

Applications of evergreen investments

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Conrad Seoul, Korea

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▶ **Introduction to Droege Group**

CASE Study HAL Allergy

Lessons Learned

“I adapt our business model constantly!”



27 years of entrepreneurship

- continuous innovation of business model -

27 years of entrepreneurship - continuous innovation of business model -

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Target: 100 million remuneration in 10 years

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Experts for increasing corporate value
Portfolio, top line, processes, structures, financials/balance sheets

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2010 ff

Integration of consulting, direct investments und interim management
Positioning “Advisory & Capital“ as platform for growth

Professionals for entrepreneurial restructuring and “special situations”

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Entrepreneurial consultants with implementation focus

Strategic, operational, financial restructuring
Performance improvement
Top line improvement and growth strategies

Direct investments in spin-offs, underperformer and turnarounds

Long-term development - buy and build strategies

Interim Management (CRO, CFO)

Professionals for entrepreneurial restructuring and “special situations”

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Long-term development - buy and build strategies

Interim Management (CRO, CFO)

Advisory clients benefit from our experience made with our portfolio companies

“... done a hundred times”

Professionals for entrepreneurial restructuring and “special situations”

**“All from one source”
Know-how – Capital – Management**

**Entrepreneurial consultants with
implementation focus**

Strategic, operational, financial restructuring
Performance improvement
Top line improvement and growth strategies

**Direct investments in spin-offs, underperformer
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Stock take of accomplishments – building up platforms for growth –

Facts and figures

W. P. J. Droege

Dr. H. im Brahm-Droege

100 %

Droege International Group AG

- 100 % family-owned business
- Revenue approximately € 7.6 bn
- Equity approximately € 1 bn
- 31 countries
- 125 entities
- Annual double-digit growth

Stock take of accomplishments – building up platforms for growth –

Facts and figures

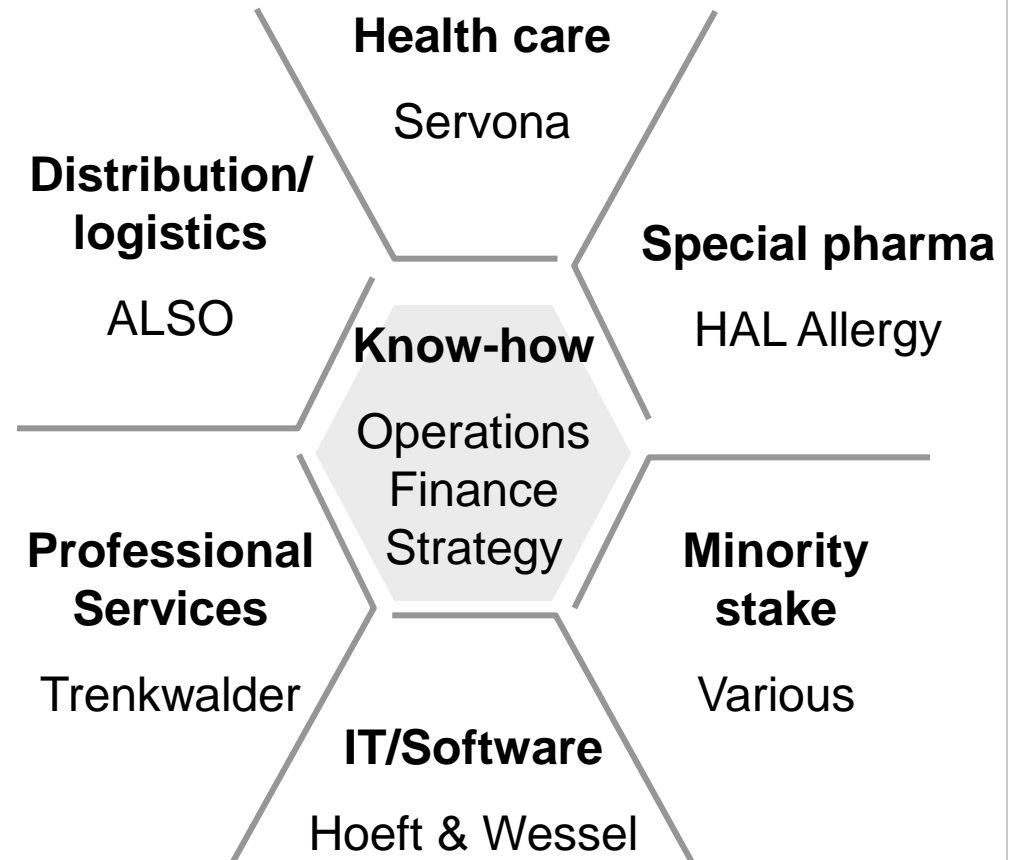
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Entrepreneurial platforms



