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TRADERADAR

EUROPE

A VIEW ON GLOBAL TRENDS, THREATS AND OPPORTUNITIES

GROWTH IN EUROPE
A region of opportunity 05

SUPPLY CHAIN
The era of disruption 07

CASE STUDY
Targeting global growth 12

HSBC

Welcome to this fourth issue of *Trade Radar Europe* where we explore the trends, threats and opportunities facing European corporates.

IAN STUART
Head of Commercial Banking, Europe

Businesses the world over are operating in a challenging economic environment. There is, inevitably, some uncertainty as to the likely rate of recovery for world trade and the likely impact of the result of the UK's EU referendum.

In this issue, we look at the latest HSBC Trade Forecast, which considers the key factors that should help drive that recovery in the medium term. The stabilisation of the Chinese economy, continuing growth in the UK and Europe, and ongoing developments around trade liberalisation should all contribute to a recovery.

Beyond the macroeconomic picture, we also explore the impact of technology and digitisation on supply chains. From 3D printing to drones, digital technology is disrupting the way business works and that change is no more evident than in the way businesses source, make and move products.

No matter the prevailing economic climate, working capital is a vital element in achieving overall capital efficiency and a relatively cheap way to fund growth – as such it should be a major area of focus for all corporates. In this issue of Trade Radar Europe, Ian Fleming, MD of HSBC's Working Capital Advisory explores the three keys to unlocking working capital – benchmarking, the smart use of data and the right finance tools.

Despite the challenges facing companies in today's environment, there are countless examples of businesses that are driving growth and expanding into new markets. We hear from one of those companies – Belgium-headquartered IBA Group – on how it has thrived since a significant reorganisation in 2011, and how it is leveraging HSBC's global presence to provide financing solutions for its customers.

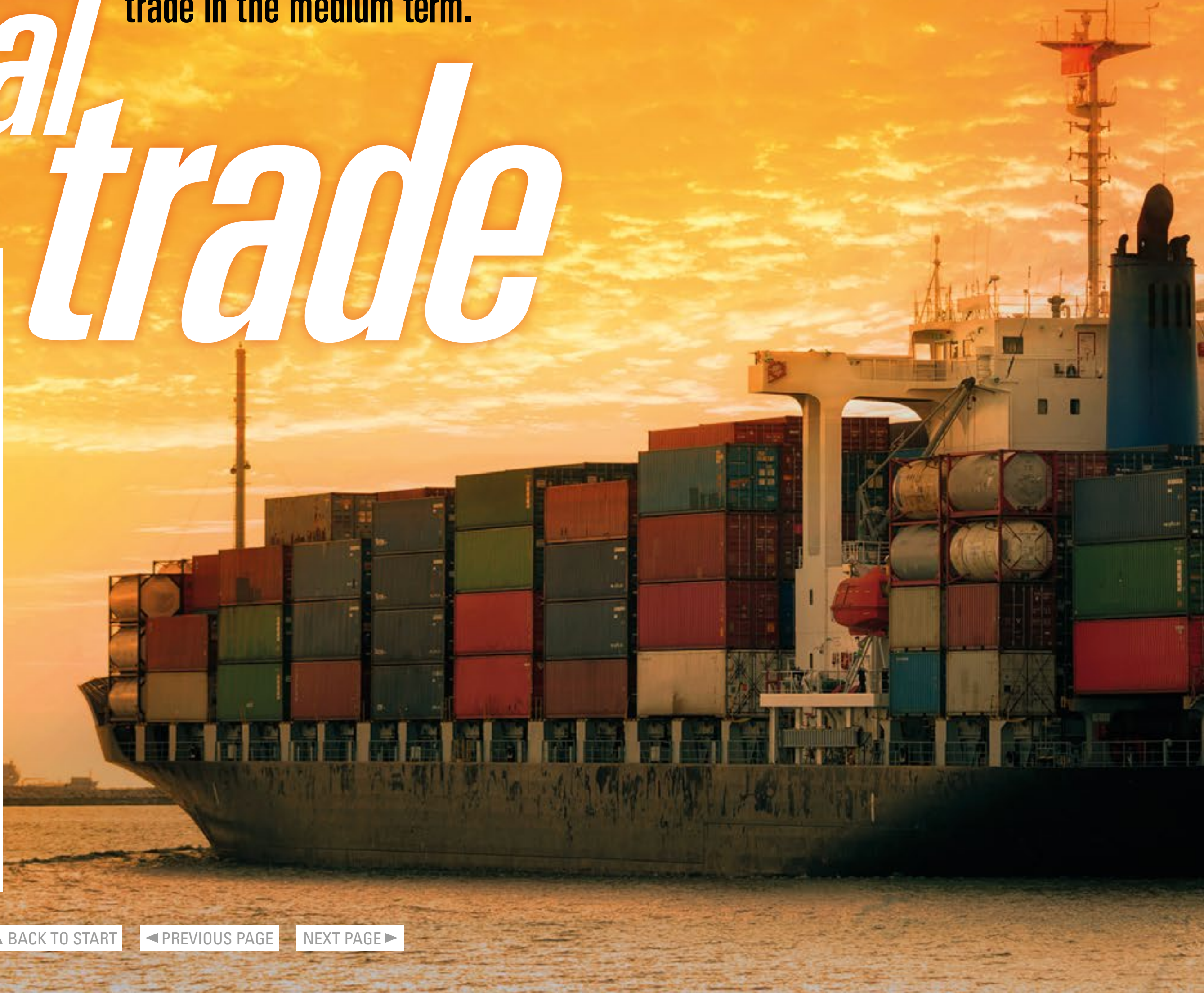
With its global presence and insight, HSBC is able to provide you and your company with strategic guidance and practical financial support to help you expand your horizons.

