



BUILDING A TOP 10 GLOBAL GENERICS PLAYER

November 2015 | Renaat Janssen – EVP Alvogen APAC / CEO Lotus Pharmaceutical



CONTENT OVERVIEW

Alvogen Today

Integration v.s. Localization



ALVOGEN AROUND THE WORLD

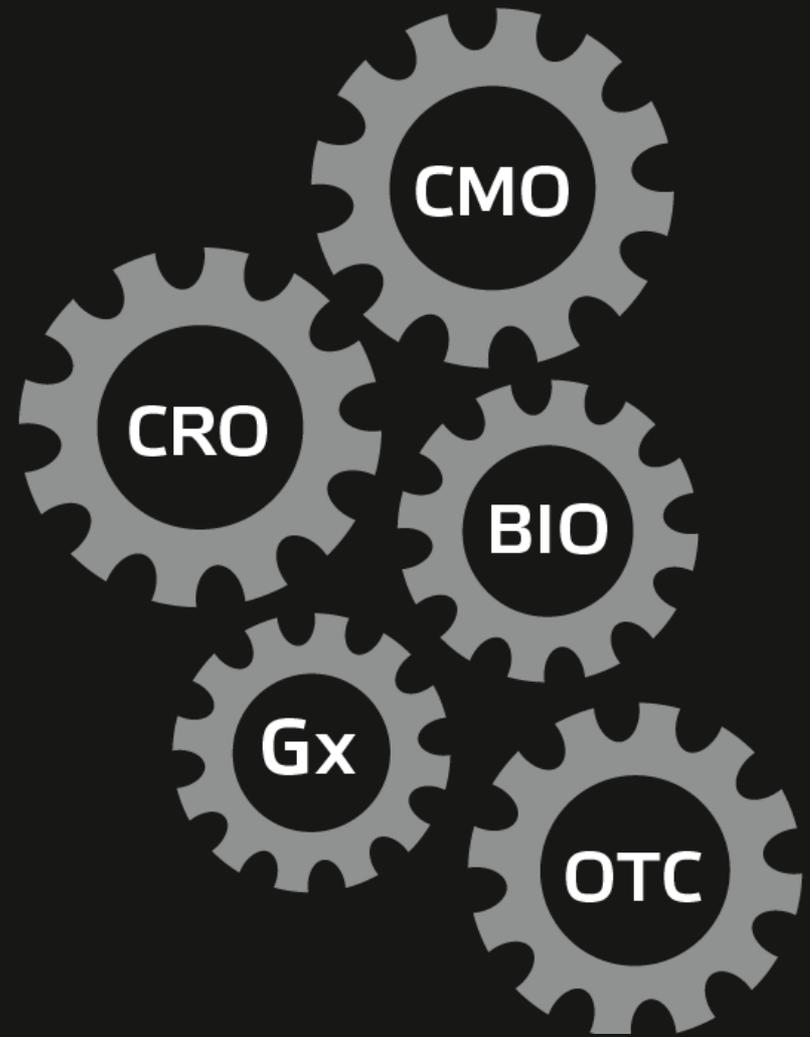
international pharmaceuticals company,
focused on developing, manufacturing and
distributing generic, brand and over-the-counter
products

commercial **operations in 34 countries** – 2300
employees

significant investment in development of six
monoclonal antibodies going off patent after 2018
via sister company, Alvotech

regional hubs in North-America, Asia Pacific and
Central Eastern Europe

led by a highly experienced management team
with a proven track record of achieving high growth
and profitability



