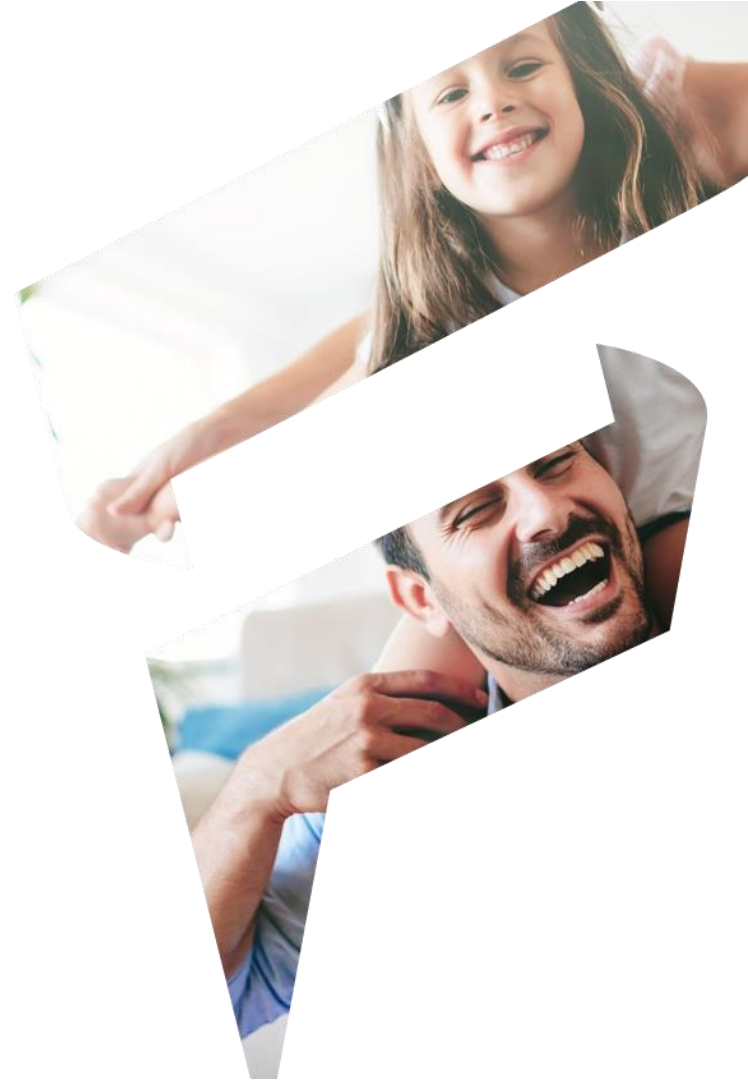


Flen Health's Journey in China

Life Science Regulations and Opportunities in China

BCECC, February 22, 2024

Nicolas Deleye





Live The Life You Love!



This is Flen.

- Business Area Wound Care
 - Consumer healthcare - Flamigel®
 - Professional wound care - Flaminal®
- Family owned
- Originally Belgian



This is Flen.



7+1

affiliates + JV



105

employees



27

countries of
distribution



27% CAGR

since 2012

China baseline 2019.

- Flamigel® on market in China since 2010
- Registered as medical device Class III
- 1 exclusive main distributor, 46 subdistributors
- Strong distributor with impressive growth
- Flat and stagnating sales for Flamigel® in a growing market
- Contract end date in 2020

Local Due Diligence.

- Masterclass China Business (Unizo)
- Networking with Chinese Companies
 - Trade fairs and networking events
 - Joined Economic Mission to China in Nov. 2019



- Due Diligence Focus
 - 4 points of analysis

1. Distribution Strategy

- Baseline 2019: 1 Exclusive Partner for China Offline & Online
 - Limited Direct Sales Team
 - 46 subdistributors
- Alternative: Flat Channel Structure with Several Partners for Offline Sales
 - Each Covering a Certain Geographic Region on an Exclusive Basis
 - 1 Dedicated Partner for Online Sales
- Conclusion: Applied Distribution Strategy Makes Sense for Flen's Scope



2. Pricing Strategy

- Retail price is viable and could potentially be increased
- In-market pricing cannot be increased due to bidding system
- Low price variation between provinces: allows to maintain premium price level
- Consistent price online / offline channels
- Conclusion:
 1. No need to change current approach
 2. Potential to increase selling price to distributor



3. Sales Channels

- 80% of sales via hospitals, mainly in burn centers
 - Need to broaden focus outside burn centers
- E-commerce is a must go, but with restrictions
 - Class III classification implies restrictions on communication and outlets
 - Changing to Class II necessary to boost online sales
- Offline pharmacy sales limited
 - Lower importance for non-prescribed items
- Conclusion:
 1. continue hospital-focused approach but with a focus on wider indications and
 2. limited ecommerce potential as Class III MD

4. Distributor Time Allocation

- Flamigel not important for distributor
 - Other partnerships with higher contribution
 - No portfolio match
- Limited FTEs allocated to Flamigel®
 - Insufficient attention and focus
 - Insufficient belief in future growth opportunities
- Local team managed by non-English speaker
 - Difficult to increase focus
- Company outgrew Flen

Switching to a New Distributor.

- 19 potential new partners screened
 - 4 Business Cases received
- Switched to new distributor with:
 - Higher dedication
 - Limited portfolio, focused on FG
 - Plan to expand product outside burn centers



Transition Challenges.

- Switch was tougher than expected
 - Received claim for 'loss of profit'
 - Attempts to repurchase remaining stock failed
 - Dumping of stocks at low prices
- Losing face, 'Mianzi'?

Did we took the right decision?

- Market Dynamics since the switch:
 - Stock dumping during the start in 2021
 - Covid 2022
 - Central online bidding system
 - Anticorruption campaign in 2023
 - Protectionism VS local manufactured products
- Despite challenges: slightly increased sales and improved margins
- Extension to wider indications, not only burns

Future Strategy.

- Introduce Flaminal® for speciality burns/chronic wounds
- Reposition Flamigel® to class II
- Increase local follow-up, presence and control



Key Takeaways.

- Find a trustworthy partner
- Patience, take your time, 'Guanxi'
- In China, when you are one in a million there are 1.300 people just like you (Jon Meacham)

