

Presentation V1.0

Global Trends and Regulatory Changes impacting Medtech sector in US and China

15 May, 2019

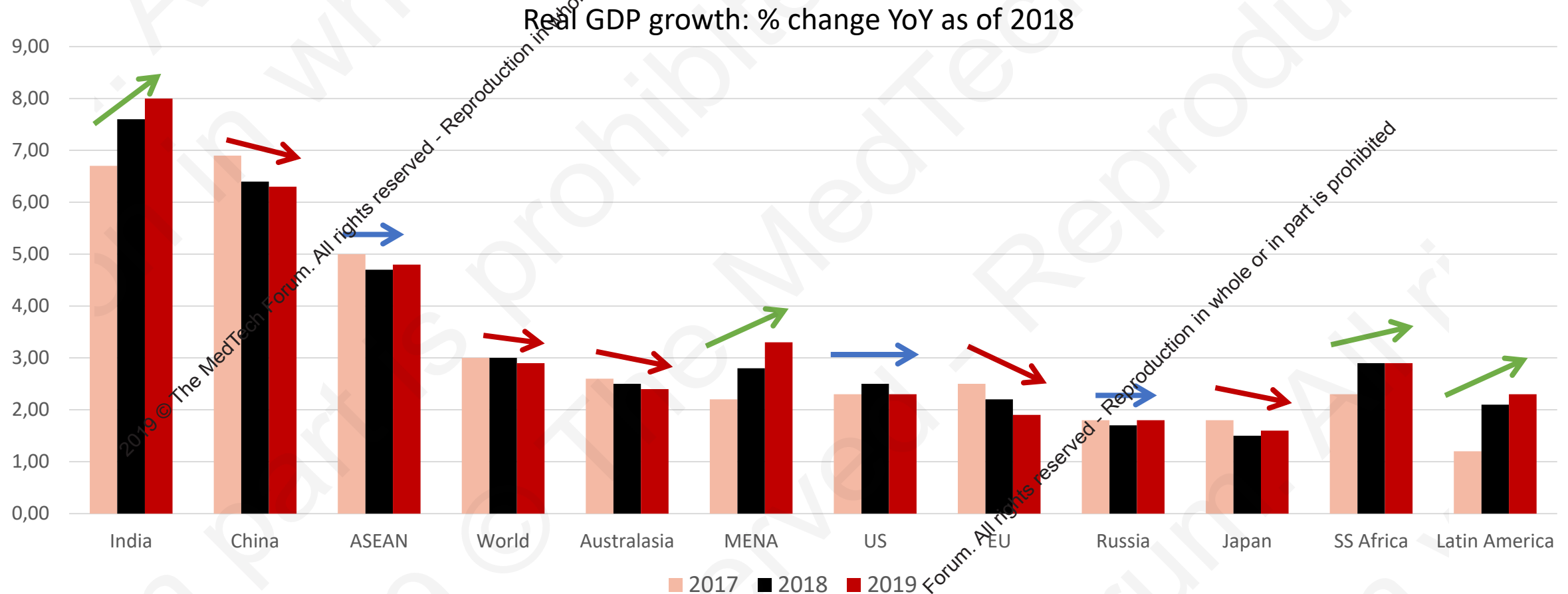
The
Economist

INTELLIGENCE
UNIT

HEALTHCARE

Healthcare redefined: from evidence to outcomes

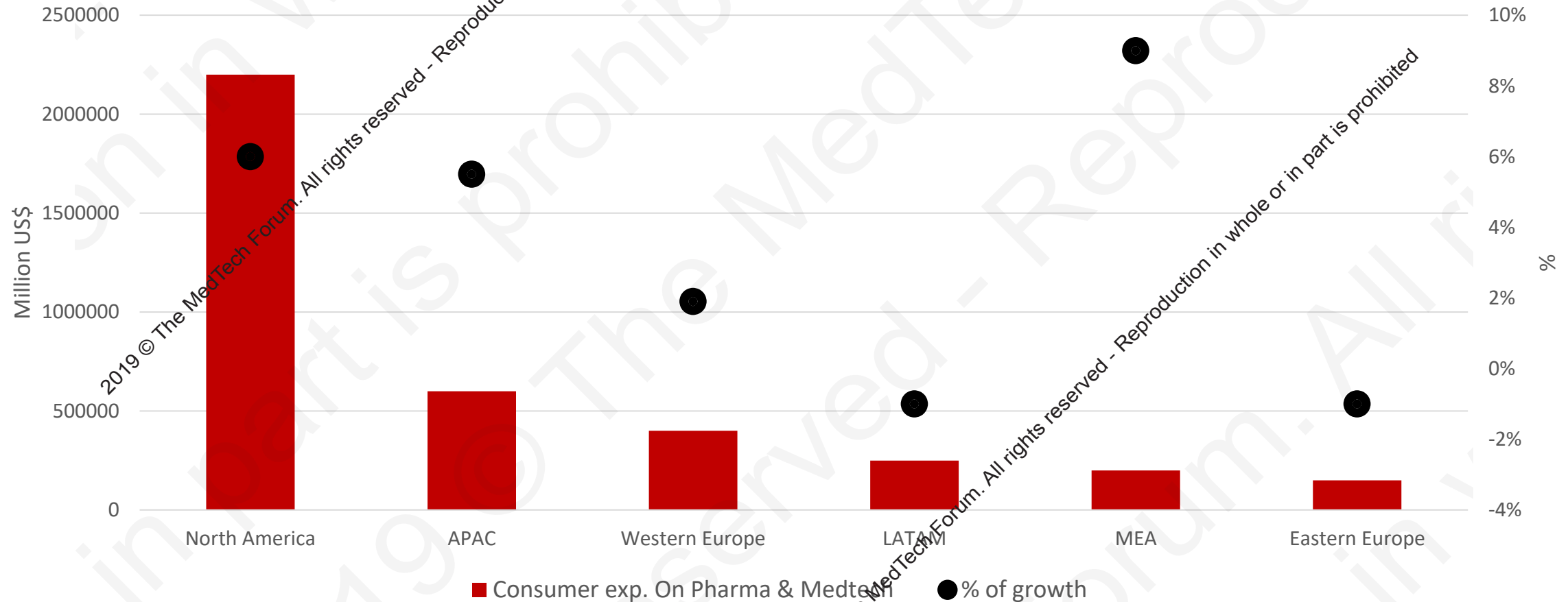
Emerging markets are an increasing focus for medtech companies



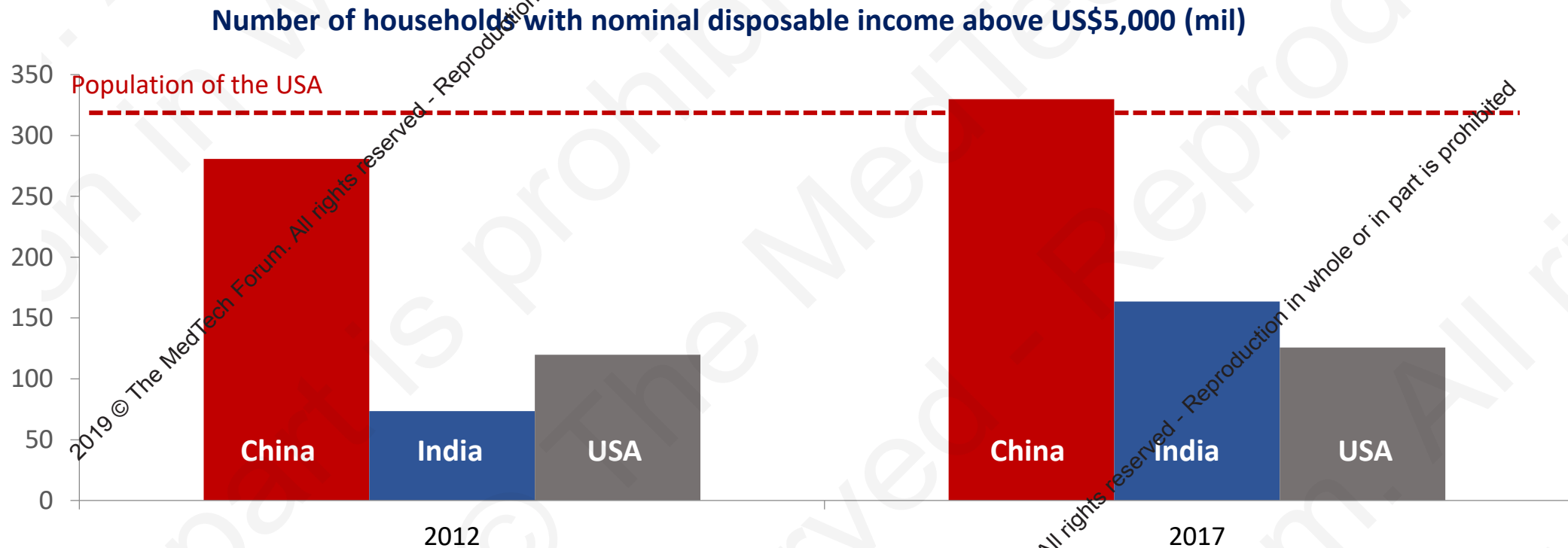
Source: The Economist Intelligence Unit.