ALVOGEN IN NUMBERS

67% 2009 to 2014 revenue CAGR,
59% organic

2300 Employees

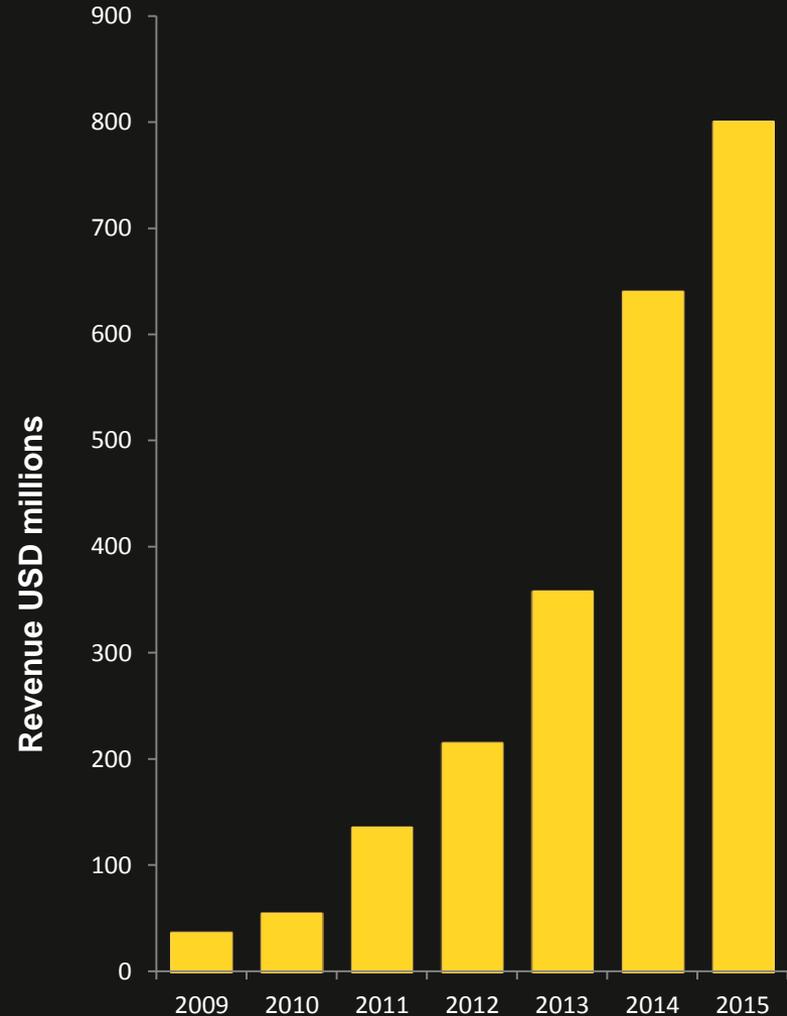
5 Manufacturing and R&D
centers

200 Generic products in pipeline

5 Biosimilar products in pipeline
(mab's)

60 Pipeline ANDA's for the US
market; over 28 potential
FTF/FTM

350 Marketed products



34 COUNTRIES

3 MAJOR REGIONAL PLATFORMS



- Albania Bulgaria Bosnia
- China Croatia Estonia
- Hong Kong Hungary
- Iceland Ireland India
- Kazakhstan Kosovo
- Latvia Lithuania
- Macedonia Malaysia
- Moldova Montenegro
- Myanmar Netherlands
- Philippines Poland
- Romania Russia Serbia
- Singapore South Korea
- Thailand Taiwan Ukraine
- USA UK Vietnam

USA
54%



CEE
18%



APAC
28%



HIGH GROWTH VIA ORGANIC GROWTH AND STRATEGIC M&As

Organic Growth

- **Double digit growth per year**
- **Robust portfolio of existing products** with additional potentials from **board pipeline to gain further market share** in existing and new markets

M&A Strategies

- With robust M&A track record, Alvogen targets to achieve leading generic pharmaceutical player regionally and globally
- Solidify our leadership position and capture opportunities ahead of industry consolidation in the region
- Strengthen product portfolio in our focused therapeutic areas
 - Acquire or invest in companies with generic pharmaceutical products or candidates that complement our existing product portfolio

Selection Criteria

- Targets with strong generic drug submission capabilities or attractive products / candidates
- Targets' products need to have strong market potential, potential synergies, and minimal overlap with existing product portfolio or pipeline
- Opportunities with restructuring opportunities (balance sheet management, non core asset disposal opportunities)

INTEGRATION V.S. LOCALIZATION



WHILE THE WORLD IS MOVING TOWARDS GLOBAL CONSOLIDATION...



