Philippe Chêne – President, Winncare, France



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Philippe Chêne, president of Winncare, highlights the key developments of the group over the past three years – most notably its acquisition of the UK player Mangar Health. Chêne goes on to comment on the French reimbursement and medtech environment, pointing out the strong ambitions of the new administration yet lack of consistency within the overall structure of the government.

When we first interviewed you as president of Winncare in 2016, you identified an objective of reaching a turnover of EUR 100 million (USD 113 million) over the course of five years. Three years later, how have you progressed in achieving this goal?

The key pillar in achieving this EUR 100 million (USD 113 million) goal is to continue leveraging the best out of the assets we hold. For example, we are using the acquisition we made in Denmark in 2015 to expand our footprint internationally as our Danish colleagues are strongly familiar with the export business. Furthermore, the Mangar Health acquisition of 2018 will not only strengthen our positioning in the UK, but it will also drive our entrance into the US as they already have a significant presence in the market, accounting for ten percent of their revenues.

How did you identify this growth opportunity of Mangar Health, and what implications will this acquisition have for Winncare group?

M&A activities are an integral part of the growth strategy of a company like Winncare. When looking into acquisitions, I always take into account three principles. The first is privileged acquisitions outside of France to balance our geographic footprint. When I joined Winncare the company made 90 percent of its sales in France – today we are close to 60 percent. Secondly, we only acquire companies with portfolios that are complementary to Winncare's. Instead of acquiring pure competitors to acquire market share, the main focus is to add products to our offering. Finally, looking at market needs, we see two areas growing in the future as the population ages – bedsore prevention and patient handling and mobility solutions.

Mangar Health has a unique patient handling solution offering and has close to 90 percent market share in the British Emergency Services segment. Their products can be marketed to several segments such as emergency services, nursing and care homes across the rest of Europe.

How will the acquisition of Mangar Health further develop Winncare's international footprint?

The main rationale behind the Mangar acquisition was not related to their presence in the US, but, we saw this as a fantastic opportunity to accelerate our global expansion rather than in two years as we had planned originally. Additionally, Mangar is well positioned in Australia, New Zealand and South East Asia. On the other hand, they did not have such a strong foothold in the European markets, but here we will leverage Winncare's coverage of the region to balance the business.

Between Mangar and Winncare, the vast majority of our sales are still based in Europe. Our next focus market is absolutely the North American region. In Australia and New Zealand, we do not expect major developments as both companies are already present quite significantly in the countries. That being said, overall, we expect double-digit growth in our export activities versus steady mid-level, single-digit growth in Europe.

How have you managed the integration of Manager Health thus far to ensure universal discipline throughout the company without imposing centralized processes?

The key to a successful integration strategy is to make sure that people working in the same company are sharing the same values and moving towards a unified goal. The cornerstone is trust amongst people. Building trust can be well expressed by the image of a tree. The roots represent integrity, the trunk being the intention of people to have the same values and move in the same

direction, the branches are created by the competencies and skills of employees, and finally, the fruits are the results of the entire team's efforts. From the ground, through the trunk, and to the branches, a strong base is needed to help an organization grow up and out.

Winncare's growth is built on its ability to make acquisitions, integrate people, and then harmonize the different experiences and cultures around a single mission and direction. Finding the commonalities between all stakeholders in the organization is the most important aspect of integration.

The topic on every European's mind today is the uncertainty around Brexit. With a recent entry into the UK, what implications will this have on Winncare's operations and how are you preparing the group to handle whatever challenges may come?

Before looking at short term issues, I was analyzing mid to long term strategy. For a company like Winncare which is radically centred in Europe, we have to be present in the top markets – the UK being one of them.

Last December, many people said that investing in the UK is too risky and that it is better to wait a bit longer. Taking calculated risks such as this one can be exciting and often creates the best deals as there is 'less competition'. Mangar Health manufactures in the UK and imports raw materials and semi-finished products from outside the EU, so we do not expect much turbulence from Brexit in this regard. However, this could impact our supply chain, but this is a matter of managing working capital and inventory well.