US continue to dominate in medtech spend, but APAC is on par with EU

Consumer spend of pharma & medtech in 2016 and growth



Wealth: Greater demand from rising middle class in China and India

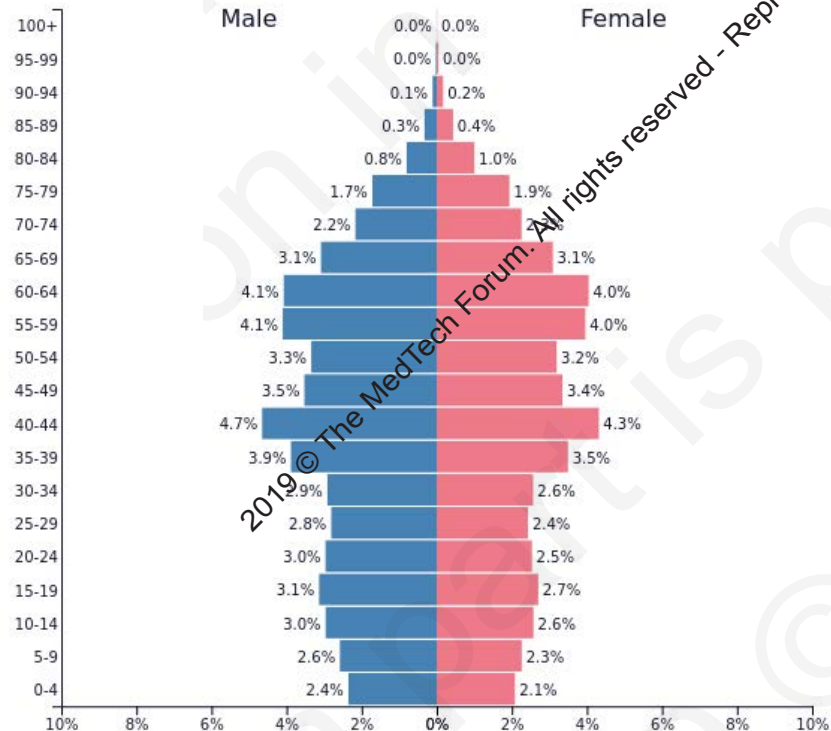


Source: Economist Intelligence Unit

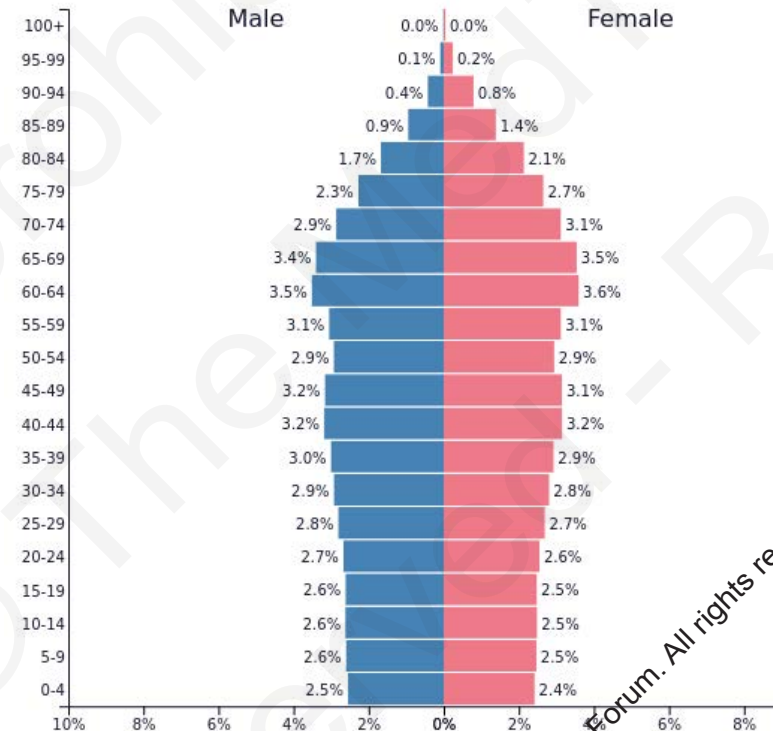
Health: Greater demand from rising middle class in China and India

Population age distribution projecting to 2030....