... WE ARE FACING MANY CHALLENGES FROM LOCALIZATION



The picture is not that clear...

WHY DO MERGERS TYPICALLY FAIL?

...Because of bad management of the process

Unclear goals

Lack of ambition and sense of urgency

Lack of team work

Bad execution

Lack of hands on management

Underestimation of importance of local culture

... integration projects should be designed to keep things simple, objectives clear, foster teamwork and track progress vigorously with careful consideration to local culture

Our management strategy is to **keep things simple**



Hands on management

Trust and rely on your team

...but make sure they execute

Know your business

Know your numbers

Know your people

Know the culture

Hire and retain only the best

....and execute better than all the others



KEY SUCCESS FACTORS FOR INTEGRATION

...Know what you want

Clear direction and objectives for the merger

Level and prioritization of integration targets carefully planned

...Keep execution simple

Minimize the change to both companies

Identify and retain key people

Simplify structures and reporting lines

Clear roles and accountability

Performance rewards linked to integration success

Strong project management and tracking of integration activities

Integration part of daily life not an occasional happening

STRUCTURE FOR GROWTH

Challenging mindset

Flexible and simple structure

Integrated strategic- and financial planning

Clear overview through data and action tracking

Profitability, growth and integration success reinforced through reward systems

Co-work with local team for seamless localization



CREATE THE RIGHT MINDSET

Only extraordinary effort generates extra ordinary result

Create and maintain a mindset which welcomes difficult challenges -
“we never give up - we find innovative ways to succeed”

Recruitment and selection methods
designed to identify Challengers.

Organizational structure fosters innovation.

Reward systems reward Challenger behavior



FLEXIBLE AND SIMPLE STRUCTURE

Simple structure allows for better overview and accountability.
It allows for speedy integration. We look for people who seek success not rank.

New companies can quickly be fitted into the relevant revenue streams categorized by geographical areas or into revenue enabling streams in the parent company



INTEGRATED STRATEGIC AND FINANCIAL PLANNING

If the only tool you have is a hammer, you treat everything like a nail. Strategy needs to be a living and ever evolving phenomena if it is to create a competitive advantage.

Strategic planning fully integrated with financial planning

Clear Corporate direction for shareholder value optimization

Local growth plans for internal growth

Aggressive development-, in licensing- and M&A strategies

Weekly, monthly and quarterly performance trackers



CLEAR OVERVIEW THROUGH DATA AND ACTION TRACKING

If you don't understand the game you cannot score. Clear direction and accountability is key. Simple structure enhance accountability. There is not place to hide in a transparent performance driven company.



Tracking of numbers and action provides necessary overview

in time for pro-active action

Monday sales and cost updates

Monday regulatory trackers

New product launch trackers

Integration trackers

Synergy trackers

Rolling forecasts

Monthly results

Quarterly results

Per4ma management program

Performance related rewards

PROFITABILITY, GROWTH AND INTEGRATION SUCCESS REINFORCED THROUGH REWARD SYSTEMS

You get the behaviors you reinforce. Gear up for growth and profitability which is reflected in the management teams compensation and performance systems.



