CZECH REPUBLIC –
Blending History, Tradition and High Tech

Nestled in the heart of Central Europe, the Czech Republic is quietly emerging as a powerhouse for innovation. Long known for its industrial prowess, the nation is now attracting a new breed of investor – those seeking fertile ground for pioneering ideas and cutting-edge technologies.

The Czech Republic boasts a rich history of invention and engineering. From being the homeland of the visionary thinker Josef Čapek, who coined the word "robot," to the birthplace of discoveries like contact lenses, the nation's DNA is woven with a spirit of innovation. This legacy translates to a skilled and educated workforce, with a high concentration of graduates in STEM fields.

The result is that the country also known as Czechia is becoming an increasingly popular destination for overseas investors, particularly those in industries that are driving the new economy forward. Government regulations on investment incentives came into force last April and will provide support for a wide range of sustainability and high-tech initiatives. These are expected to increase investment in new technologies and create high-skilled jobs, while promoting supplier-customer ecosystems.

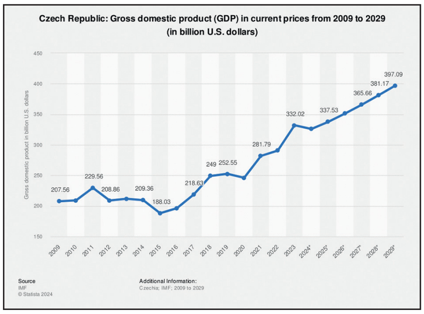
Tomáš Chrenek, CEO of leading healthcare provider AGEL, believes that the new incentives will improve matters. "Collaborating with international partners allows for access to diverse resources, technologies and talent pools and enhances the capacity for research, development and the implementation of cutting-edge medical solutions," he says.

Steffen Saltofte, CEO of the Zentiva pharmaceutical company, agrees that both the location as well as the skills and character of the Czech workforce make a big difference. "The quality of local talent has played a significant role in our success," he says. "Being in the Czech Republic also gives us good access to a large pool of international talent."

The country's overall economic and political stability are also attractive to the international investment community. Fitch Ratings expects investment activity to remain solid in 2024 and anticipates modest GDP growth this year. This is expected to accelerate to 2.4% in 2025 as private consumption and investment growth improve.

This steadiness is also reflected in many private-sector companies' short- to medium-term outlook. "Our goal is to grow continuously and maintain efficiency," says Jiri Horyna, chairman of eMan, which is responsible for the development of applications for smartphones, tablets, websites, cars, and other smart devices. "That is currently more important to us than growing in leaps and bounds."

The Czech banking sector is also on a solid footing, with the International Monetary Fund recently reporting that financial sector indicators pointed to a "well-capitalized, liquid, and profitable banking system compared to its European peers." The sector is also dynamic and fluid, with ample opportunity for private-sector growth. The 28-year-old Trinity Bank, for instance, is rapidly gaining ground through a combination of its risk adverse corporate culture and a series of shrewd investments in the real estate market, where prices are rising considerably faster than the European average, particularly in Prague. "The bank is establishing a strong market presence in the financing of real estate projects and conservatively secured loans," says Trinity Bank founder and chairman Radomír Lapčík.



Trinity is not alone in identifying the property and construction market as a good prospect. There has been a boon of investment in construction by companies, including Miloš Veljković's VMV Invest, and a surge in affordable housing along with upgrades in both electricity distribution systems and transport infrastructure. All of which bumped up the sector's value to $51.5 billion by the end 2022 and prompted analysts to predict an average annual growth rate (AAGR) of more than 3% for the following three years.

Prague is famous worldwide for the beauty of its historical buildings and the centuries of architectural achievements of its craftsmen. More recently the country's industrial designers are contributing to this longstanding legacy in everything from cut glass and beer to footwear and musical instruments. That tradition of quality craftsmanship is proving to be a further magnet for investors. "Methods of production may have changed over the decades, but the combination of skill and talent and experience as well as the careful selection of materials means that the unchanging romantic sound of our pianos endures after more than 155 years," says Susana Petrof, whose great-great grandfather founded the family's famous acoustic piano firm back in 1864.