“One-source” platform enables effective value enhancement

Restructuring and growth with the aim of increasing corporate value

Value enhancement teams with experience - “done a hundred times”

Know-how

+

Capital

+

Management

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Capital



Management

Operations Teams

- Industry experts
- Generalists
- P&L/bs/cash
- Fire fighters
- Geographies
- ...

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Deal Teams

- Buy strategies
- Valuations
- Transactions
- Financing
- Exit strategies
- ...

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Portfolio mgmt.

- Controller
- Operator
- Coach
- Developer
- Recruiter
- ...

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External specialists

- Senior advisors
- Interim mgmt
- Change experts
- Meta consulting
- ...

Recent own investments with strong involvement of DG in Asia



Distressed technology company with manufacturing in Europe
Merger with cost leader in safe manufacturing - break into USA



Merger of 2 distressed IT distributors to form 3rd largest one in Europe
Cost effective Asian suppliers and preparation of regional expansion



Carve out medical device company and driving their Asian expansion
Chinese sourcing entity and licensed sales ops for medical devices



Capital increase and take over of operations of IT/ software company
Implementation of Asian supply chain; material cost reduction by >30%

Evergreen investments have average annual return of 25%

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Lessons Learned

Market for specific immunotherapy

Subcutaneous immunotherapy

PURETHAL®



Sublingual immunotherapy

SUBLIVAC®

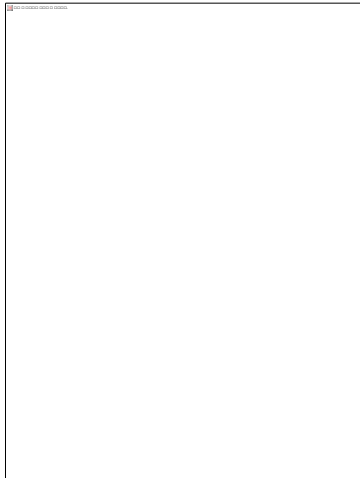


- Vaccines for causal treatment of allergy diseases
- Patient-individual prescription and production
- Duration of therapy: 3 years
- Market segment size in Europe: €650 mn
- Market structure consisting of medium sized pharmaceutical companies

Initial situation



- Family-owned company, founded 1959 by pharmacist Dr. Kuijpers
- Production and sales of patient-individual therapeutical allergens for immunotherapy
- Over 4 decades focus on Benelux and German market
- 127 employees
- More stringent governmental and legal regulations for products and production threaten the continuation of the business
- Looking for succession planning



What are the key levers to develop HAL Allergy strategically?

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Growth

- Succession planning by long-term oriented investor (Droege Group)
- Internationalization of Business Model
- Buildup of a development pipeline within the company

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Restructuring

- Securing the core business by compliance to increasingly stringent legal regulations for products and production
- Professionalize management and staff

