

Interview: Karsten Wellner – Chief Executive Officer, Ascendis Health – South Africa



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The CEO of Ascendis Health talks about their business model, being a long-term investment company that brings together healthy businesses in the healthcare industry, and how the diversification of their product range and customer base ensures it remains a stable, resilient business.

Ascendis Health is a fast growing JSE listed pharma company. What have been the main growth drivers for the business?

Our main growth driver has been our vision, to build an integrated care company for animals, plants and humans. Having examined the market, we started with a number of acquisitions, sometimes acquiring businesses that have been active for over 50 years. We as a company are new, but many of our underlining brands have a long history in the Southern African market. We reported 100 percent growth at our full year results last September. Our aim is to achieve 10 percent to 15 percent organic revenue growth from the group's strong and resilient brands. This is supported by the acquisition of complementary businesses, brands and dossiers targeting a further 20 percent – 25 percent revenue growth. We are also targeting five percent on our bottom line which we expect out of synergies. We for example own three sports nutrition businesses and by bringing them together we can extract synergies; common warehouse, finance and marketing platforms.

The target we have set for ourselves is for both our consumer brands and pharma-med division to represent 40 percent of our business, with the remaining 20 coming from our phyto-vet division. Such targets might change in the mid-term, they have been derived by analysing the local market as of today. Concerning international markets, such targets might need to be adapted, depending on where we see the main opportunities.

The Sub-Saharan Africa medical devices market is expecting to grow, boosted by new investment, to reach USD 25–30 billion in the total healthcare market for over the next few

years. What potential do you see in the medical devices environment in region and how will Ascendis maintain its leadership position within it?

We represent large international companies who use South Africa as the gateway to Southern Africa. We recently acquired the Scientific Group, which conducts 40 percent of its business outside of South Africa, primarily in Botswana, Namibia and Zambia. We see opportunities to take the South African medical devices industry to other African markets. We own another medical device business that is strong in surgery with endoscopic procedures, which represents Olympus, a large Japanese company. Olympus has decided to conduct more of the services it offers to the African market in South Africa. Instead of an Olympus machine from Nairobi being sent to London for repair, it will be sent to Johannesburg and is fixed at our service centre. There are opportunities to export South African medical devices to neighbouring countries.

International investors are interested in Ascendis because we are seen as a very strong player in South Africa, with opportunities to export to the African continent. The diversification of our product range as well as our customer base, ensures we are a stable, resilient business, which is not much impacted by government price intervention. Investors appreciate this diversification.

As one part of its growth strategy Ascendis has a strong focus on growth through acquisitions. How have you been able to leverage the capabilities of the group to build value and create synergies with the companies you acquire?

Our acquisitive strategy is of real importance, it is a key focus areas to ensure we continue to grow. We have a dedicated M&A department with around 30 financially trained employees in both Cape Town and Johannesburg. This leaves the operational side of the business time to focus on growth, as well as finding synergies within our businesses. This dedicated department, within Coast2Coast, an experienced investment holding company and the controlling shareholder of Ascendis, focuses on acquisitions according to our strategic targets. This gives the operative side of the company more time to grow the organic side of the business. When we bring together different healthy entrepreneurial businesses, we try to keep their entrepreneurial spirit while adding scale from a back office point of view.

Ascendis brands are currently sold in 52 countries globally, including 22 other African countries. What importance do you attach to growing your international revenue?

Internationalization is important given the imported inflation present in South Africa, due to a weakness of the Rand, which has been devaluating against the major currencies worldwide. The majority of our business, and this distinguishes us from many pharmaceutical companies, is not price controlled. South Africa is a market where consumers understand that foreign exchange fluctuations change prices and are prepared to pay forex related higher prices. Internalization also takes on real significance for the company, because we have numerous strong brands that we believe can establish strong market position in many countries. Another pillar of our internalization strategy is in acquisitions, where we replicate the South African model of building platform companies in the health and care space.

What importance do you attach to giving back to the community and promoting health lifestyles in South Africa?

Being a listed company, we are a corporate citizen, meaning we have a duty to give back to the country. We give approximately one percent of our profits after tax to support community initiatives. We readily invest in structured social corporate responsibility programs including sports initiatives such as Ubuntu Soccer. Everything that we do with regards to CSR concerns education, nutrition and sport.

You have been quoted as saying that Ascendis has a corporate culture of excellence, delivery and the ongoing pursuit of success. How do this translate in to your management style and how do you instil this in your employees?

I love winning, I want to be successful. A company that provides numerous sports brands has a role in ensuring people live a healthy lifestyle. We sponsor a pro ladies mountain bike team, including one lady who is currently the three times South African champion. At Ascendis, we try to establish a culture of sportive achievement. While you need to have a certain physique, sport also has a lot to do with mental strength. In business it is very similar; you need to have good quality products, but if you have a team around you who are passionate about what they do, with a competitive edge, then you will succeed. I was once asked are you the Aspen of the wellness industry, and we do certainly try to be entrepreneurial, ensuring that our businesses continue to grow at a fast rate â?? but we have a more diversified range of products across the spectrum of health â?? for plants, animals and humans.

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