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M&A – GLOBAL TREND ON THE RUSSIAN PHARMACEUTICAL MARKET

Sergey KRIVOSHEEV

Chairman of the Board of Directors
Pharmacy Chain 36.6

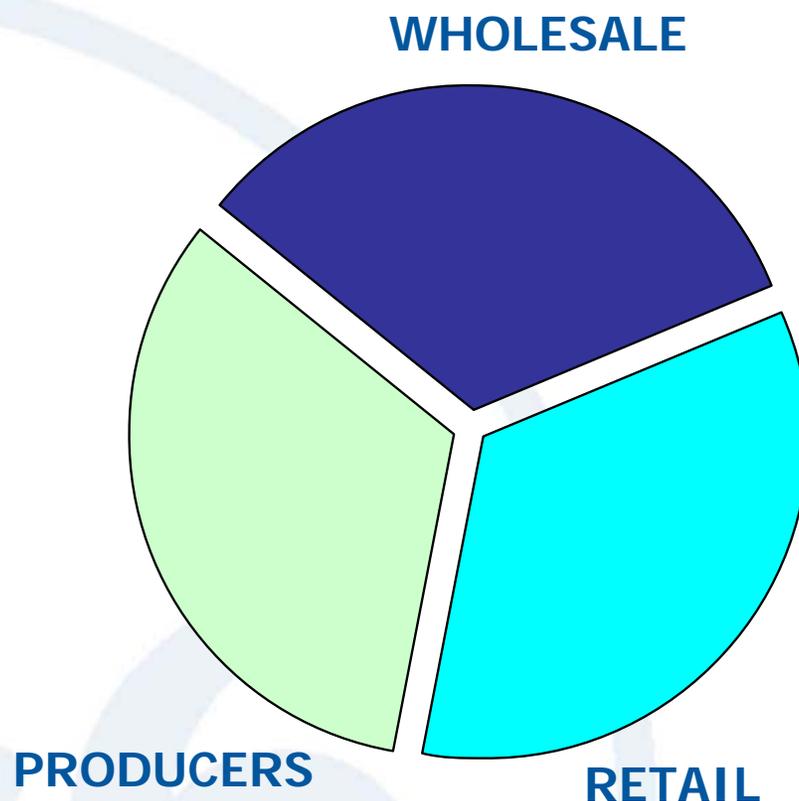
SPECIALIZATION

CONSOLIDATION

REGULATION

SPECIALIZATION

- Distinct growth strategies of the major market players
- Proper business-models
- Lack of synergy with adjacent businesses



A conceptual diagram showing a transition from a large purple area to a smaller green area. The purple area is labeled 'MAINSTREAM' and the green area is labeled 'Niche strategies'. A stylized blue and white arrow points from the purple area towards the green area, indicating a shift or consolidation. The background features a large, faint '36.6' watermark.

MAINSTREAM

**Niche
strategies**

MAINSTREAM

M&A

(Pharmacy chain 36.6)

ORGANIC GROWTH

(Doctor Stoletov, Pervaya Pomosch, Implosia, Vita)

FRANCHISE

(Rigla, Stary Lekar)

STATE PROPERTY MANAGEMENT

NICHE STRATEGIES

DLO PROGRAM SERVICES

(Biotek, social pharmacies of Rigla)

INTERNET-SALES

(I-tek)

	National	Regional	Local
Quantity	6 companies	18 companies	over 60 companies
Sales growth	37,5%	30,3%	24,2%
Market share	>60%	<40%	