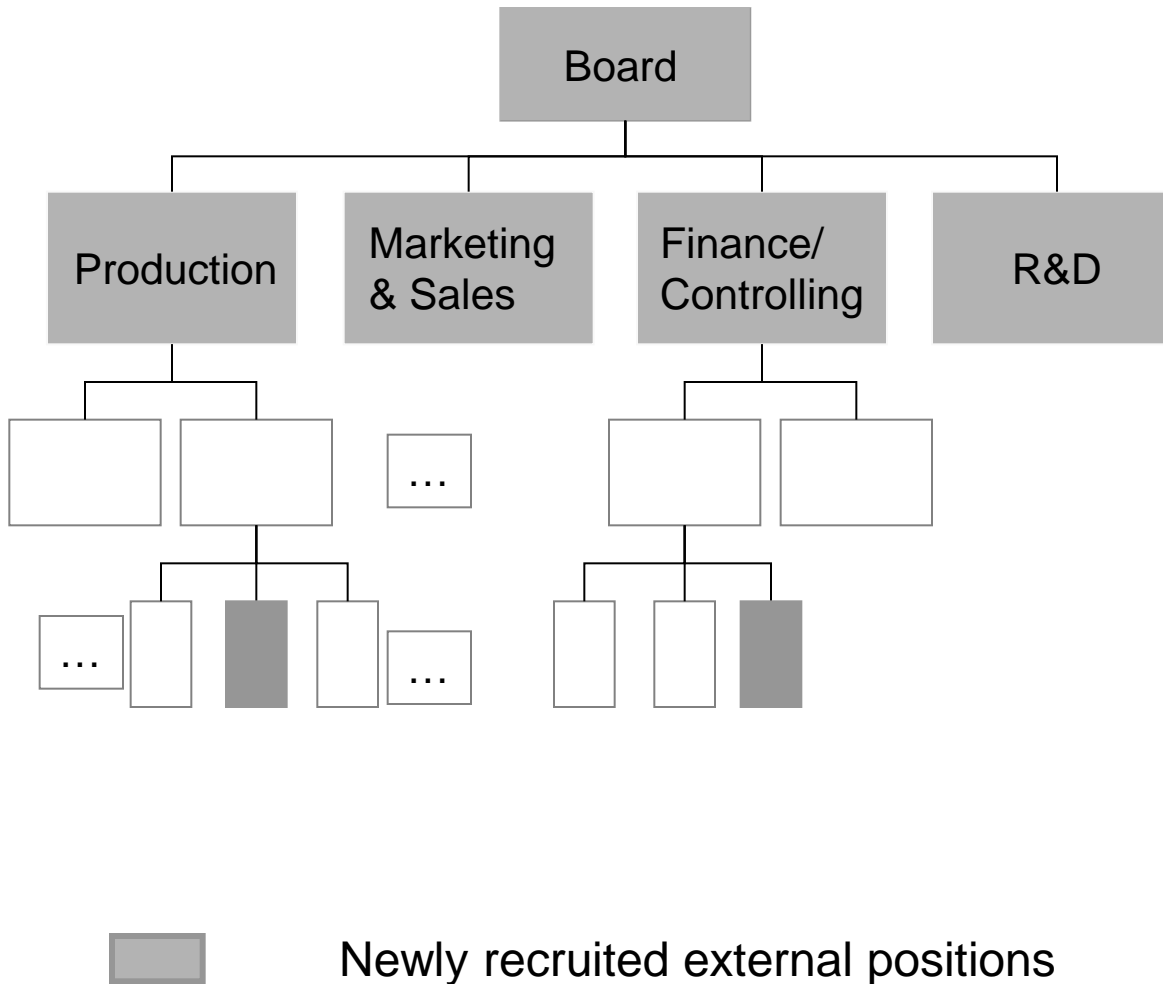
How can professionalization of the business model for a medium-sized company happen?

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- Experience in cross functional collaboration
- Build up management development program

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How to achieve compliance to medical GMP in a medium sized company



- Buildup of the most modern factory for immunotherapy vaccines worldwide
- GMP-compliance
- New degrees of freedom
 - Relocation from Haarlem to Biosciencepark of University of Leiden (one of the leading biotechnology hubs in Europe)
 - Modernizing the company internally (staff) and externally (customers)



How can the internationalization of the business succeed?