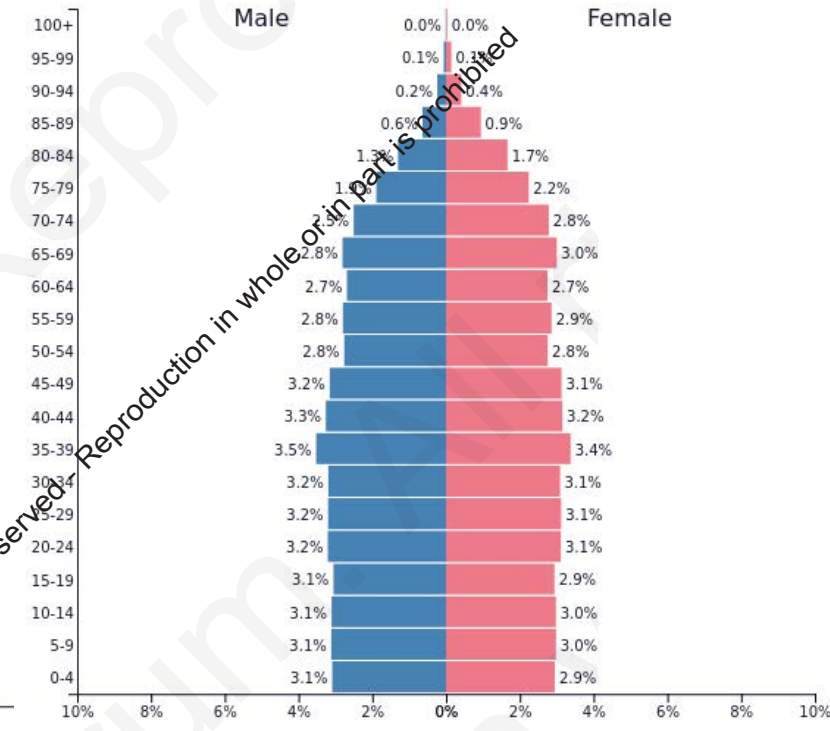
CHINA



EU-5

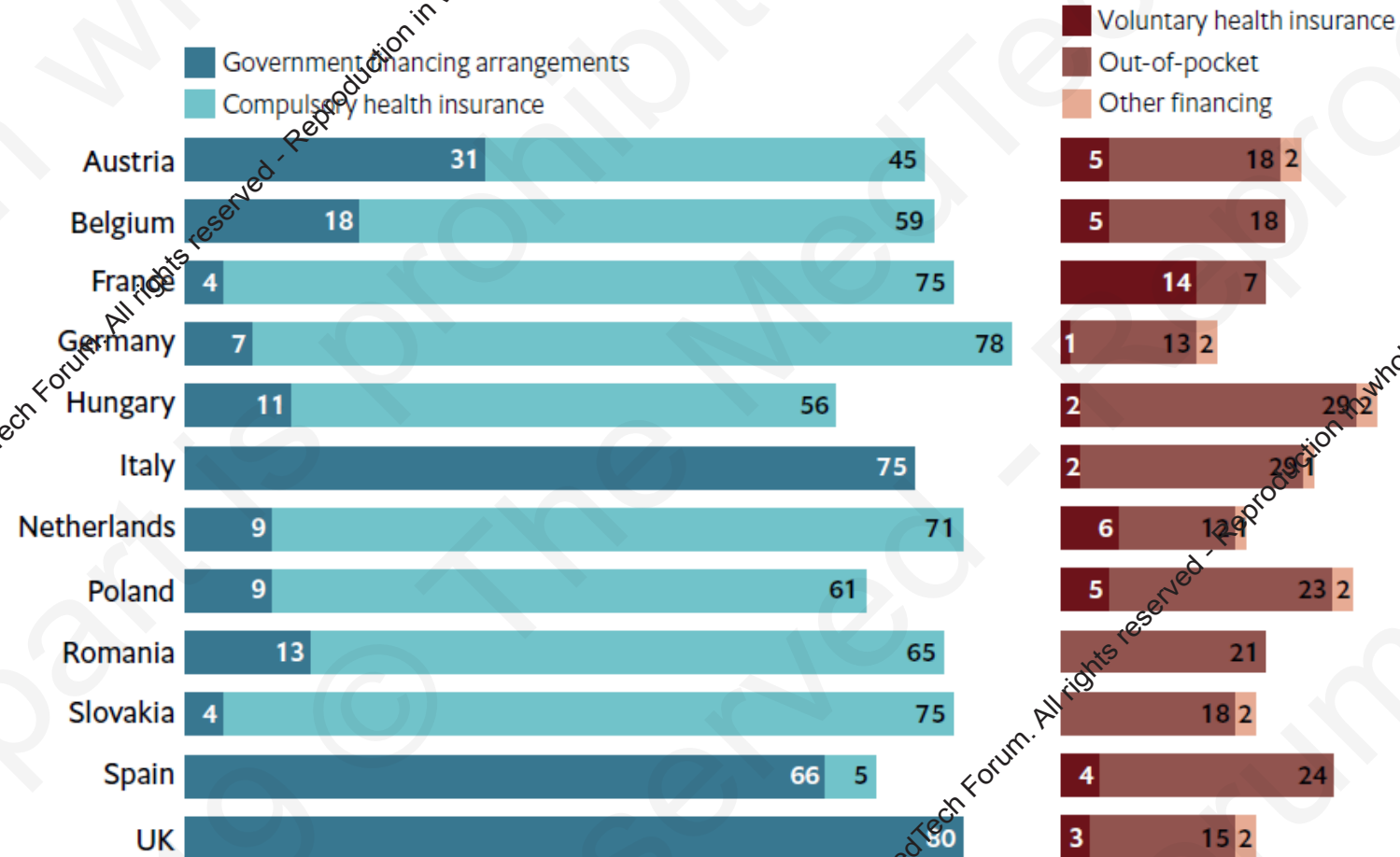


US



Europe: Escalating healthcare costs – a strain to payors

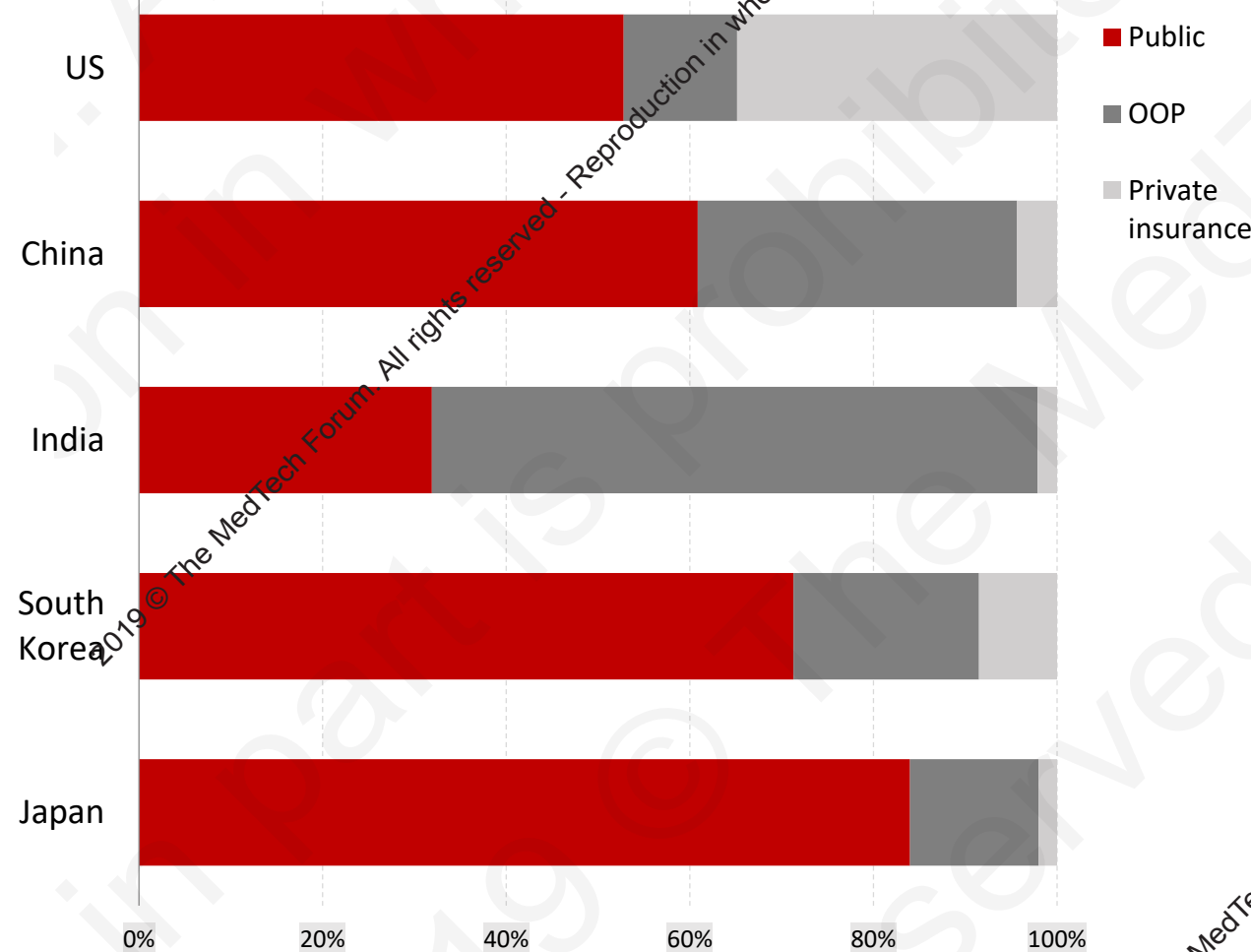
Financing sources as % of current health contribution



Source: WHO.

