

Logistics & IT Segment

Optimisation and further development of logistics and other services

Logistics & IT

The “Logistics & IT” segment comprises the two sectors “Wholesale” and “Logistics & IT Services”. These provide services for all those involved in the healthcare sector – pharmacies, drugstores, doctors, hospitals and care homes, partners and suppliers. Their activities focus on optimising and further developing the logistics services and service offering as well as providing innovative solutions that promote digitalisation in the healthcare market.

Net sales

+7.4%

Logistics & IT CHF 1,377.9 million

EBIT adjusted¹

+17.2%

Logistics & IT CHF 26.3 million

Number of employees

1,676

Galenica Group 7,095

Net sales and operating result

The “Logistics & IT” segment generated net sales of CHF 1,377.9 million (+7.4%) in the first half of 2021. CHF 1,328.8 million (+7.4%) thereof was attributable to the “Wholesale” sector and CHF 50.5 million (+4.4%) to the “Logistics & IT Services” sector. “Logistics & IT” therefore clearly exceeded the growth of the overall market of 3.4% (IQVIA, Pharmaceutical Market Switzerland, first half of 2021).

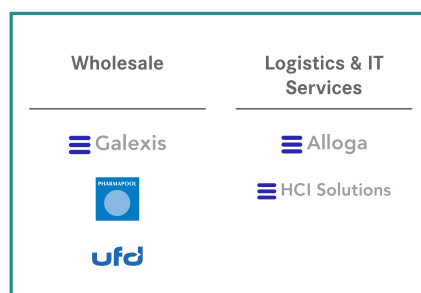
COVID-19 continued to impact sales in the “Logistics & IT” segment in the first half of 2021. Additional sales, driven primarily by the coronavirus pandemic, contributed an estimated +4.1% to sales growth. In addition, further gains were made in market share in the physicians segment. On the other hand, the absence of a flu and cold season impacted sales negatively. The negative impact on sales development due to the government-mandated drug price reductions also continued and amounted to -1.2% in the reporting period. Excluding this effect, net sales in the segment would have risen by 8.6%.

The adjusted¹ operating result (EBIT), i.e. excluding the influence of the IFRS 16 (Leases) accounting standard, rose by 17.2% to CHF 26.3 million year-on-year. The adjusted¹ return on sales (ROS) for the first half of 2021 was 1.9% (first half of 2020: 1.8%), Additional COVID-19-related sales in particular contributed to this development.

Investments totalled CHF 14.4 million in the reporting period (first half of 2020: CHF 15.3 million) and were largely used for the modernisation and renovation of the Galexis distribution centre in Lausanne-Ecublens as well as for the gradual roll-out of the new ERP software at Alloga and Galexis.

¹ Excluding the effects of IAS 19 and IFRS 16. See chapter Alternative performance measures.

Logistics & IT



COVID-19 defined first half of the year

Wholesale

Galenica's logistics companies support the authorities with their COVID-19 vaccine logistics and manage compulsory pandemic inventories for its customers. It has also put separate inventory and sales logistics in place to distribute COVID-19 self-tests.



Net sales development

The strong sales growth of +7.4% to CHF 1,328.8 million is partly based on additional sales due to the COVID-19 pandemic. On the other hand, further market share gains were realised with physicians and medical practices, so that sales in this segment increased by 10.5%. This was mainly attributable to offers for oncologists and rheumatologists. In this group of customers, Galexis was able to position itself as a partner for specialised physicians.

By way of comparison: The physician market grew by 7.2% in the first half of the year 2021 (IQVIA, Pharmaceutical Market Switzerland, first half of 2021). As was the case in 2020, non-essential operations and elective interventions in hospitals and by specialist doctors were postponed nationwide in the first half of 2021 due to COVID-19. As a result, hospitals (+2.3%, IQVIA, Pharmaceutical Market Switzerland, first half of 2021) lagged behind the overall market (+3.4%, IQVIA, Pharmaceutical Market Switzerland, first half of 2021).

Support in assuring COVID-19 vaccine logistics

In Switzerland, the military pharmacy takes priority, after which each canton determines its own necessary COVID-19 vaccine logistics. As a result, the distribution concept differs from canton to canton. The logistics companies of the Galenica Group are supporting the authorities to secure COVID-19 vaccine logistics, particularly Alloga in the Canton of Bern and Unione Farmaceutica Distribuzione (UFD) in Ticino.