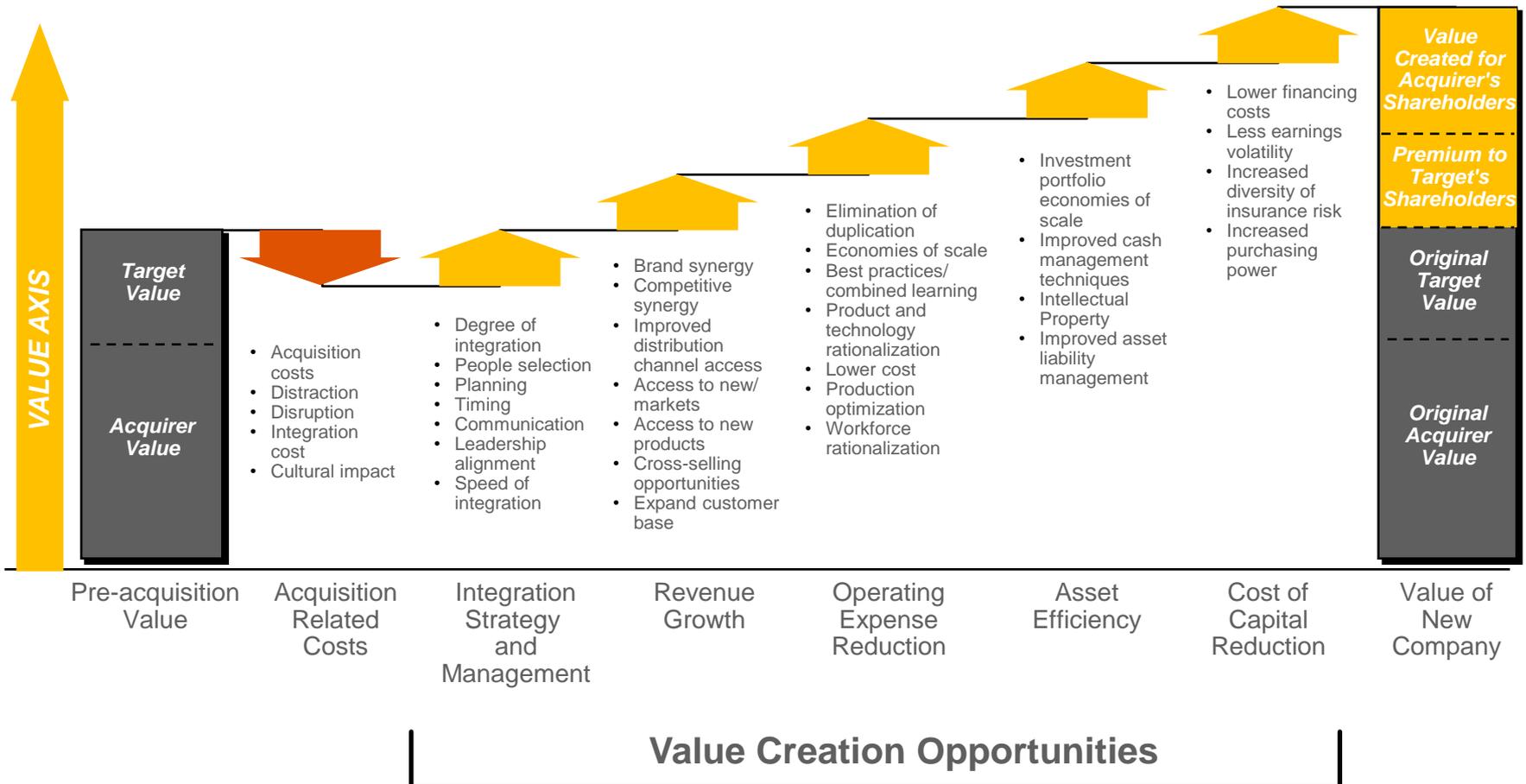
CO-WORK WITH LOCAL TEAM FOR SEAMLESS LOCALIZATION

You can never be successful if you underestimate the importance of **local culture and local expertise**... and work with the different government bodies

Think globally and work locally is the one and only way to build the fundamental blocks for successful integration