CONSOLIDATION. PRODUCERS

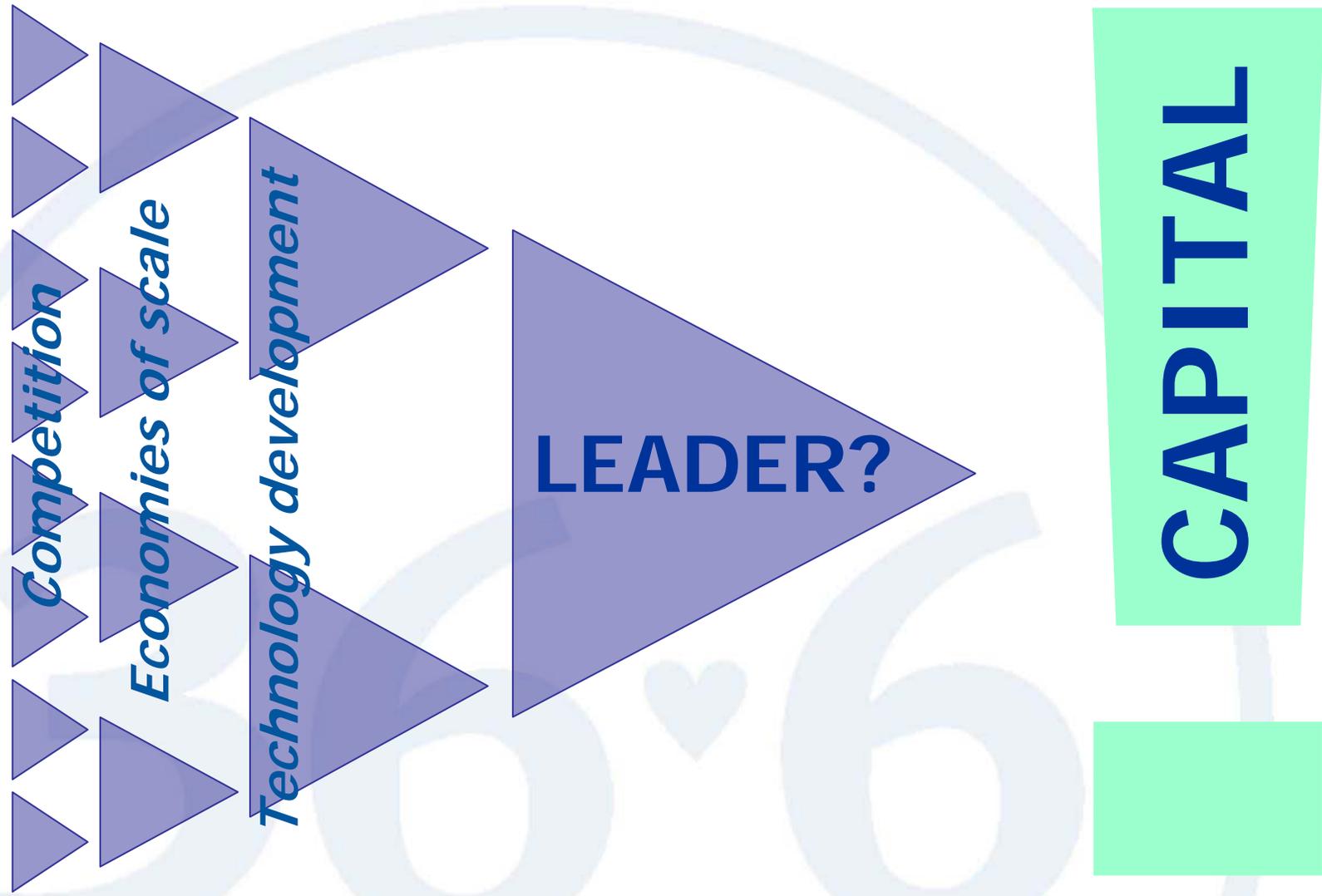
GLOBAL TREND: TRANSNATIONAL GENERIC COMPANIES GROW THROUGH M&A DEALS

INTERNATIONAL PLAYERS CONSOLIDATE THE MARKET FOLLOWING GLOBAL TREND

- STADA/ Nizhpharm
- ?/ Akrihin
- ?/ Veropharm
- ?/ Pharmstandart
- ?/ Otechestv. lek-va

LOCAL PLAYERS CONSOLIDATE NATIONAL MARKET TO REACH LEADING POSITION

- Veropharm
- Pharmstandart
- Otechestvennie lekarstva





FINANCING GROWTH

DEBT CAPITAL

financing growth on current asset base

Promissory notes

Natur Product

Loans

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Bonds

Imploziya

Otechestvennie lekarstva

SHARE CAPITAL

financing growth through acquisitions

IPO

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M&A

Nizhpharm

Akrihin

???