Galexis has put in place separate inventory and distribution logistics for the distribution of COVID-19 self-tests to manage the major logistical challenge. In the first four weeks after the launch alone, Galexis and UFD delivered over four million self-tests to pharmacies.

Pandemic inventory with protective materials

Various drugs were temporarily unavailable during the first lockdown in 2020. In 2021, no such shortfalls occurred as a result of COVID-19. Demand for protective materials such as face coverings, disinfectants and gloves decreased over the course of the first half of the year. In connection with COVID-19, the authorities directed pharmacies and doctors to maintain compulsory pandemic inventories of such products. Galaxis and UFD are therefore offering to maintain these pandemic inventories for their customers.

Optimisation and expansion of storage capacities

In Oensingen (canton of Solothurn), a new central warehouse for medical technology is in the process of being commissioned at Galaxis. Since June 2021, this warehouse has also served as a second location for handling UFD's "E>Box" logistics service. All deliveries of online orders received by the [Amavita](#), [Sun Store](#) and [Coop Vitality](#) online shops were previously picked and dispatched by UFD in Barbengo-Lugano, which resulted in delivery times of 48 hours. Thanks to the new storage capacities in Oensingen, around 30,000 items can now be delivered within 24 hours.



↑ Oensingen distribution centre

The Galaxis distribution centre in Niederbipp (Canton of Bern) is also being expanded and its capacity further increased with a focus on increasing its storage capacity for all product groups, but in particular for medication. The refurbishment and modernisation of the distribution centre in Lausanne-Ecublens proceeded according to plan in the reporting period.



↑ Construction site of the Galaxis Lausanne-Ecublens distribution centre

ERP roll-out ongoing

Work on the roll-out of the new ERP system at Galaxis commenced with the implementation phase.

Further development of digital offerings

Logistics & IT Services

Alloga migrated other partners to the new ERP system while HCI Solutions programmed a digital interface for COVID-19 tests and vaccinations. A pilot project on the electronic transfer of prescriptions was also launched.



Net sales development

“Logistics & IT Services” generated net sales of CHF 50.5 million (+4.4%) in the first half of 2021. [Alloga](#) and [HCI Solutions](#) as well as internal Group IT services contributed to this result.

ERP roll-out ongoing

Work on the roll-out of the ERP system progressed at Alloga: well-known pharmaceutical partners could be integrated into the new system.

HCI Solutions programmes interface for coronavirus tests and vaccinations

HCI Solutions’ activities were also strongly defined by COVID-19 in the period under review. [Documedis](#)[®], the software for doctors and pharmacies, was approved by the Federal Office of Public Health (FOPH) as a reporting solution for coronavirus tests and vaccinations, whereupon HCI Solutions programmed the corresponding interfaces for the software connection. Since then, pharmacies and medical practices have been able to use the two new functions “Documedis[®] VAC” and “Documedis[®] Rapid Test” to capture patient data for vaccinations and tests, print confirmations and transmit the corresponding data to the relevant authorities at the touch of a button.

New features in Documedis[®]

In the period under review, Documedis[®] was expanded with the addition of several functions, including those relating to primary outpatient medical care and the calculation of liver and kidney insufficiency and body mass index.

These new software functions are certified as medical devices, which is a major advantage given the EU regulation on medical devices implemented in Switzerland in May 2021: This means that other IT solutions no longer need to be certified separately if they are based on the already certified Documedis[®] solutions.

[Click here for the outlook](#)



Pilot project on the electronic transfer of prescriptions

The e-prescription is an important driver of the mail-order pharmacy because it enables the entire procedure to take place digitally and marks another contribution for patient safety.

Doctors still write prescriptions out by hand or print them on paper and sign them with their legally valid signature. Since 1 January 2020, the Ordinance on Medicinal Products (VAM) has permitted prescriptions to be transmitted electronically. This requires patients to be allowed to choose the pharmacy from which they wish to obtain the medication.

Following on from its preparatory work, HCI Solutions launched a pilot project on the reliable and secure electronic transmission of prescriptions in the first half of 2021. The corresponding IT solution “E-prescription” (“E-Rezept”) was developed by HCI Solutions and its partner company AD Swiss Net. Medi24, Switzerland’s leading telemedicine provider, is the first medical practice to participate in this pilot project.

Once the patient has given their consent, the Medi24 team issues an electronic prescription. The patient then selects the pharmacy that receives the encrypted e-prescription. The three pharmacy formats Amavita, Sun Store and Coop Vitality and the specialty pharmacy Mediservice are currently participating in this pilot project.