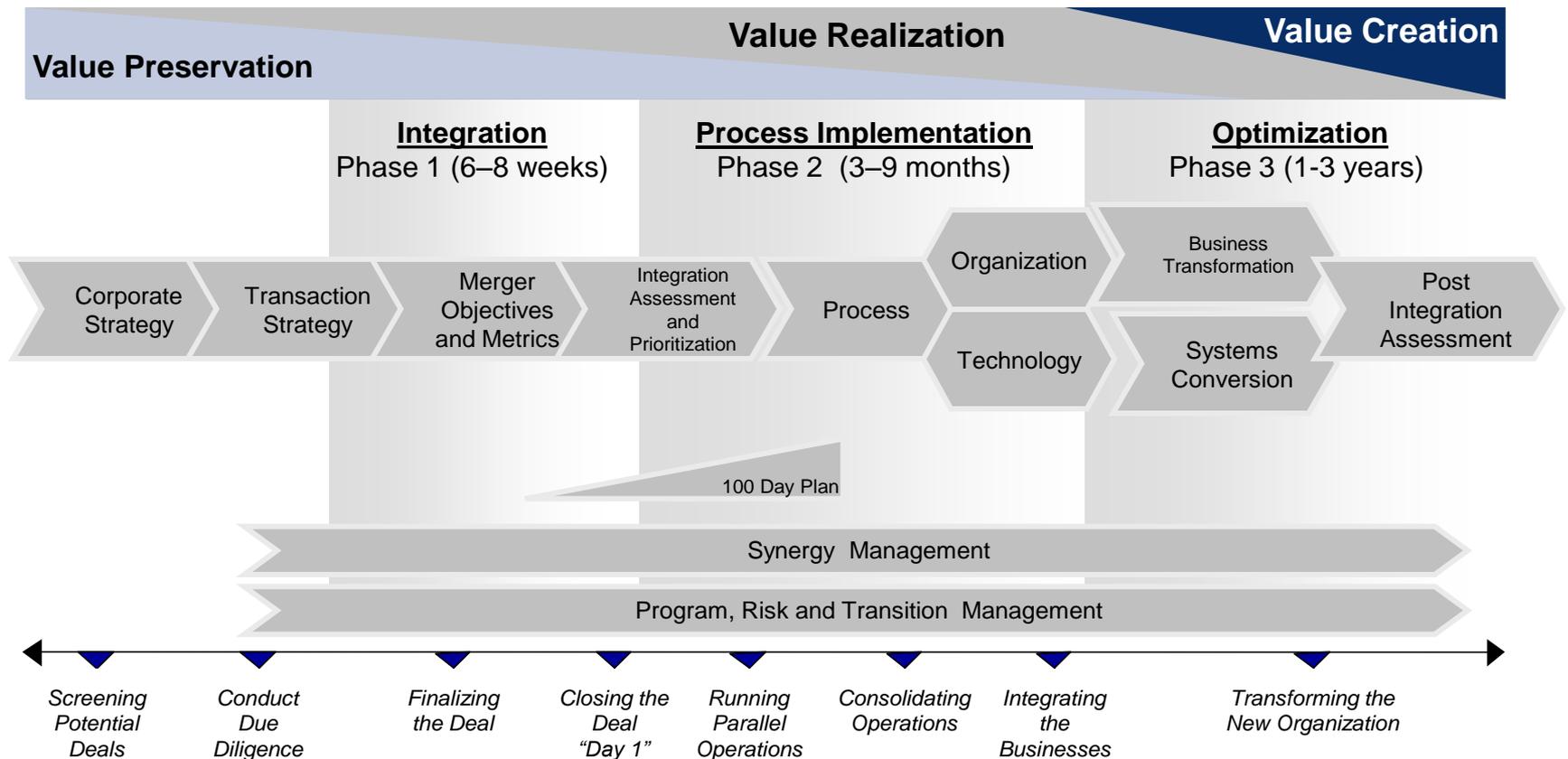


WHERE DOES THE VALUE COME FROM?