	ACQUISITIONS	ORGANIC GROWTH
Producers	<ul style="list-style-type: none">• Market leader• Specialization• Timing	Greenfield (KRKA, Servier, Pfizer?)
Distributors		n/a
Retail		n/a

BUSINESS COST ESTIMATING

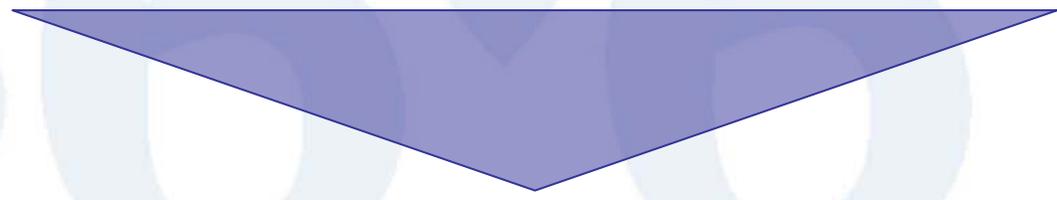
ADVANTAGES

- MARKET SHARE
- GROWTH POTENTIAL
- ACCOUNTING & REPORTING
- PROFITABILITY
- REAL ESTATE
- PERSONNEL



RISKS

- SOVEREIGN RISKS
- LACK OF TRANSPARENCY
- TAXES
- REAL ESTATE
- COMPETITION



FAIR VALUE

CONSUMER MARKET GROWTH FORECAST



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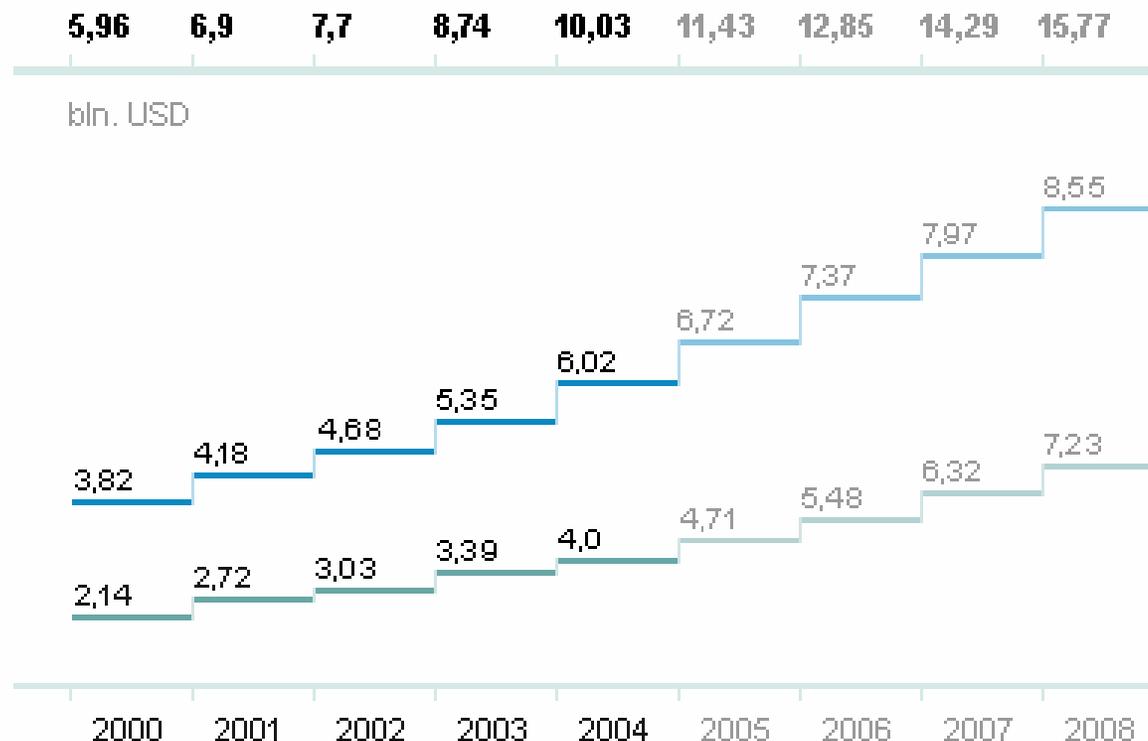
2005

Disposable income
+8,8%

Retail market volume
\$248 млрд

Retail market growth
+12,0%

Pharmaceutical market growth
+25,0%



— Russian retail market, Cosmetics and toiletries * (Euromonitor)

— Pharmaceutical market (Pharmexpert)

- TWO-THREE NATIONAL DISTRIBUTORS TO CONTROL AROUND 60% OF THE MARKET**
- TWO-THREE NATIONAL PHARMACY CHAINS TO CONTROL 30% OF THE MARKET**
- CONSOLIDATION PROCESS RISE IN PRODUCTION SEGMENT**
- FURTHER INTRODUCTION OF INSURANCE TO THE HEALTHCARE MARKET**



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Thank You

This presentation is also available on:

<http://www.pharmacychain366.com>

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