The same ethos informs the continued success of Barum Tyres, which started life as a subsidiary of rubber-soled boots manufacturer Bata Shoes in 1966. The company, run by Ferdinand Hoyos, is still the republic's most trusted tire manufacturer.

A combination of tradition and a commitment to excellence remain key to the country's success to this day.

ZENTIVA – Accessible Medicines

The annual revenue generated by the Czech Republic's pharmaceutical industry accounts for 4% of the country's total GDP, making its contribution to the national purse proportionately larger than in any of its European counterparts except Poland. It is also a regular and growing magnet for foreign investment.

Steffen Saltofte CEO of Zentiva

Zentiva is a prime example of the sector's ability to attract foreign direct investment, and the company has become something of an ambassador for both the industry and the country. "A great platform full of talented people who we can invest behind to build a new, independent European generics leader," is how U.S. private equity investor Advent International described Zentiva in 2018, after finalizing the company's $2 billion acquisition from another multinational, France's Sanofi.

How right that description has proved to be. Since changing hands, Zentiva has doubled in size and currently operates in more than 30 countries through a network of 32 subsidiaries and 6 branches. By the end of 2022 it had finalized its expansion into the Netherlands and started operations in Austria.

"We are a European-based company and focus our activities there for the foreseeable future. We are here to provide health and wellbeing to all generations," says Zentiva CEO Steffen Saltofte, who was appointed to the role last year and brings with him a wealth of strategic and operational experience from a long and illustrious career at several large multinationals and fast-growing companies. "We reacted to COVID by looking to source our raw materials more locally and moving our production facilities closer to home. Now we look forward to deepening our presence in the region, especially within Central Europe."

Zentiva's Central European pedigree is beyond question, with the company dating its involvement in the pharmaceutical industry back to the 15th century and the Black Eagle pharmacy, which is still open for business in Prague's Old Town. These roots are, however, just one of the qualities that caught Advent International's eye (and earlier that of Sanofi) and which Saltofte intends to harness to drive the company forward.

Zentiva's core strength lies in its commitment to providing high-quality generic medications. With its portfolio, the company contributes to sustainable public health in Europe. These "off-patent" drugs offer the same therapeutic benefits as brand-name counterparts, but at a significantly lower cost. This translates to increased access for patients who might otherwise struggle to afford their medications. By focusing on a broad portfolio of essential medicines, Zentiva helps ensure individuals receive the treatment they need, regardless of their financial situation.

While a big portion of Zentiva's portfolio is in the off-patent sector, the team's focus on research follows the Czech tradition of searching for innovative solutions. The teams at its R&D centers in Prague and Ankleshwar in India actively manage the life cycle of its products and bring value for the people who depend on the medicines every day. Zentiva drives innovation in drug product formulation and brings bioequivalent medicines to European regulators for review and approval. The company also provides pharmacovigilance and regulatory consulting services to partners via Prague Scientific.

Since 2022, Value-Added Medicines have become the focus. These are the new generation of customized drugs that help address unmet patient needs by moving from a one-size-fits-all approach to a much more tailored and patient specific one. Two years ago, Zentiva took its first public step into this world with the launch of the drug Dasatinib, which is registered in the UK and EU and is a life-saving oncology treatment for people with chronic myeloid and acute lymphoblastic leukaemia. In the same year, Zentiva also launched 152 molecules and combinations of well-established treatments, all designed to provide more patients with affordable access to high-quality medicines.

Successful R&D is only half the battle, with production, logistics, marketing, and sales equally important. "It can take up to 7 to 10 years to get a concept to market, and we have about 200 people working in R&D," says Saltofte. "But around another 2,500 staff work in our Product Supply division, and it is their job to ensure the drugs get produced and delivered." They in turn are supported by a network of 1,900 account handlers and medical representatives who are in regular contact with physicians, pharmacists, and healthcare decision-makers in each of its markets. The loyalty and dedication Zentiva inspires across disciplines has earned it Top Employer awards in Bulgaria and Romania, as well as at home in the Czech Republic.