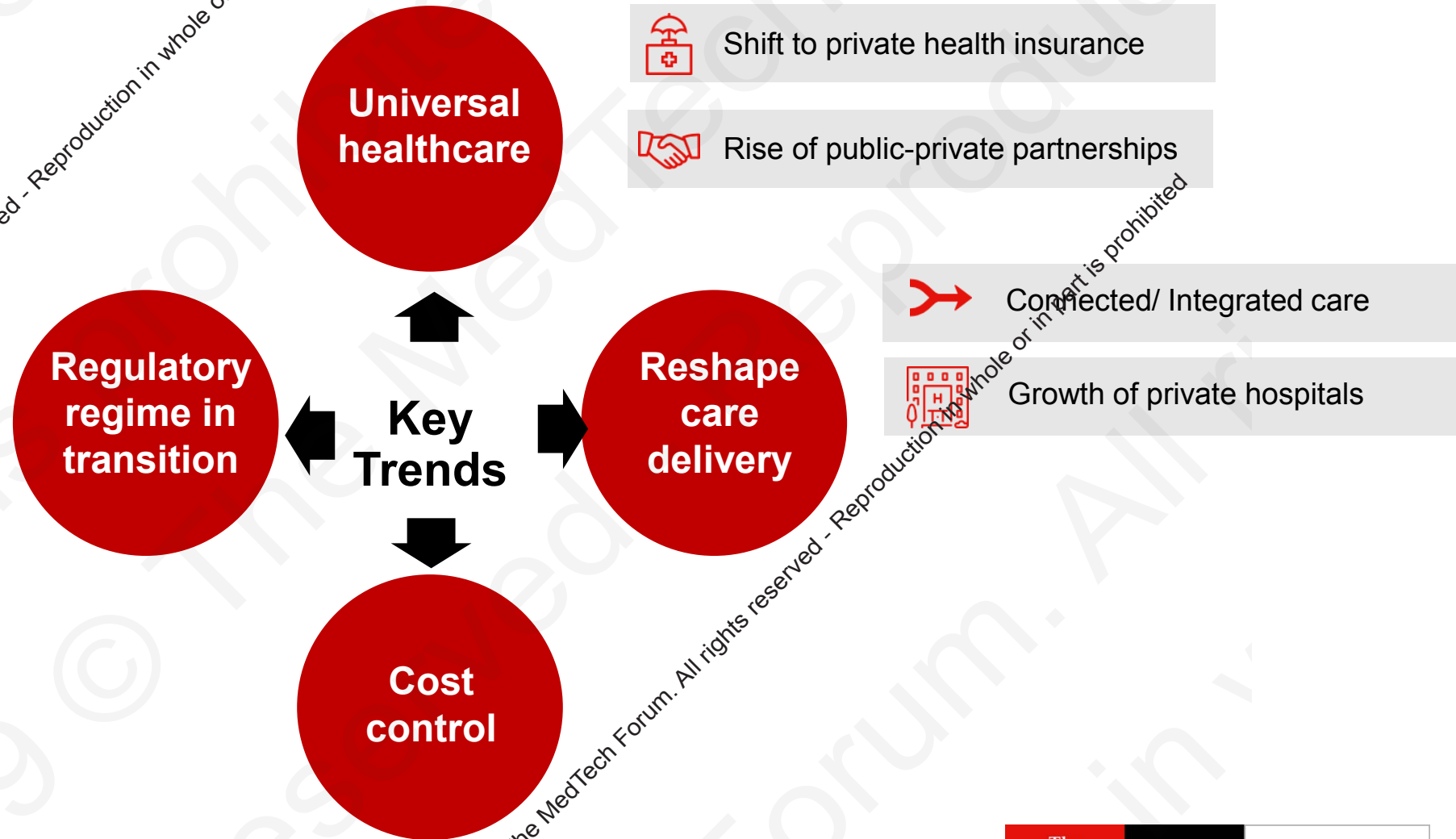
US & APAC: Similar strain on payor

Public vs. Private Healthcare Expenditure Key LATAM Markets

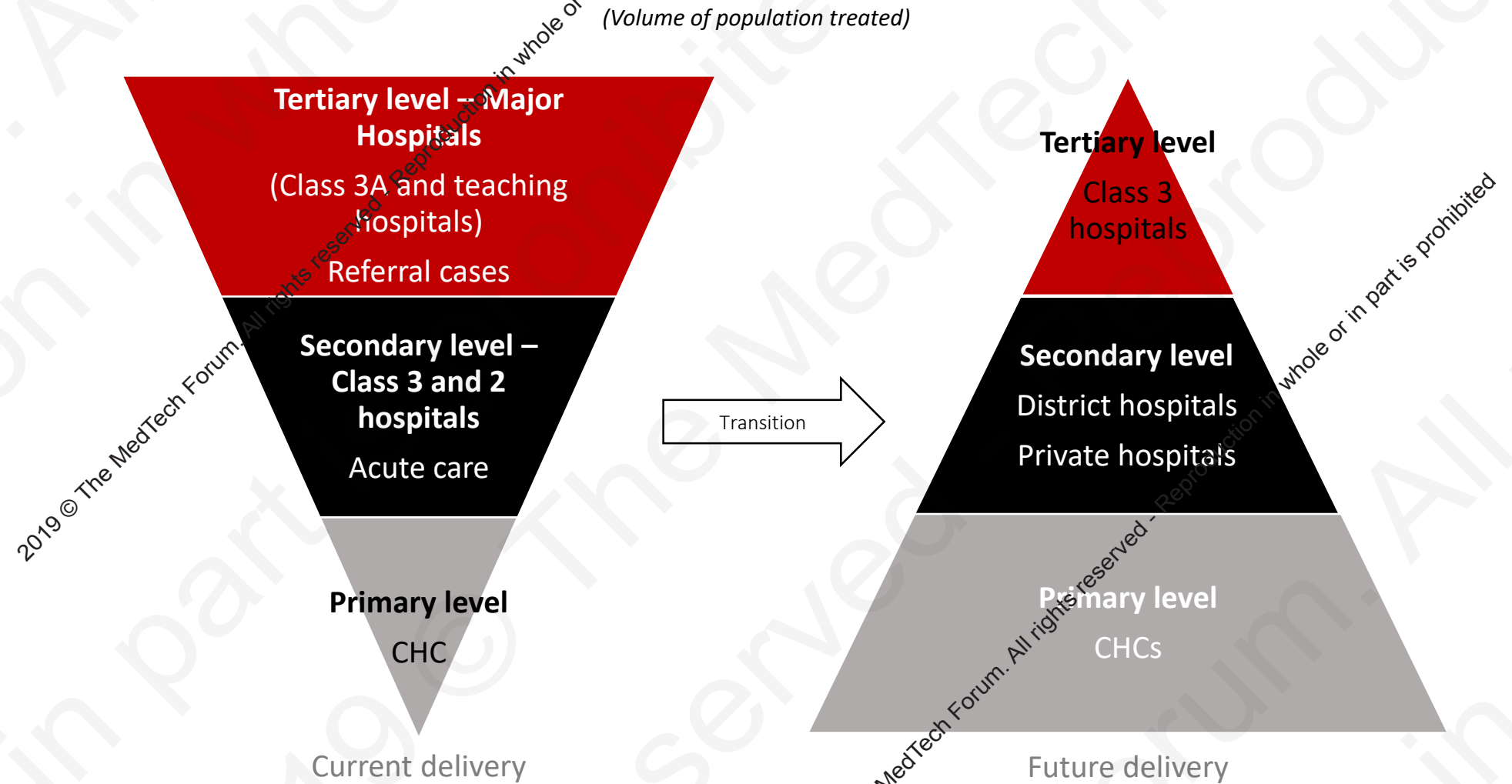


- 1 Publicly funded healthcare sometimes fails to provide adequate services
- 2 Healthcare reforms placed emphasis on subsidising health services for the poor
- 3 Lack of regulation in the private sector contributes to higher OOP spending and greater inefficiencies

