Carlos Jimenez – Managing Director, B. Braun Aesculap Mexico

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Mr Carlos Jimenez of B. Braun Aesculap sat down with us and shared his personal beliefs on Mexico's market potential for medical equipment, how the country can create more momentum for the healthcare industry and the ethics and ethos of the company.

What have been your milestones and challenges since taking on the role of managing director of B. Braun Aesculap Mexico in 2008?

The greatest milestone over this time has been the ability to adapt to the changing business climate of the country. Clients in Mexico – both in the private and public sector – are increasingly demanding high quality products and efficient services but at lower prices. B. Braun Aesculap believes in providing high quality, non-generic products that exceed the norms of the market, which – however – have a cost. Given this trend, we have reassessed our business plan for Mexico and the company's ability to adapt to the changes has allowed us to remain afloat. Staying competitive and offering our Mexican customers products of the highest quality is what keeps this company in demand and a personal achievement of mine. I am proud of our ability to let our high-quality products together with smart solutions demonstrate we are a great company that can compete with other international and local players.

In the past few years COFEPRIS (the Federal Commission for the Protection against Sanitary Risk) has deregulated the standards for medical devices in Mexico. How do you

feel this has helped – or hindered – growth for B. Braun In Mexico?

Since February 2010 the ability to register new products was deregulated and since 2013 and 2014 more competition entered the Mexican market. B Braun Aesculap is a company that has been in existence for over a century and has proven to be highly resilient. In Mexico we have seen an abundance of competitors flood the market, yet because we provide services that our competitors do not, such as training about our products and after-sales maintenance, we have been able to grow continuously. Margins may have been pushed down by higher costs, yet the company has been able to keep its growth path. B Braun Aesculap has been doing business in Mexico for longer than most of our competitors and I believe this demonstrates our dedication to the local market.

Where is the largest area of growth for B. Braun Aesculap and where do you see growth coming from for the future?

Mexico is a challenging market: public health institutions cover nearly 80 percent of the population and the budget for medical devices is insufficient. Healthcare systems in Mexico place the burden on the consumer and since the government has increased very little the budget allocated to health, we have not seen a lot of growth within the industry. However, due to the aging population and the consequent increasing demand for healthcare services, I believe we have yet to see the market's full potential. Despite all the challenges that exist, our company has seen growth in several areas. Currently, B. Braun Aesculap is leader in instrument and sterile good management, challenges other players in hemodialysis and surgical specialties, and competes in consumables and implants. We are optimistic about the future and expect to see a sales growth within the next five years by increasing our product portfolio and gaining market share from competitors.

Johannes Hauser, managing director of the German-Mexican Chamber of Commerce, feels there is a growing need for medical equipment in Mexico and German companies can provide a substantial part of it. What competitive advantages do German companies have and specifically B. Braun Aesculap?

Germans and Europeans, in general, produce very efficient medical equipment. Specifically, German companies have great market potential because medical equipment in Mexican public hospitals is often not maintained and properly adjusted after it is sold. We offer full preventive and corrective maintenance for all our products: we rely on 20 direct certified repairmen working under stringent German standards for all our equipment throughout the nation. Indeed our equipment is little more expensive, but definitely more efficient and cost-effective in the long run. I believe our products and services make it possible for hospitals to have long-term high-quality equipment that

is maintained, efficient and reliable.

What do you think needs to happen to see more innovation coming out of Mexico?

There is a lack of research and development because the domestic market is attracting lower priced and low quality goods. In Mexico, it usually comes to price and a higher cost is typically a consequence of quality. In more developed markets, such as the United States and Europe, the domestic market demands high quality, which in turn, drives innovation. In Mexico there is a demand, but a lack of ability or desire to pay for higher quality services, which results in less innovation. The local medical equipment market is estimated at USD 1 billion but has much more potential, as in more developed nations it PIB ratio is about seven times higher than in Mexico. In order for Mexico to be more innovative it needs to demand higher quality products and latest therapies. Price will always be an issue for any nation, but if society demands higher quality goods, then innovation will follow. Finally innovation if very often at a mid and long term view more efficient and also more economic.

What contributions has B. Braun's technology provided to Mexicans?

We have developed tailor-made products for the Mexican market through collaboration with local players. For example, some years ago B. Braun Aesculap worked with one Mexican doctor, the IMSS and German engineers to develop a hip stem fitting better for a very high percentage of the Mexican Population. We identified many Mexicans had issues with the products developed for Europeans and North Americans because of sizes and angles. As a result, the company decided to invest into clinical and technical research to develop hip stems, which now have more than 20 percent market share in Mexico and have been used in close to 20,000 operations. But the company's contribution goes beyond that. We have offered training to around 50,000 individuals to assure the correct use of our products and contribute funds to the Aesculap Academy Foundation where we train close to 9,000 individuals each year on patient safety, infection prevention, patient care and how to handle best different pathologies with latest techniques and products. This trainings are helping to prevent accidents and helps healthcare workers make wise decisions when treating patients. Last but not least, we offer concept training to educate healthcare employees on how to offer efficient and effective services.

What is the strategic importance of B. Braun Mexico in the region and globally and what is the country's potential over the next five years?

In Latin America Mexico still lags behind Brazil, Argentina and Colombia, but I believe that if the right market access policies are applied the potential for local and international players is infinite.

However, investors will not come on the premise of what Mexico can achieve, but what it can offer.

Our customers in Mexico know we are able to provide added value and innovative solutions and this leads to our unique positioning in the market. I believe we will be successful in gaining market share because we can increase our local production capacity, which today serves Mexico as well as international markets, and bring innovative technologies to the country, which lead us to the top of the competitive chain. Furthermore, we believe in ethical entrepreneurship by building up local players, such as workers, dealers, doctors and scientists. B. Braun Aesculap believes in having results based on value and our footprint will continue to grow in Mexico as a result of our dedication to the country and the nation’s potential.

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