The pandemic compelled Zentiva to shorten its supply chain, but it also prompted the company to accelerate its digitalization process. "I think COVID forced us to use different sources of communications and to continue to accelerate the way we communicate with each other," says Saltofte. "In time, this will help us speed up some of our processes. Whatever the future holds, we've been active leaders in this sector for 500 years, and we will carry on for at least the next 500."

ZENTIVA

CONTENT FROM THE INTELLIGENT INVESTOR

TRINITY BANK – A Blueprint for Financial Success

The Czech banking sector is outperforming the rest of Europe, according to the Organisation for Economic Co-operation and Development. The sector is almost 50% more profitable than the EU average and its total capital ratio of 23.5% is close to its long-term high. The healthy state of the country's financial sector could be one reason why foreign direct investment into Czech surged by 130% in 2023, to reach $6 billion.

Radomír Lapčík
Founder and Chairman of Trinity Bank

While much of the capital investment now streaming into the country will be funneled through the foreign-owned banks, the Czech banking sector's underlying solidity owes much to the faith and trust that the local consumer has in the domestic banking institutions. One Czech bank that is blazing a trail in that regard is Trinity Bank, the fastest growing bank in the country's history.

Established in 1996 as the Moravian Monetary Institute savings cooperative and based in the small southeastern town of Zlín, it changed its name to Trinity Bank 13 years later after it was granted a banking license. Trinity Bank has come a long way since then. In its 28 years on the market, the bank has built up a customer base of more than 150,000 satisfied businessmen and private individuals to whom it has loaned a total of approximately $850 million. It grew by 74% in 2022.

The driving force behind the bank's success is its Zlín-born founder and chairman Radomír Lapčík. Also a majority shareholder in the highly profitable SAB Finance forex brokerage, Lapčík is rightly regarded as one the Czech Republic's most successful businessmen. His view, therefore, that long-term relationships built on trust are the key to the success of both these ventures needs to be taken very seriously.

"I am still personally in touch with hundreds of clients from those early days in Zlín, and I am immensely proud that some of these are the fourth generation of the same family," Lapčík says. "I still think of Trinity Bank as the community-based organization it started out as, only on a much bigger scale now. Maintaining communications remains absolutely vital."

It is a philosophy he extends to relations with his staff too, and, as something of a visionary, Lapčík has taken care to surround himself with a team to whom he can communicate that vision and who are able to help him realize it. The bank's introduction of a four-day work week is a case in point. "It is the best management philosophy ever," he says. "It means that people focus fully for four days, then recharge their batteries." He is also a firm believer in the power of teamwork which, he contends, can only really work if his staff is happy and motivated both mentally and physically.

The effectiveness of this management philosophy has surely made Trinity Bank classic material for an MBA case study, and the high motivational level among its staff certainly played its part in pushing client levels past the symbolic 100,000 mark at the end of 2022. At the same time, the combination of its account managers' highly effective personal approach and the product development teams' ability to create quality solutions for their clients is also helping Trinity Bank establish a strong presence in the real estate market. By extending conservatively secured loans against quality properties, this is expected to act as a shield against a repeat of the turbulence that has buffeted the regional economy in recent years.

High-profile real estate acquisitions can also make a statement about a company or financial institution's status and ambitions. This must surely have been on Lapčík's mind when Trinity Bank pulled off the largest transaction on the Czech office market last year when it bought Commerzbank's former Prague HQ from the German multinational for a sum reputed to be somewhere north of $85 million.

Located on Na Příkopě, one of Prague's most expensive streets, the 1930s listed building was previously the headquarters of the Czech Social Democratic Party after the Prague Uprising. "We want to revive the building and bring it closer to the people of the city," says Lapčík, who intends to use the majestic building to host VIP Trinity Bank clients.