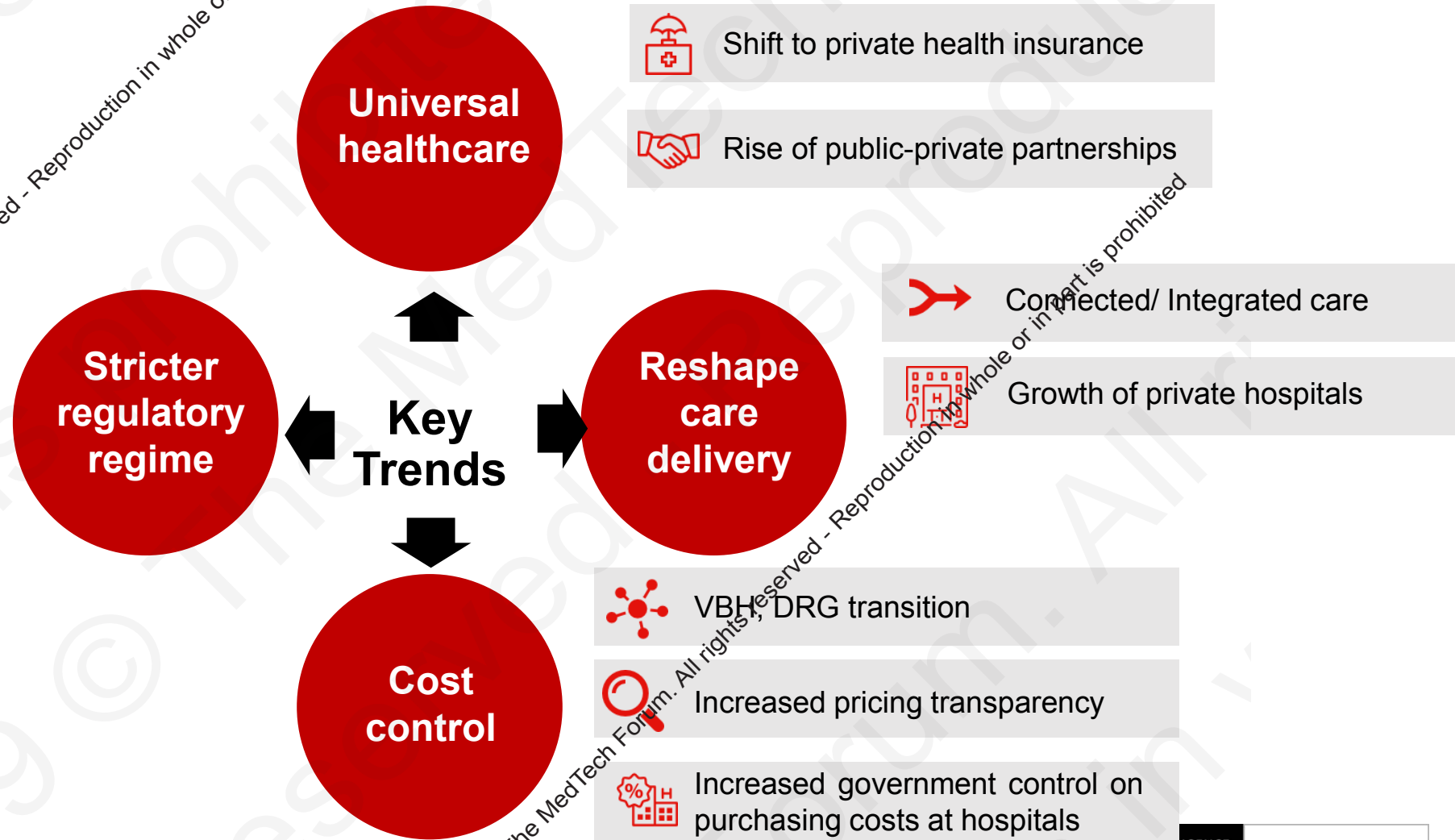
4 key trends reshaping medtech landscape



China: Reshaping care delivery flow

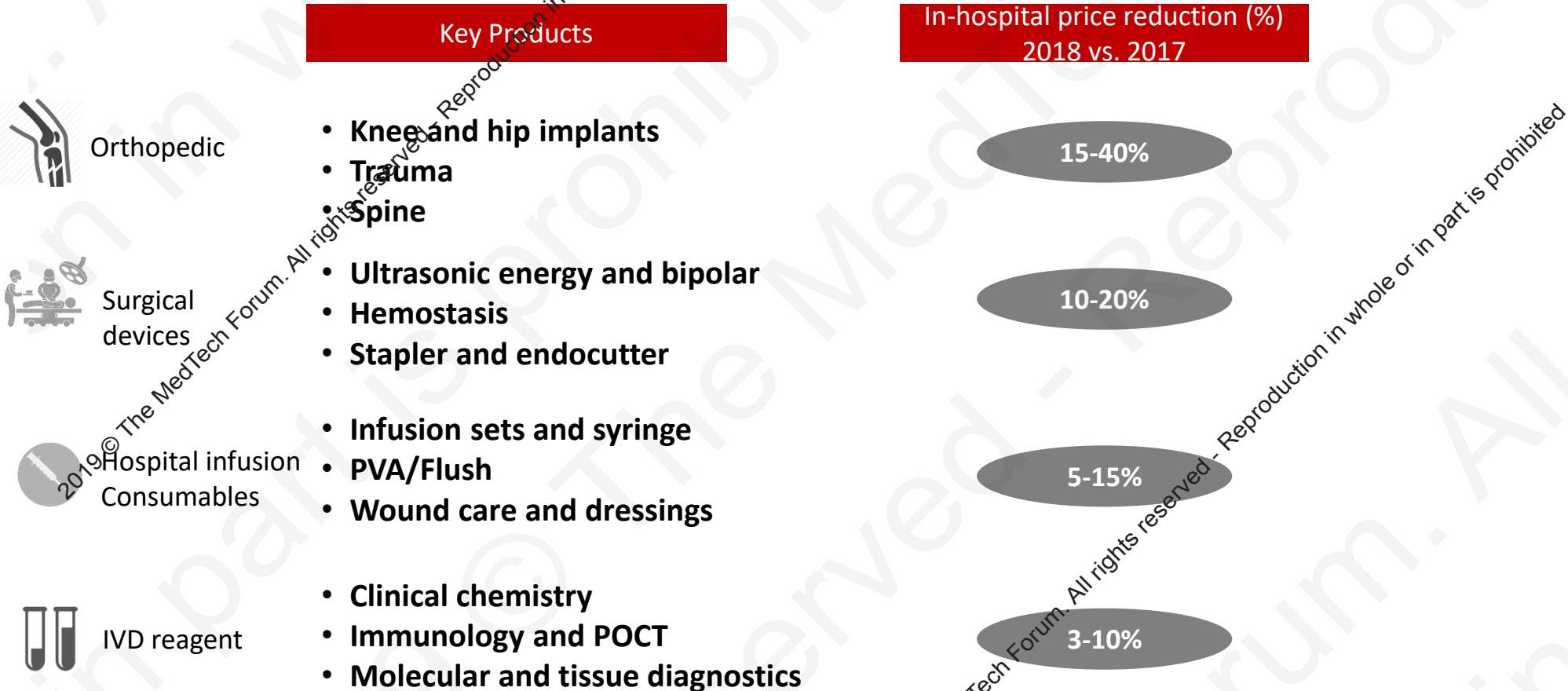


4 key trends reshaping medtech landscape

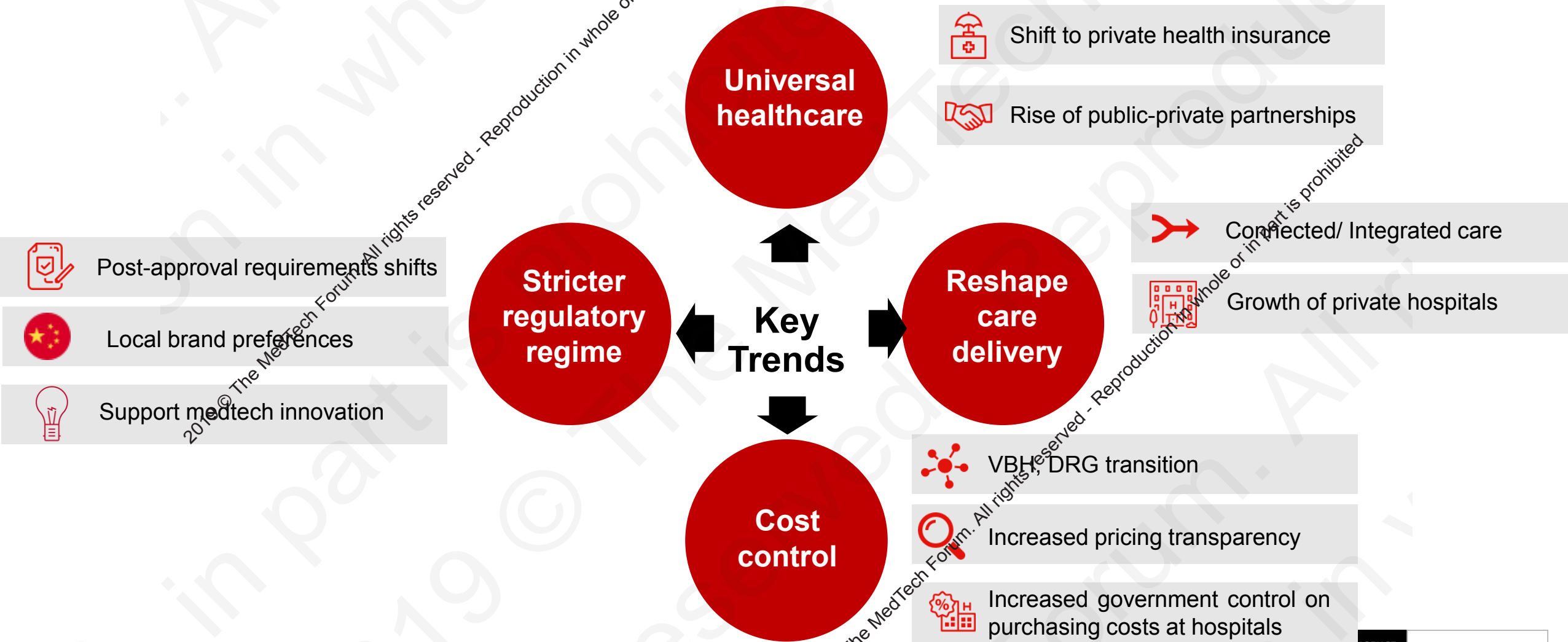


China: Sharp drop in prices over a year with new Hospital expenditure control and centralized bidding implementation

