary medicine proving popular

In addition to derma-cosmetics, complementary medicine registered increased demand. This included products manufactured exclusively by hand in Switzerland by pharmaceutical company Spagyros, with which the Galenica Group has had a strategic partnership since 2018. The Adler Schüssler mineral salts portfolio managed by Products & Brands in Switzerland also continued to perform very positively in the year under review and recorded a significant increase in demand in Western Switzerland in particular. This is especially pleasing given that Schüssler mineral salts were previously not well known in this region. The success is further proof of the effectiveness of collaboration between the Products & Brands and Retail Business sectors and of staff training in the pharmacies.

Companies

- G-Pharma Ltd.
- Verfora Ltd., www.verfora.ch

Algifor®, Triofan® and Triomer®: strong market positions maintained

The systemic pain relief medication Algifor® recorded growth significantly above that of the overall OTC pain market in the financial year. This is all the more remarkable considering Algifor® has been the leading brand in this market for some time. Despite the very weak allergy season in 2019, Triofan® and Triomer® were also able to maintain their strong market positions among nasal decongestants in Switzerland. The main reasons for this were advertising measures in connection with the launch of the new Verfora brand and successful new launches such as a Triomer® spray.

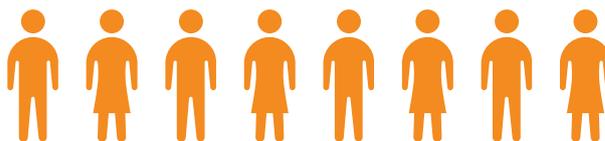
Pleasing performance for Perskindol®

In recent years, Products & Brands has worked hard to revitalise the traditional Perskindol® brand and position it in the pain relief market. This sharpening of the brand image, along with portfolio expansion to today's six areas, has had a positive impact on the development of Perskindol® in 2019. For the first time in a long while, the products again achieved above-market growth. In 2019, employees at points of sale were trained in sports massages and kinesiology taping, and new products were introduced. These included Perskindol® Cool Down Shower Gel and Perskindol® Cool Down Massage Oil, along with Perskindol® Infrared Patches, which reflect the infrared rays naturally emitted by the human body to increase blood flow and relieve back, neck and shoulder pain.

102.1

Net sales
in million CHF

Galenica Group CHF 3,301.0 million



140

Number
of employees

Galenica Group 7,071

Sales of Anti-Brumm® remained stable overall due to the weak mosquito season. Merfen® also contributed to the continued strong position of Products & Brands in wound treatment in 2019. The Excilor® foot care portfolio was expanded with the launch of Excilor® forte and Excilor® Warts. The high demand for the various Magnesium Vital products was also encouraging.

Health and beauty products remain in demand

Pharmacies and drugstores continue to enjoy a high level of customer trust as a source of advice for health and beauty products. There was strong demand for the Lierac, Phyto and A-Derma products sold exclusively in Switzerland by Products & Brands in the year under review, not least thanks to the competent guidance provided by staff.

Outlook

Strengthening of Verfora; expansion of portfolios

Verfora aims to continue to be a strong and reliable partner for the entire specialist retail trade in the future. This includes further developing sales promotion services for the specialist retail trade and further enhancing its effective cooperation with partners. At the same time, the Products & Brands Business sector will consistently expand and complement its existing product portfolio. Towards the end of 2020, Verfora will relaunch Vita-Merfen®, the well-known and popular brand for disinfection and wound healing. Vita-Merfen® was taken off the market in 2015 by its former brand owner due to production difficulties. Verfora acquired the brand together with Merfen® in May 2017 and has since then been working with full commitment towards its relaunch.

Since March 2020 work has also been underway on the launch of the first multivitamin and mineral hot drink Veractiv®, in capsule form.

New partners for Products & Brands

At the beginning of 2020, Verfora took over distribution of the major brand Bucco Tantum® from Italian pharmaceutical company Angelini, helping the Products & Brands Business sector to boost its presence in the cold medication market.

Verfora has also entered into a partnership with Austria-based Institut Allergosan, one of the world's leading centres of competence in the field of microbiome research for over 25 years. Based on this specialisation, Institut Allergosan develops excellent probiotics and prebiotics, currently the fastest-growing segment in the consumer healthcare market. In the first quarter of 2020, Verfora took over distribution of the Omni-Biotic® brand from Institut Allergosan, thus filling a significant gap in its portfolio.

Meanwhile, the contract with Soho Flordis International (SFI) for distributing the product groups Ginsana®, Gincosan® and Equazen® could not be extended, and expired in 2020.





Dermafora®

“I am proud to be able
to help develop Dermafora®
and give the brand its identity.”

Nadine Zosso, Brand Manager Verfora