Similarly, when it comes to exporting, Mangar Health is primarily selling to the US, Australia, and New Zealand. When we did our analysis, we did not take into account the synergies Mangar Health could have with the EU. If in the end, we are able to export from the UK in the EU, this will be an added bonus in our operational model.

Through 'Ma Santé 2022' plan, the Macron administration has committed to a sound transformation of the French reimbursement scheme which will place an added focus on patient pathways. What are your thoughts about these claims?

The announcements made by the current administration about an added focus on patient pathways, a more universal reimbursement scheme, and increased caretaker integration are all

very positive. But there have yet to be any positive changes seen… On the contrary, we have never seen such a large cut in the Social Security budget and reimbursement for homecare products and services.

There is a lack of coherence between short-term and long-term approaches to health strategy. The current aim of developing ambulatory surgery and ensuring that patients go back home as soon as possible, promote home care for the elderly while at the same time, cut reimbursement against companies that are taking care of home patients does not align. Players in the sector are facing sudden reimbursement slashes of up to 40 percent at a single time.

I am in favor of regulation, but what the industry wants is to have exchanges and processes to organize discussions with the Social Security and the administration regarding this issue. The current message being sent to not only the industry players but the patients is one of disconnect between what the Minister of Health Agnes Buzyn has said and the way the administration is managing the system.

How would you assess the Macron administration's position on the value of preventative care and their commitment to evaluating the effectiveness of medical devices in this context?

These drastic cuts were made in the past within the pharmaceutical sector and now they are coming to medical devices. Looking at the consequences of such measures, within ten years, France went from the first pharmaceutical manufacturer in Europe to the fifth and the first in clinical trials to the sixth. Moreover, when these budget cuts were made, pharma companies could balance the damage and recover by leveraging their strong international presence. In medical devices, over 90 percent of the French sector is made up of SMEs, and they are unfortunately unable to cope.

The sector needs clarity and transparency – we need to know how our products will be evaluated. Medical devices cannot have double-blind studies like in pharma. The impact that medical devices have on patient health not only depends on the device itself but also on the caregiver. To truly analyze the efficacy difference between products requires huge amounts of data, resulting in the issues of lengthy and costly trials. Again, there have been certain initiatives and promises made by politicians, but we still need more changes to come. Assessing the value and economic outcome of a medical device is far more complex than a drug, and it requires a much more 'holistic' approach.

As a consequence for us, France today is not about growing but rather managing profitability. Winncare has 200 employees in France and a majority of the group's manufacturing footprint is here. The question we are facing is not should we stay in France, but can we stay.

What do you see as the most necessary areas of change in order to create a more balanced relationship between the administration and external stakeholders?

The politicians have great intentions overall, but if they do not take back the power from the administration, nothing will improve. Visibility within the sector is essential, and Macron's announcement to stop the solidarity tax on wealth (ISF) sends a strong message to investors in the country. While this is a good example of an attempt to create a more nurturing environment in France, these initiatives are very often isolated.

In the Social Security office, there is a mentality that their mission is not related to labour and unemployment in France. For a long time, companies suffered from a silo structure and one side could take actions that were not beneficial to the other side within the same organization. This is something that has changed within the industry but still seems to be the case in the government. Each administrative body has its own personal objectives, and this must be changed.

To conclude, where do you expect to see not only Winncare but France as well, in five years into the future?

I expect Winncare to be a truly international company and a respected leader in our focus areas. We will continue to be a partner of choice to patients who have lost autonomy and mobility and their caregivers. Within five years, Winncare will have fully developed digital solutions, something we have already begun working on.

Especially in France, I would like to see a healthcare system in which the industry and administration are not fighting against each other but working together to best cover patient needs, current and future.

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