Price reduction impacts on major medical device segments



4 key trends reshaping medtech landscape



The Wildcard: US-China trade war shows no signs of easing

- Imports of each other's medtech for the two countries are almost on par in 2017 – with the US importing slightly more of medtech (by about 6%) from China based on the value
- Both imaging sector in China & US particularly affected by tariffs. Imaging equipment makes up roughly half of the value of medtech products that face US tariffs. Some of the other affected medtech products include electro-surgical devices, anaesthetic devices and patient monitoring system
- Since 2018: Not just imaging - other medtech segments also affected. China has hit back with tariffs on some 33 medtech product categories ranging from low-value medical consumables such as syringes to high-value medical equipment such as computed tomography (CT) equipment
- May 2019 - no truce/resolution that was hoped for, US hiked duties on \$200 bn worth of Chinese products (medtech mostly spared from this hike) to 25% from 10%

What does this mean to you in Europe?

Innovating FAST to WIN

- Direct government support and incentives to innovate
- Protectionistic policies to develop local innovation that can conquer export markets
- Proactively sourcing innovation from abroad
- Entrant of Tech giants to healthcare expedite pace of innovation

Seeking NEW horizons

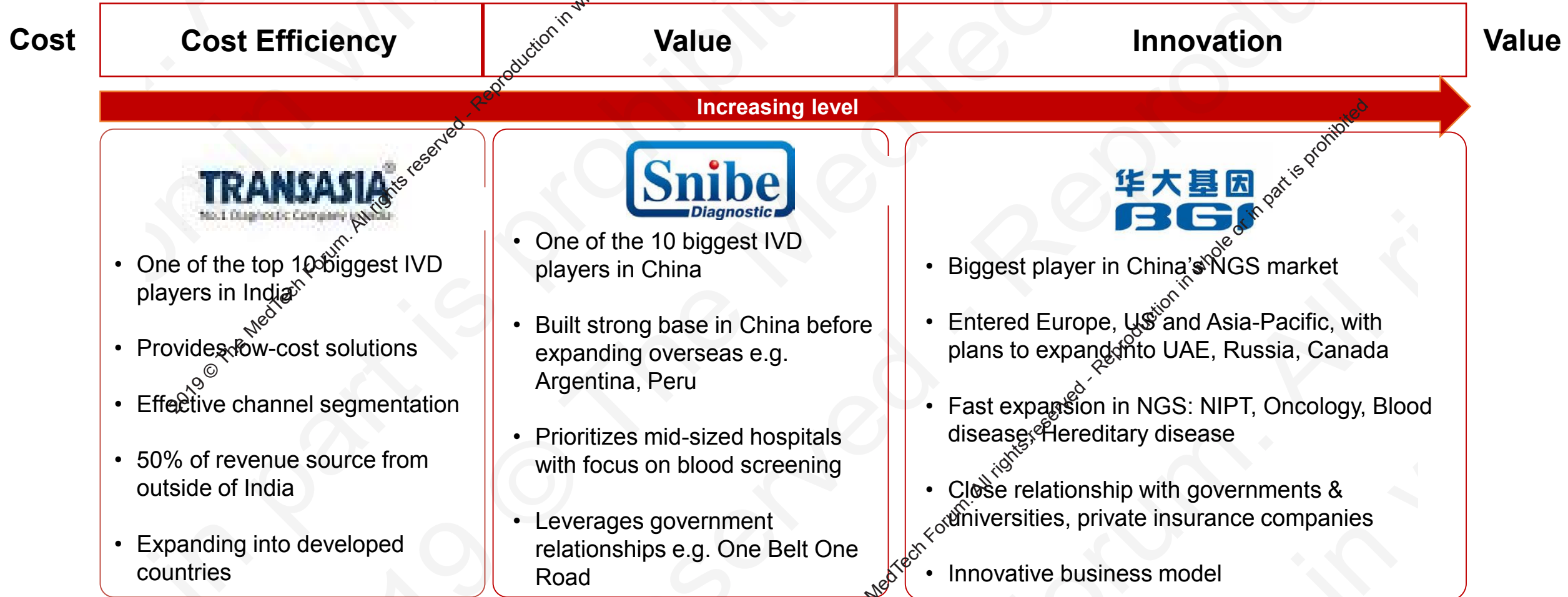
- Encouraged to invest overseas by the government
- One Belt, One Road initiative as platform of investment in other region
- Trade war escalation force to go beyond US

Agile to ADAPT

- Regulations raised standards to Western requirements
- Cost advantage increases with more funding pressure
- Faster to adapt business models
- More willing to spend on R&D

Chinese medtech players are at an inflection point - shifting from offering lower cost solutions to provide innovative products and business models

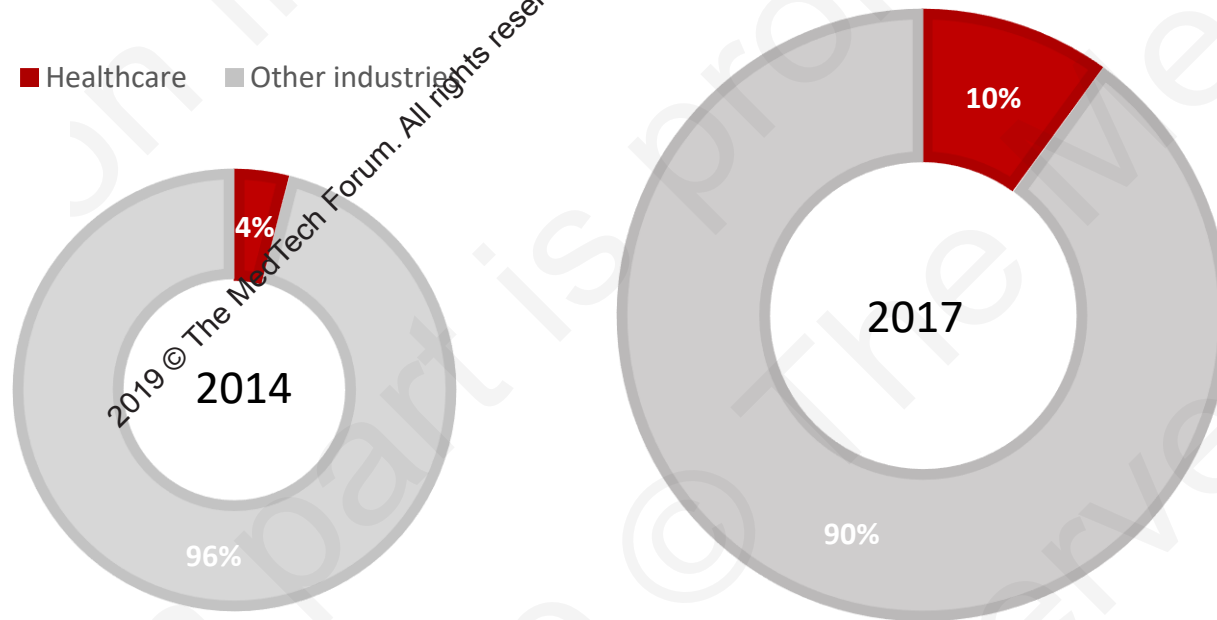
An example from Diagnostics



Source: EIU Healthcare (IVD Gateway, 2017)

China outbound medtech M&A on the rise

China Outbound M&A Value: Healthcare vs. Others



Chinese medtech companies acquisitions (some examples)