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Criteria	Own subsidiary	Importer
• Fixed cost	--	++
• Margin	++	--
• Level of control	++	--

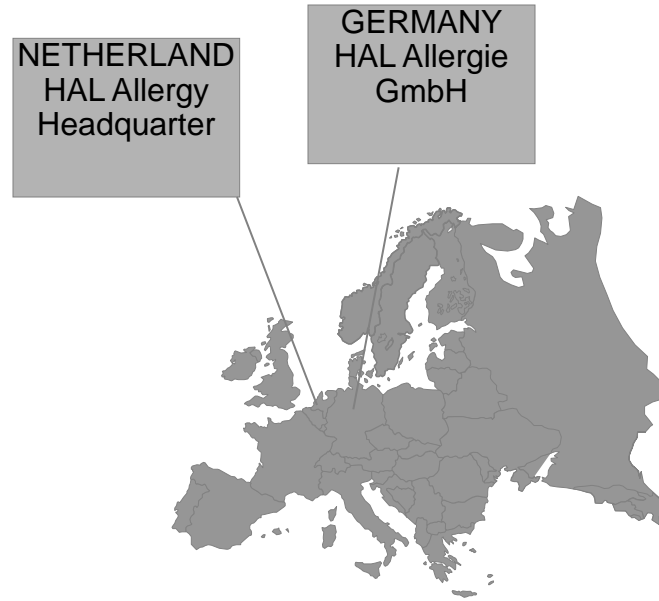
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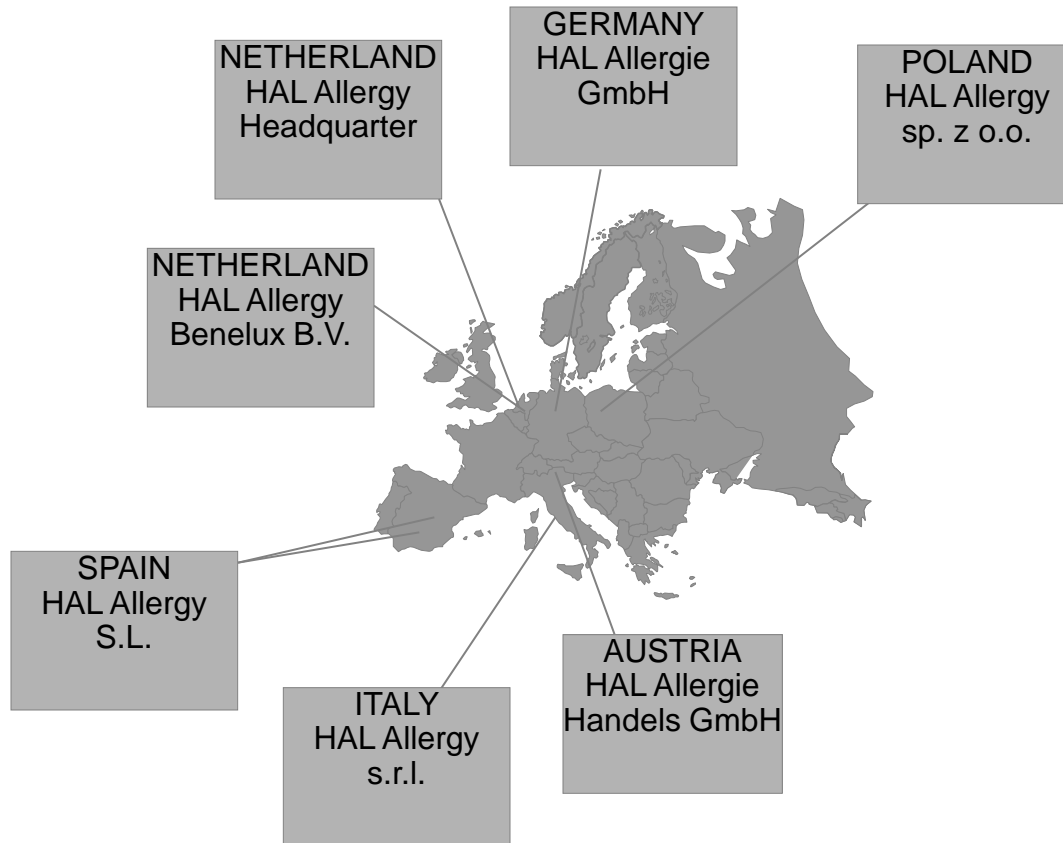