INTEGRATION MANAGEMENT OVERVIEW

THE APPROACH BALANCES THE NEED TO QUICKLY FOCUS ON STABILIZING THE BUSINESSES, WHILE POSITIONING THE ORGANIZATION FOR LONGER TERM TRANSFORMATION



HOW DO WE MANAGE THE INTEGRATION ACTIVITIES?

Integration steering committee
CXOs and NEWCO leaders of key functions targeted for integration

- Overall ownership of integration
- Provides strategic guidance
- Resolve critical issues
- Reviews integration team's milestones
- Obtain resources
- Maintain objectivity and focus

Steering committee

PMO
Project Management Office

- Actively manages and coordinates the integration teams
- Acts as time keeper
- Weekly review of integration teams progress
- Supports steering committee in managing risks and solving issues
- Provides a weekly status update to steering committee

Planning and Group alignment

Day 1 preparation

Communication and Cultural alignment

100 Days+ Integration teams

Plan and implement all relevant integration activities in their area

Plan activities and milestones for Day 1-100

Day 1 issues

External com

Team 1

Allocate responsibilities and ensure implementation of integration activities

Mgt kick-off

Internal com

Team 2

Co-ordinate with other teams

Ceremonies

Cultural alignment

Team 3

Provide PMO with weekly status report Friday 14 GMT

Team 4 etc.

Weekly coordination call – team leaders – Mondays at 13.00 GMT

Notify PMO of issues and risks

■ After kick-off
■ Completed at signing

INTEGRATION MEETING

THE PURPOSE OF AN INTEGRATION MEETING WITH PARTICIPANTS (STEERING COMMITTEE AND KEY BUSINESS UNIT LEADERS FROM BOTH COMPANIES) IS TO DETERMINE THE LEVEL AND SCOPE OF INTEGRATION

<small>[strategy]</small> Why-what	<small>[people issues]</small> Who	<small>[processes]</small> How	<small>[Communication]</small> Inform
[Purpose – New Co role]	[Structure – where/who]	[Finance / legal]	[Internal – what/when]
[Porfolio - what]	[Right-size - quantity]	[IT connections]	[External – what/when]
[Operations - what]	[Talent - quality]	[Branding issues]	
[Low hanging fruits]	[Integration team]	[Quality control]	
[Level of integration]		[Registration]	
		[S&M issues]	
		[Purchasing]	

Project completed in 10 weeks

	Proposed 10 Week Schedule										How?	Who?		
Scope Validation	■											<ul style="list-style-type: none"> Interview participants Review documentation Prepare gap report 	<ul style="list-style-type: none"> Core PMO team, full time Corp and BU M&A reps for interviews 	
		◆												
Process & Organization Working Sessions		■											<ul style="list-style-type: none"> Review org and process options with sponsors Develop materials from "strawdog" examples Refine w/sponsor Review w/ Corp./BU 	<ul style="list-style-type: none"> Core PMO team, full time BU M&A reps review
			◆		◆	◆								
Functional Working Sessions (Individual sessions by function or subfunction)		■											<ul style="list-style-type: none"> Define Day 1 Vision for function Document Day 1 and synergy lists Document due diligence lists Populate related tools 	<ul style="list-style-type: none"> Functional reps lead sessions Functional SMEs participate
			◆		◆	◆								
Cross Functional Review						■							<ul style="list-style-type: none"> Review functional deliverables in cross functional groups (multiple sessions may be required) 	<ul style="list-style-type: none"> Core PMO team, full time Functional reps, full time Sponsors BU Leadership
							◆	◆						
Integration Simulator / Wrap-up						■		■					<ul style="list-style-type: none"> Teambuilding Coordinate detailed interactive Integration Simulation Distribute Integration/ Separation Playbooks 	<ul style="list-style-type: none"> Functional reps Sponsors BU Leadership
											◆			
	1	2	3	4	5	6	7	8	9	10				



SUMMARY KEY POINTS OF INTEGRATION

Plan well

Track vigorously

Execute quickly

Over communicate

Never underestimate people and cultural issues



Thank you