We're keen to talk to you about your business ambitions, as well as what you'd like to see us cover in future editions of *Trade Radar Europe*. Please enjoy reading this issue and do let us know how we can better support your business. TR

> "From 3D printing to drones, digital technology is disrupting the way business works."

The outlook for global trade

Despite the challenges facing businesses in the prevailing economic environment, the latest HSBC Trade Forecast report, released at the end of 2015, suggests that there are a number of factors that will help drive a recovery in global trade in the medium term.



The Trade Forecast report came at the end of a year in which world trade growth slowed sharply, with import volumes in key emerging markets such as China, Brazil and Russia, particularly weak.

However, with the recent downturn being more cyclical than structural in nature, there was optimism that a stabilisation of economic conditions in those markets should lay the foundations for a moderate recovery in global trade growth from 2016.

The apparent weakness in world trade over recent years has both cyclical and structural elements. On the cyclical side, there is the slow recovery of key world economies following the global financial crisis, characterised in many countries by a weak pace of investment.

From a structural point of view, lack of progress in trade liberalisation, the rising share of services in the world economy and the maturing of global supply chains may have altered the ratio of world trade/GDP growth.

While the structural elements are having an impact, it appears that the cyclical factors are more prominent and it is through those that we may see some drivers of recovery.

CHINA'S ECONOMY IS STABILISING

The recent downturn appears to be linked in part to the slowdown in China's manufacturing output and the consequent decline in commodity prices. However, with the performance of China being a key determinant of the pace of world trade, the report's projections reflect, in part, evidence of a cyclical stabilisation in the Chinese economy.

This stabilisation is likely to be driven by monetary and fiscal policy stimulus, and a substantial infrastructure project pipeline which will lead to higher »

» investment spending and a moderate growth in Chinese import volumes.

It should be noted, though, that China's excess capacity in sectors such as steel, autos and ship production will take longer to adjust, while renewed moderate growth in China's manufacturing sector is unlikely to be sufficient to drive a rapid upturn for commodity exporters.

TRADE FLOWS TO ACCELERATE

In developed markets, the negative shock emanating from China and emerging markets last year was largely offset by domestic policy stimulus and lower bond yields. The US and Eurozone should continue to support world trade over the next couple of years, as HSBC forecasts look for GDP growth in both economies to continue to expand at a similar pace in 2016–17.

The pick-up in investment growth in the US and in the three largest Eurozone economies through 2016 should spur demand and trade in capital goods sectors. Meanwhile consumer spending in the developed economies should grow at broadly similar rates this year versus 2015, underpinning trade growth in consumer sectors.

WORLD MERCHANDISE EXPORTS

At the product level, the Trade Forecast Report suggests that cyclical sectors such as transport equipment will be the greatest beneficiaries of the upturn in the near term, although intermediate inputs such as chemicals and machinery will increasingly benefit as global investment strengthens.

THREATS TO RECOVERY

The projected recovery in global trade growth is subject to some potential downside risks. These include the possibility that a cyclical rebound in China's manufacturing sector may take longer than expected to materialise, the potential for demand in the US and Europe to soften, and the possibility that political or social strains in emerging markets could affect their macroeconomic adjustment.

REDUCTION OF STRUCTURAL IMPEDIMENTS

Set against these potential risks on the cyclical side, the Trade Forecast report suggests that some of the structural impediments to global trade may begin to recede, especially as trade liberalisation efforts gain traction.