Acquired Lombard, Wright Medical



Invested in Histogen



Acquired PTS Diagnostics, Nipro

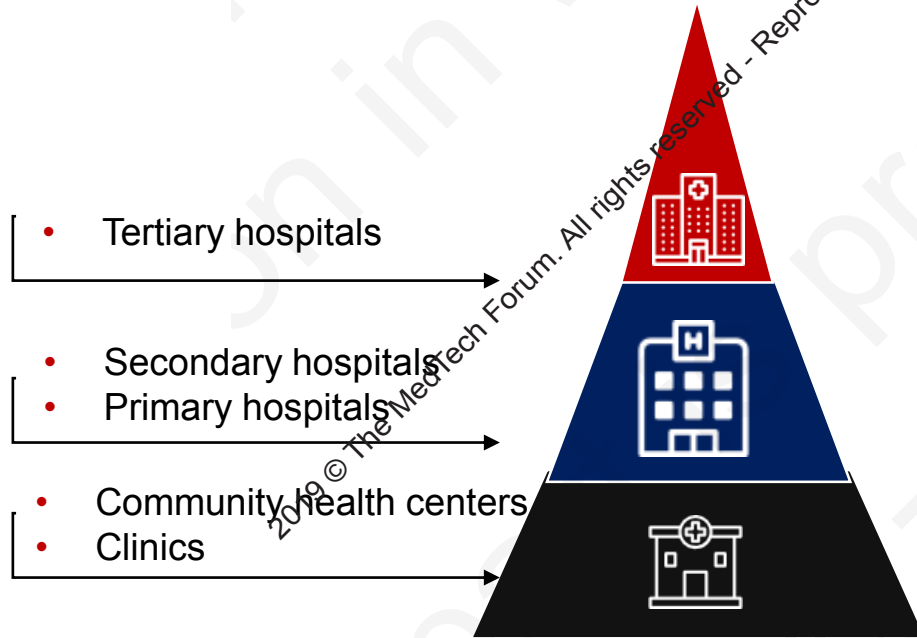
Chinese consortium (Kangda, Yuwell, Wandong)

Acquired Esaote



JV with Intuitive Surgical

Leading Chinese companies moving away from low-cost to value-adding selling model



Old Era

Quality of care

- Driven by out-of-pocket spending
- Growing frontier of care
- Located in key large cities

Value for money

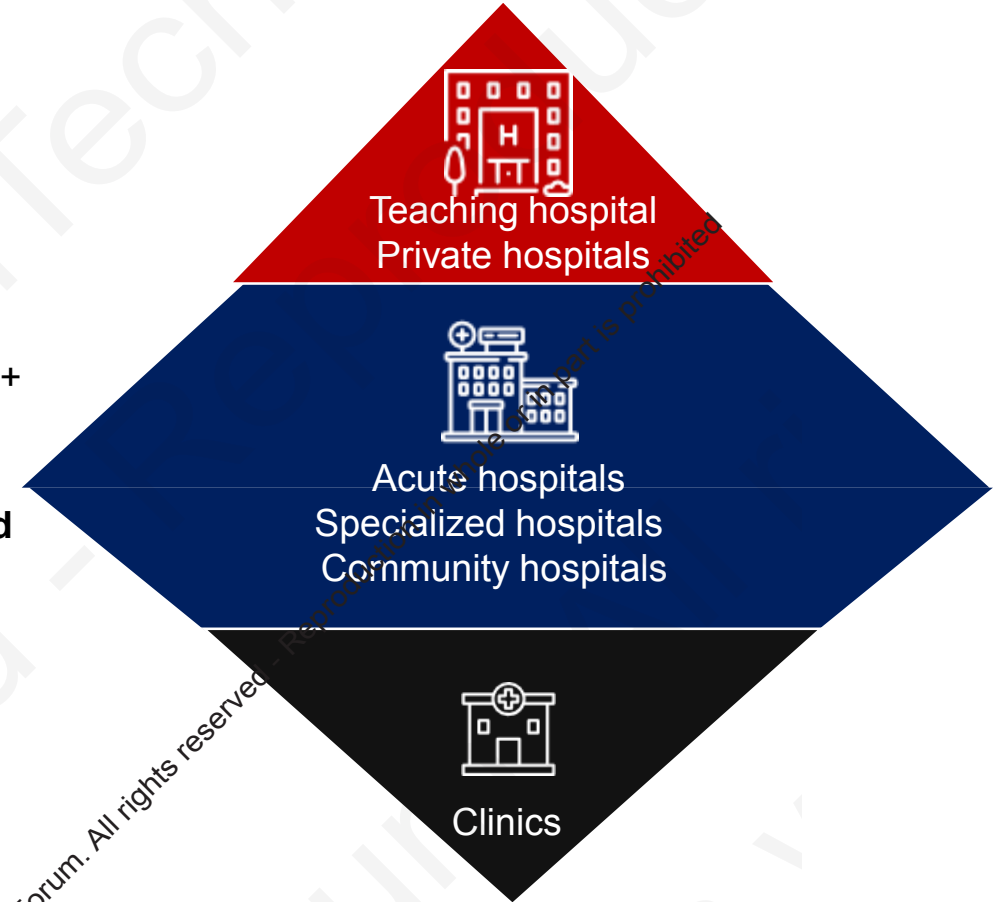
- Mix of private & public hospitals
- Co-pay: Health insurance + private health insurance + self-pay