Lapčík is clearly convinced that Trinity Bank has the potential to become an even greater force in the Czech banking sector. And while organic growth looks set to continue at pace, he is also always open to discussions with potential partners who have the same in-depth knowledge of their own markets as he does of his. And, of course, who share his vision and ambition.

TRINITY BANK

AGEL - The Future of Health Care

According to a recently published Health Index, residents of the Czech Republic have access to the 14th best healthcare service in the world, with its hospitals, clinics and general practitioners outperforming many of the more traditionally acclaimed European centers of medical excellence, including the UK, Switzerland, and Germany.

Based on a mixed public-private model, the Czech healthcare system is designed to ensure that all its citizens have access to medical care. And while the public element of this is mainly financed by compulsory health insurance contributions, its booming private healthcare sector is market driven. These private sector providers must rely on the quality and sophistication of their services to thrive and survive in an increasingly competitive market.

AGEL is the most successful healthcare provider not only in the Czech Republic but the whole of Central Europe. The company's roots in healthcare go back to the management buyout of the Třinecké Železárny Iron and Steel Works company hospital in the 1990s. Since then, under the stewardship of Tomáš Chrenek, chairman of the supervisory board, the company has transformed from a regional hospital into one of the most highly regarded specialized and comprehensive cardiovascular centers in Europe, with surgeons and clinicians offering best-in-class cardiology, cardiac surgery, minimally invasive surgery, vascular surgery and endovascular therapy.


Ing. Tomáš Chrenek, Ph.D.
Chairman of the supervisory board of AGEL

Along with being one of AGEL's flagship hospitals, the transformation of the former company hospital made it the blueprint for the development of several other of the company's acquisitions that Chrenek and his team have converted from regional hospitals into specialist health facilities that provide state-of-the-art services and employ cutting-edge equipment. AGEL facilities enjoying coveted membership in the Czech Ministry of Health's healthcare network include: the Comprehensive Cancer Centre in Nový Jičín, the Stroke Centre at the Vítkovice Hospital in Ostrava, the Stroke Centre at the Prostějov Hospital, and Podlesi Hospital's Comprehensive Cardiovascular Centre. Over the years, AGEL has also branched out into state-of-the-art bariatric, orthopaedic, gastroenterology, neurology, and OB-GYN centers.

There is considerably more to the AGEL success story than an energetic acquisition strategy. "We operate 35 hospitals in the Czech Republic, Slovakia and now Spain," says Chrenek, who is the company's sole shareholder. "And because we have a fully vertically integrated structure at our core, each of them benefits from being part of a joined-up organization that also operates a network of outpatient centers, pharmacies, laboratories, and vaccination centers, as well as a number of distribution and service companies, its own healthcare information system, and a school for healthcare professionals."

Since 2021, AGEL has been developing its own brand of pharmaceuticals at its AGMED private healthcare centers to reduce the company's dependence on external suppliers, as well as increasing patient safety. AGEL is also working hard to minimize its reliance on external suppliers in other areas -- and so has its own laundry, transportation system and also a number of subsidiaries that supply essential but non-core services.

Chrenek is one of Slovakia's most successful businessmen and clearly knows what he is doing. His empire includes Moravia Steel and the same Třinecké Železárny iron and steel works that agreed to the management buyout of Třinec Podlesi hospital before he bought it back as a separate entity. And although the company is not listed, a renowned global advisory company assessment valued AGEL at €1.6 billion last year.

As financially successful as AGEL is, Chrenek has always insisted that his multi-million-dollar investment in the company is driven by philanthropy and a desire to give something back to the communities that have helped him get to where he is today. "The well-being, safety and satisfaction of our patients has always been our top priority and always will be," he says. "In that context, we recognize the dynamic nature of the healthcare industry and are constantly and proactively adapting to change and encouraging all our staff to embrace a culture of innovation and continuous improvement." All employees, regardless of their individual disciplines, are also encouraged to take a holistic view of a patient's journey. "Continuity of treatment is an essential element on the way to recovery," he adds.

