

Interview: The preferred partner in Indonesia

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SOHO Global Health was founded in 1946 in Jakarta by Tan Tjhoen Lim as an injectables-focused pharmaceutical company. Today it is one of the largest pharmaceutical manufacturing and distribution businesses in Indonesia with a network that covers more than 80% of the hospitals and 90% of the pharmacies in the country.

A family-run business for many years, a new chapter of the company's growth started 2015 when Singapore-based private equity firm Quadria Capital took an undisclosed stake in the group.

President director and chief executive Coeey Rogelio has been at the helm of SOHO Global for the past six years. He joined as managing director in August 2012 from Pfizer Consumer Healthcare and took over as chief executive two years later. Here, he talks to *HealthInvestor Asia* about how that investment has changed the company.

HIA: The company survived happily for more than 70 years. What made you look for outside investment in the first place?

Rogelio: SOHO was initially a family-led business, looking to modernise the company and the way it operates. For a long time, SOHO's chairman [Tan Eng Liang, the son of the founder] had the vision of taking the company public and a private equity investor was a valuable partner to accelerate this project.

HIA: How has the Quadria Capital investment changed the group?

Rogelio: Revenue and profit started to see significant improvements in the second to third year after Quadria's investment. By 2017 we saw sales and EBITDA grow 19% and 78%, respectively. In the first half of this year, sales and EBITDA continued to grow 32% and 185%, respectively.

The owner's aspiration was to take the company public. Quadria was our enabler and accompanied us through this journey. It became the impetus for change as we moved through a new growth phase. Contributions include the establishment of a robust corporate governance structure, and introducing us to international partners who were not in Indonesia and required strong representation. More importantly, they enabled our transition to a more professionally run organisation from one that was locally owned and managed.

Another important initiative that Quadria supported, although preceded the investment, was to make sure that SOHO is compliant with international industry marketing practices. Now SOHO is one of the few, if not the only, fully compliant domestic pharma company that has put in place policies following the principles underpinning the UK Bribery Act, ABAC and FCPA. Strong governance standards, a professional management team and international marketing compliance all make SOHO the preferred domestic partner for healthcare multinational companies seeking entry into Indonesia.

HIA: The focus of its investment was to help with m&a and product in-licensing. How has this worked?

Rogelio: Drawing on its strong global network, Quadria brought in partners to collaborate with us. We now have more than 20 in-licensing molecules in the pipeline across critical therapeutic areas including anti-viral, central nervous system, diabetes, oncology and respiratory to be launched over the next five years with the first launches to begin in 2019. This supplements the growth of our in-house, proprietary products.

HIA: Has the investment changed the culture of SOHO Global?

Rogelio: Yes it has. Quadria's involvement drove a significant change in our corporate agenda that was reprioritised to achieve shareholder value creation. Financial discipline was significantly strengthened in day-to-day operations as well as in major capital allocation decisions. Management incentives were aligned to deliver on commonly agreed targets and a lot of people were replaced at all levels in our organisation.

HIA: When companies evolve, there is always resistance from within, both from workers and the board. How did you get buy-in for the changes?

Rogelio: The new corporate governance structure coupled with the roll out of a new "Purpose, Vision, Core Values" statement was the first salvo. Naturally, there were more than five senior leaders (and lower level colleagues) who eventually departed. They were

replaced with suitable talent who were more in line with our agenda. After our financial results especially in the third year after the investment, the leaders and their teams became more confident seeing real benefits to our endeavour. We also achieved market share superiority during this time which made us all proud as an industry mover.

HIA: It is easy to get distracted when there is new investment in a company. How have you concentrated on core organic growth?

Rogelio: It was really a matter of having a disciplined process in allocating limited resources and developing good strategies. In a country like Indonesia, the key is execution, and this is where it can all fall apart including delays in expected results. In a very simplistic way, it was all about keeping my eye on the ball every single day.

HIA: Where will growth in the next few years come from? Is your focus going to be domestic or international?

Rogelio: There is so much opportunity in the domestic market. Next to China and India, Indonesia provides the biggest potential returns over the next five years. We will maximise this first while keeping our trade with international markets at a "maintenance level" for now.