High volume & overcrowded

- Typically overcrowded
- Co-pay: Health insurance (majority) + self-pay

Small & tight budget

- Government funding
- Price-sensitive
- Highly protectionist

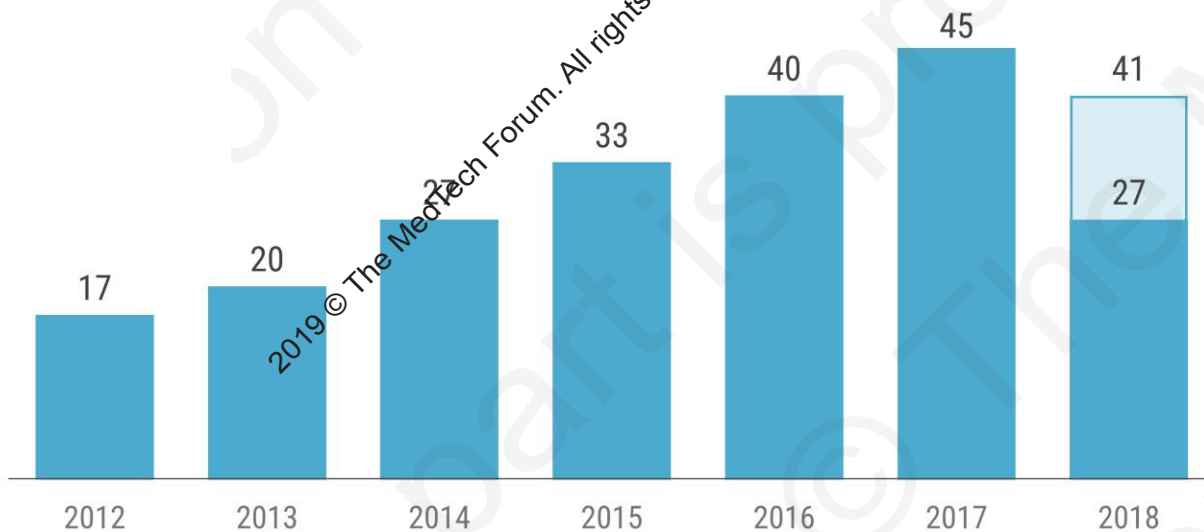


New Era

Tech giants entrant into Healthcare will raise the bar in medtech innovation

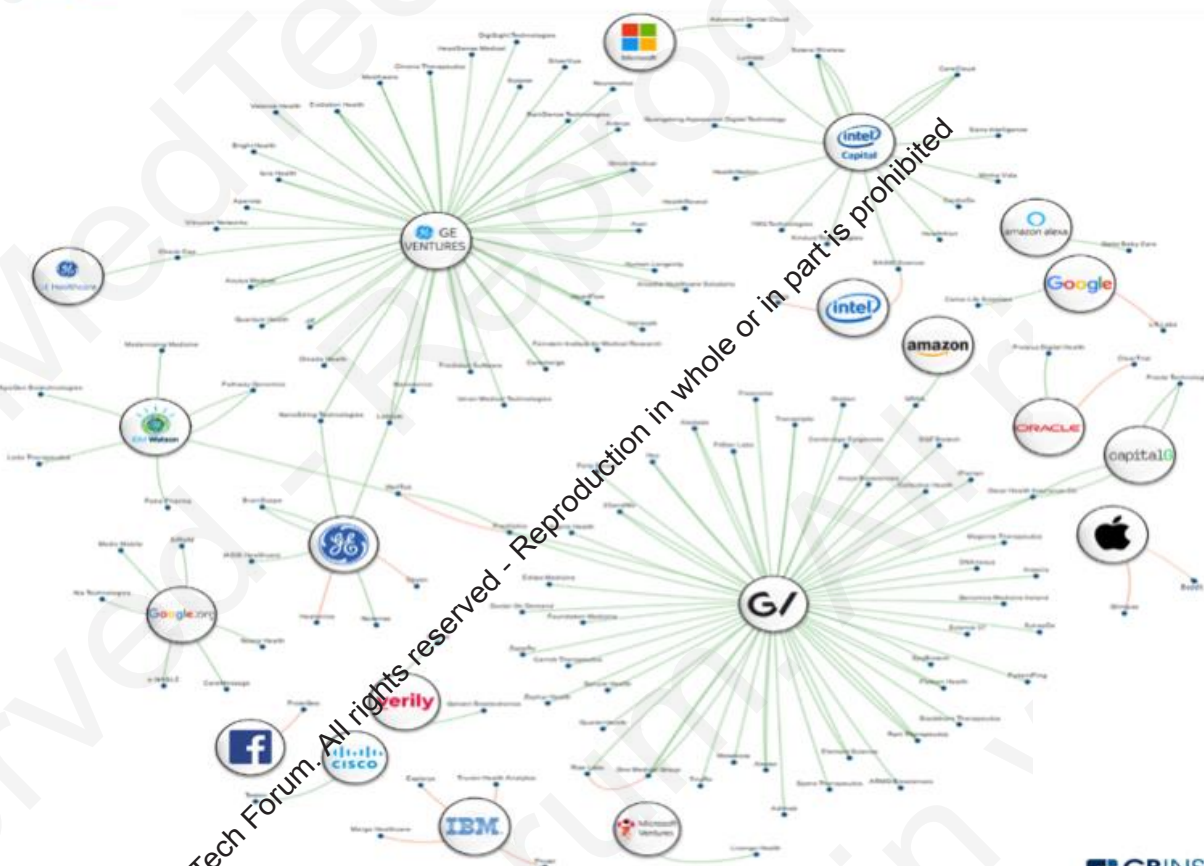
ANNUAL TECH PARTICIPATION IN HEALTHCARE

Number of healthcare deals. 2012 – 2018 YTD (9/6/18)

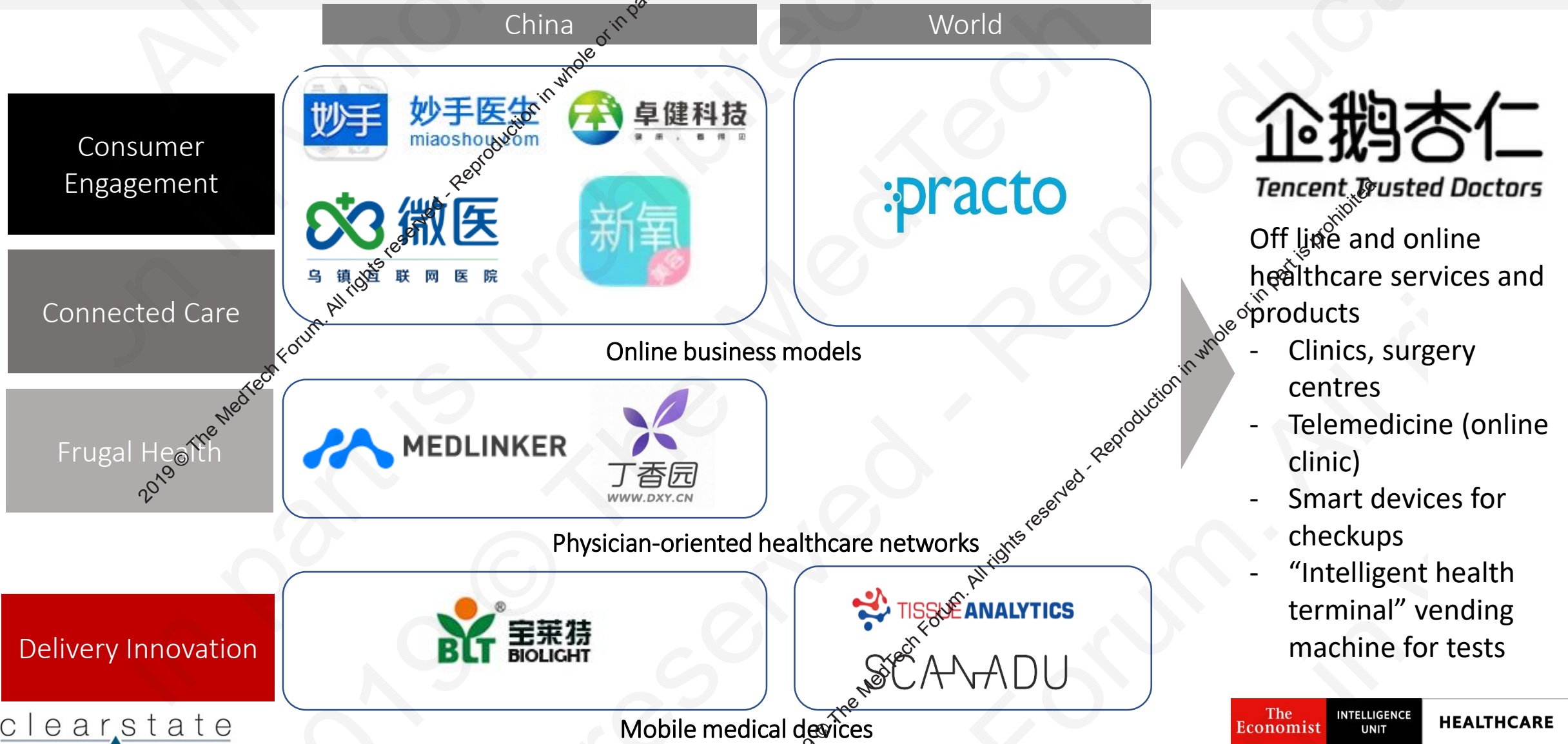


Source: cbinsights.com

TECH GIANTS INVESTING IN HEALTHCARE 2012 – 2017 YTD (5/18/2017)



Tencent: Doubling down on Healthcare – disrupting healthcare value chain



- Off line and online healthcare services and products
- Clinics, surgery centres
 - Telemedicine (online clinic)
 - Smart devices for checkups
 - “Intelligent health terminal” vending machine for tests

How can players in Europe response?

**New Products
& Services**

Product features driven
Expansion not innovation

**New Business
Models**

Incremental perspective
Internal focus

**New
Operations**

Operational efficiency

Innovation NOW & FUTURE

Value innovation across stakeholders
Services as differentiator

Game changers perspective
Collaboration is prerequisite

Integrate processes and systems
Big data

Demanding APAC conditions driving medtech companies to adapt their business models to capture future opportunities – Are you doing the same?

How will government policies evolve?

Evolving government policies – Commitment to healthcare spending, key policies to improve care yet control costs, emphasis on market access & value-based outcomes

How will payer models and roles evolve?

Payer and financing model – Implementation of universal healthcare coverage, growth of private insurance players, shift towards value-based healthcare, Private-public partnerships, etc.

How will delivery of care shift?

Hospitals and physicians' roles – Shift of infrastructure development, growth of private hospitals, medical resources shift to primary care, rise of specialized centers, etc.



How will patient priorities & roles change?

Rise of the Dr. Patient – Patient empowerment and proactivity changes dynamics of care delivery, creates new solutions by the private sector and encourages new initiatives from governments

How will technology be applied and at what pace?

- **Personalized medicine** via precision medicine, robotics, companion diagnostics, medical printing, etc.
- **Big data analytics** via electronic health records, reimbursement data, real life data, diagnostic tests results, etc.
- **Empowered care** via mobile health technology, home/ self monitoring, wellness data, social networks, etc.
- **Connected care** via telemedicine, virtual care, e-health, e-pharmacy, etc.

How are competitors evolving?

Existing and new players – Rise of domestic and multinational companies and potentially new entrants from adjacent industries