If anything illustrated the shifting sands on which the healthcare industry operates, then it was surely the COVID-19 pandemic. The strain it put on everyone affected is well documented, and it is to the immense credit of companies like AGEL that there were no systemic collapses despite the gravity of the situation. In fact, if anything good or constructive can be said to have come out of such a calamitous event, it was the pandemic's role in accelerating the development and adoption of digital working practices. More and more routine doctor visits and potential hospital stays have been replaced by their virtual equivalents, and digitalization is now enabling an increasing number of procedures to be performed faster and more efficiently than was deemed possible even 15 years ago.

Even before the pandemic, AGEL's success in harnessing digital technology to streamline administrative structures and working practices put it well ahead of its local competitors --and it has now shifted up another gear. "Our biggest priority is to build a virtual hospital that will be a kind of digital gateway to the physical hospital," says Chrenek. "Our goal is to use our bespoke MyAGEL application to create a portal that gives patients 24/7 access to available appointments as well as providing both them and the relevant professionals with their on-line medical records." Equally exciting is AGEL's use of AI in diagnostic procedures like X-rays, mammograms and endoscopies and the deployment of virtual reality in preoperative patient preparation on the one hand and of HoloLens glasses for surgical support on the other.

The scope for innovation appears to be without limit. As the MyAGEL initiative demonstrates, Chrenek and his team are proactively exploring new development opportunities. As these come to fruition, they are most likely to complement the critical contribution that the AGEL Educational and Research Institute has for many years been making in research and clinical studies, especially in the fields where its already leads the way, namely clinical oncology, gastroenterology, neurology and cardiology.

It is a source of great satisfaction to Chrenek and his colleagues that the advances in clinical and digital technology and research that AGEL is helping to develop are turning what were once dreams into reality and offering hope to patients who were without hope. He is, however, only too aware of the new set of challenges facing the global healthcare sector as it seeks to accommodate the growing demand being placed on its limited resources by the needs of an ageing population.

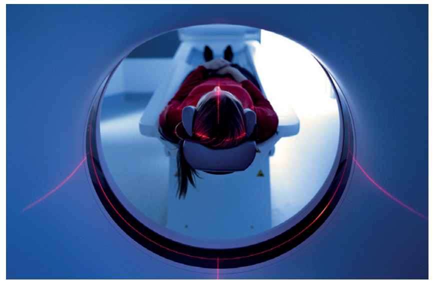
"This disconnect between resources and demand makes the need for sustainability even more acute, and the only way to stay on top of this changing environment is the development of top-notch preventative, acute and follow-up medicine combined with maximum operation efficiency," says Chrenek. "Today every decision we take and every investment we make is dictated by this imperative."

If Chrenek were pushed to choose which of those three areas of medicine was the most important, he would probably opt for the first, in line with the old maxim that prevention is better than cure. AGEL's commitment to this traditional wisdom is already embedded in its Premium Healthcare initiative through which it specializes in formulating personalized preventative programs based on analysis of an individual patient's genome. "The idea is to set up a preventative program that takes into account the genetic predisposition of each patient and then to steer the patient into reducing those risks," Chrenek explains.

AGEL already has a long history of collaboration with international partners in the clinical and research arena, and Chrenek is now interested in exploring further such relationships to help him with the company's overseas expansion plans. "Developing strong alliances with strategic international partners enhances the reputation and competitiveness of healthcare organizations on the global stage and attracts investment as well as opportunities for growth and expansion," he says. "With the right partners, we aim to continue to be at the forefront of patient care improvement, innovative medical procedures, and the drive towards further digitalization. Our goal is to promote best practices in everything we do."

AGEL in numbers 2023

Inpatient & outpatient facilities 50	Surgeries 100 000	Employees 16 000
Turnover Over 1 billion €	Hospitalizations 180 000	Nurses 5 300
Beds 5 300	Children born 12 000	Doctors 2 900



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