▶ In markets with high sales potential buildup own sales staff – otherwise use agents

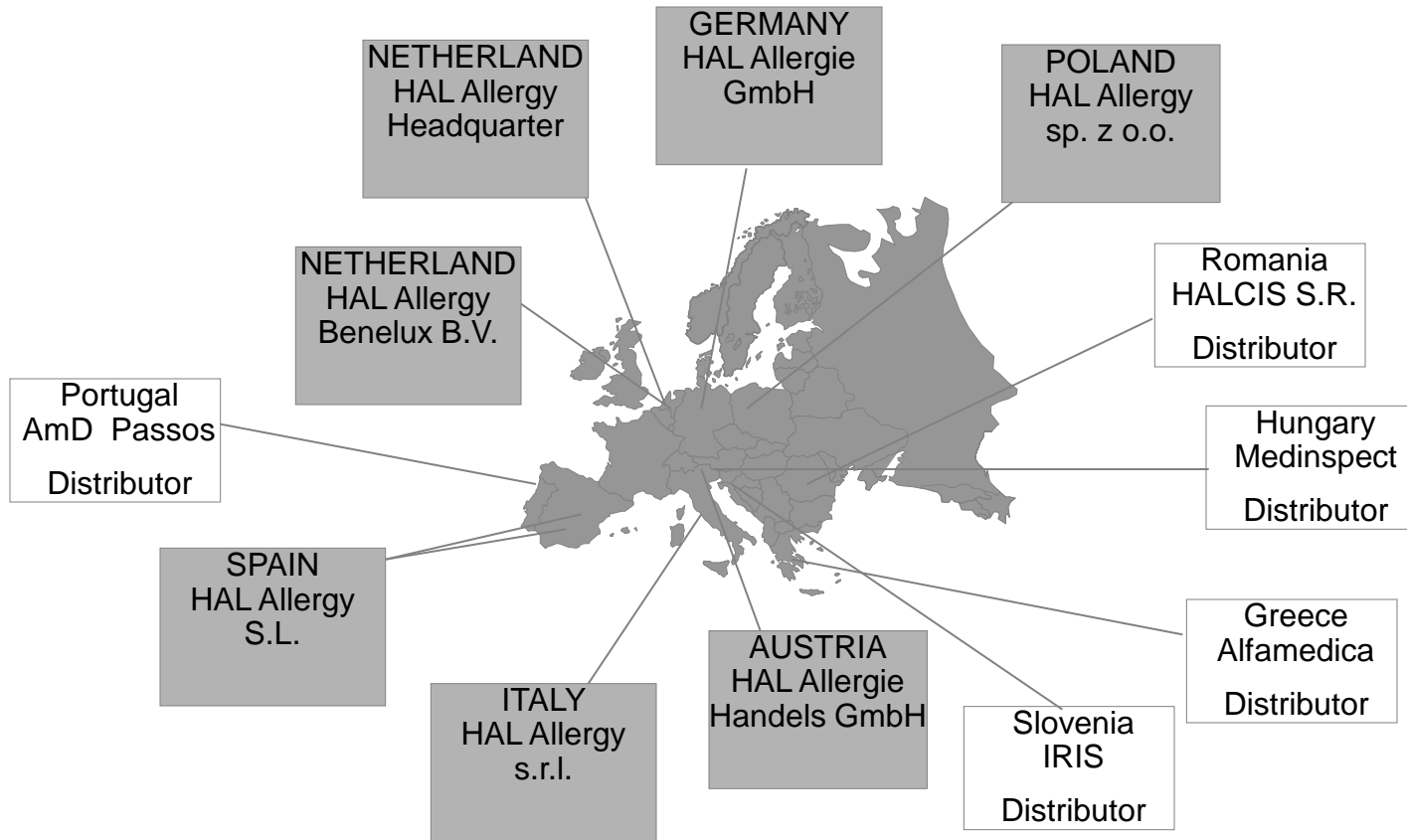
Restructuring and growth go hand in hand from the first moment onwards



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Restructuring and growth go hand in hand from the first moment onwards



12 markets are relevant to HAL Allergy today

How can a strategic development pipeline look like?

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Products

- Different forms of treatment
- Acceleration of the duration of therapy
- Immunotherapy against food allergies

Production

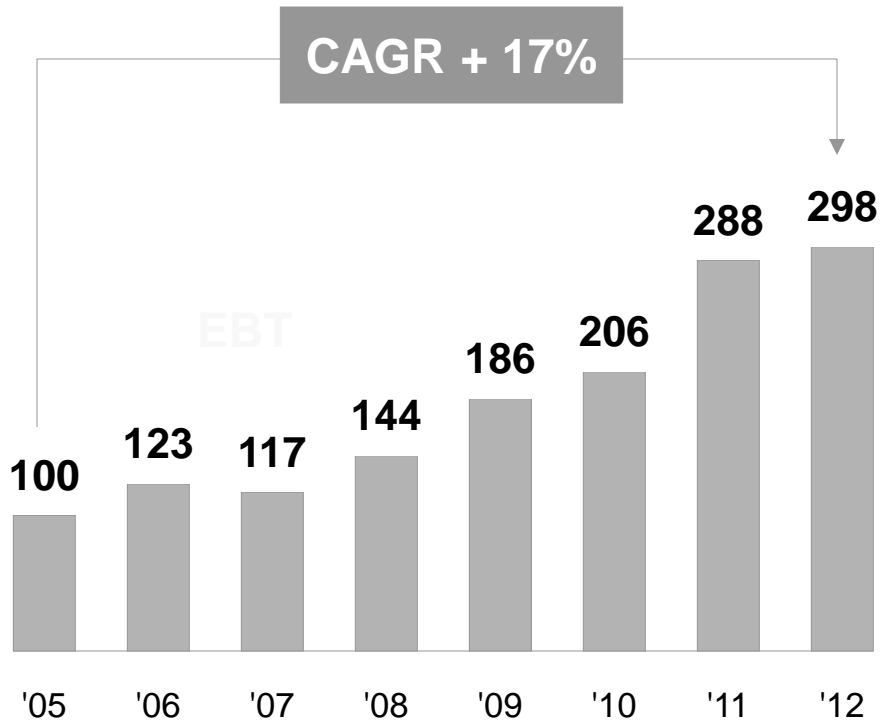
- Use of production know how for contract-manufacturing for other bio pharmaceuticals

What have the financial achievements been?

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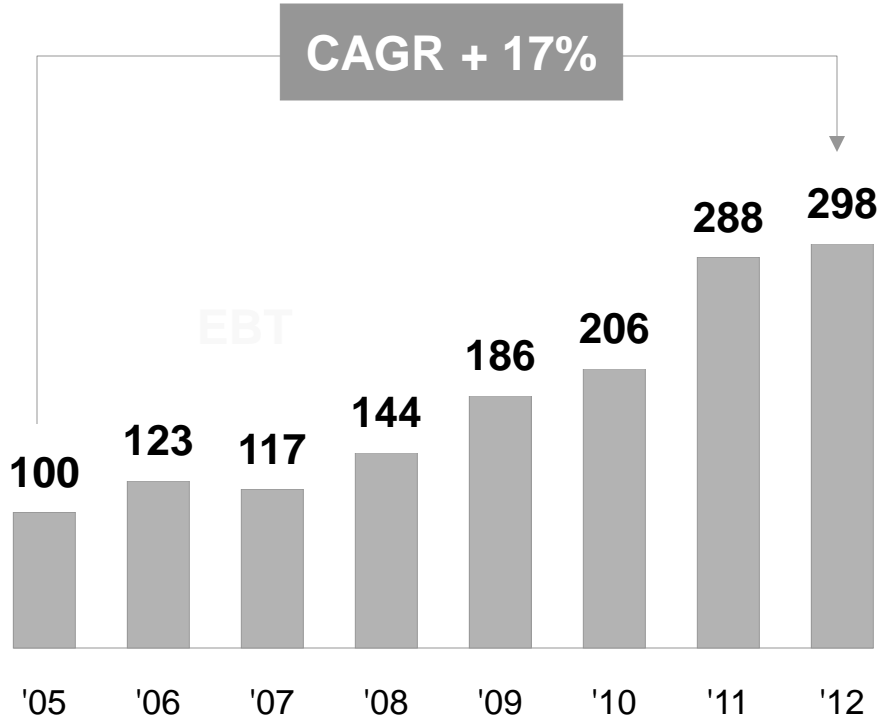
Development net sales



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Development EBT

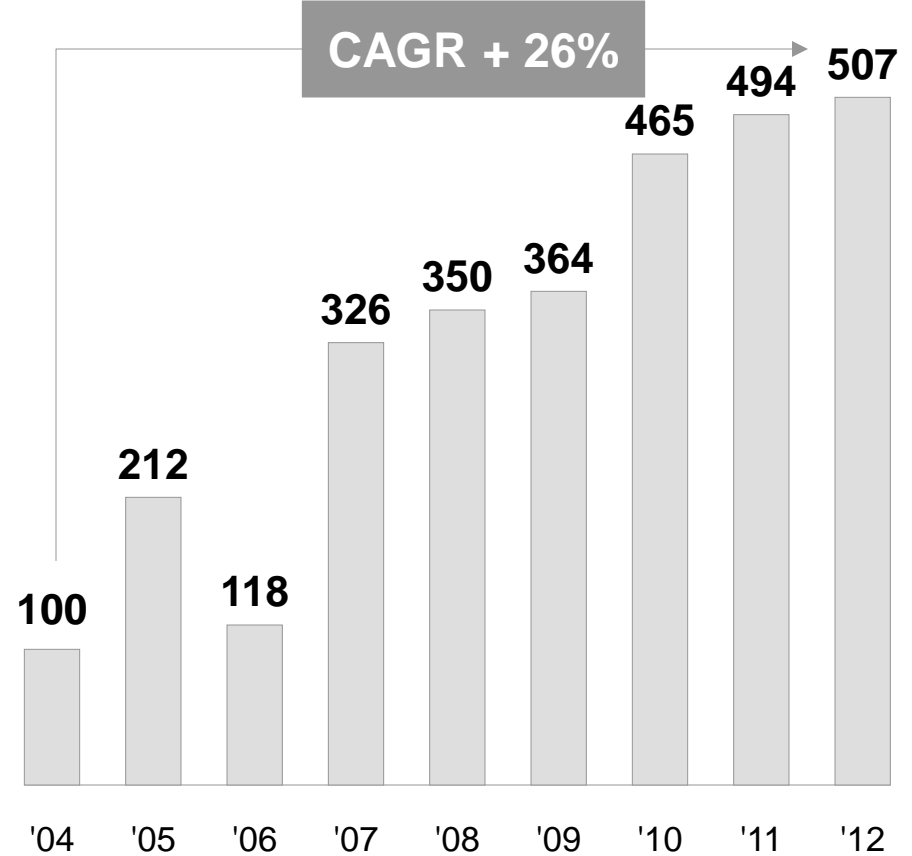


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Successful implementation - Key Factors -

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1

Restructuring and growth needs to
be addressed at the same time



“Holistic concept“

Successful implementation - Key Factors -

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“Holistic concept“

2 Focus on reforms without compromises from the very beginning



“Management commitment“

Successful implementation - Key Factors -

1	Restructuring and growth needs to be addressed at the same time	▶	“Holistic concept“
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6	Monitor implementation measures by master controlling station	▶	“Quick and consistent implementation“

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5	Develop emergency plan for external shocks	▶	“Radical flexibilization“
6	Monitor implementation measures by master controlling station	▶	“Quick and consistent implementation“
7	Involve executives and employees in an appropriate manner	▶	“Consequent change management“