Notable progress in this regard includes the recent expansion of the WTO's Information Technology Agreement (ITA). The original ITA agreement guarantees zero-tariff and duty-free trade in around 250 electronics products, but the second phase of the agreement has added a further 200 products, covering global trade flows worth around $1.4 trillion.

Further reason for optimism came with the agreement on the Trans-Pacific Partnership (TPP). This is the largest new trade agreement in 20 years, covering 40% of the global economy. The deal still needs to be ratified by the 12 participating nations, but it promises to provide a significant boost to trade flows by eliminating tariffs on most products as well as lowering non-tariff barriers to trade.

LONG-TERM OUTLOOK

Looking further ahead, longer-term development patterns in emerging markets are likely to be an important driver of global economic growth and trade in the coming decades. The emerging economies of Asia, in particular, are likely to see the fastest growth in merchandise exports, while the growing middle class of those same markets will see them become the fastest-growing source of final demand in the global economy.

Finally, the report suggests that the largest contribution to the projected growth in traded goods will come from machinery and transport equipment. This reflects the ongoing evolution of global supply chains and strong final demand for both consumer and capital goods from emerging Asia. TR

To read the Trade Forecast reports, visit the HSBC Global Connections website

THE TRADE WINDS REPORT

The world is entering a third phase of globalisation that will boost trade, change the way companies work and improve the quality of life of millions of people, according to the HSBC Trade Winds report.

'Trade Winds: shaping the future of international business' examines the key trade and business trends of the past 150 years and looks ahead to 2050. It forecasts that total goods exports will reach US$68.5 trillion by 2050 – nearly four times the value of global exports in 2015 and more than 150 times that traded in 1950.

Developments in technology, public policy, operations and logistics will bring many benefits, according to the report: "This third wave of globalisation will take millions of people out of poverty, raise income levels and improve quality of life. Emerging economies will increasingly catch up with mature economies as economic prosperity is spread more evenly.

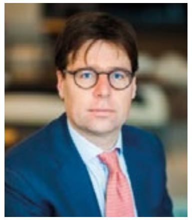
"For businesses there will be new opportunities – these include new ways of working, new business models and new skills requirements. Physical borders will become less important and how we define trade will change."

Asia is expected to be a big beneficiary of these changes, with the region's share of global exports predicted to reach 46% in 2050, compared with 33% in 2015. That shift is likely to see China extend its lead as the world's top exporter, while India exerts increased power. Western Europe and North America are expected to see their shares of global exports decline but in absolute terms they will be larger than today.

To read the full report, visit: https://globalconnections.hsbc.com/grid/uploads/trade_wind_tait.pdf

A region of opportunity

Jeroen Bakhuizen, Regional Head of International Subsidiary Banking, Europe, shares his views on investment trends and how HSBC can support companies' growth plans in the region.



JEROEN BAKHUIZEN
Regional Head of International Subsidiary Banking

Businesses today are operating in a relatively uncertain global environment with slowing growth the norm for a lot of countries and even markets like China not achieving the amazing growth levels we have become accustomed to.

Yet, despite the global growth slowdown, foreign direct investment into Europe hit a new record high in 2014, with US$305bn attracted into the region[1]. It just goes to show that Europe remains an extremely attractive investment destination and some of the world's biggest multinationals enjoy a significant presence in the region.

INVESTING IN EUROPE

For many multinationals Europe's sheer size as a trading hub and consumer market means it is too big to ignore. The European Union (EU) is the world's largest trading bloc, accounting for 16% of global exports and imports[2]. It has a combined population and GDP bigger than that of the US. It encompasses four of the world's top 10 economies – Germany, the UK, France and Italy[3].

And European economies are growing. HSBC Global Research expects average GDP in countries who share the euro as a common currency to expand by 1.5% in 2016[4]. Growth is expected to be higher still in non-euro countries including the UK and Poland.

It is also interesting to consider the findings from EY's European Attractiveness Survey 2015, which suggest that Europe has pulled further ahead of China as the world's most attractive investment destination.

In the survey, investors ranked Western Europe (50%) as the world's most attractive FDI destination for the second year running and Europe as a whole is seen as increasingly attractive.

We work with companies across all industry sectors as they look to grow their presence in Europe and it is interesting to consider some of the trends we have seen recently in terms of investment into Europe.

There has been a significant flow of investment from China and India into the automotive suppliers industry in Central and Eastern Europe. Indeed, for China, Central and Eastern Europe will play an important role in the country's 'One Belt, One Road' (OBOR) initiative.

The OBOR initiative was launched by President Xi Jinping in 2013 with the aim of developing and improving new trade routes with China and opening up new business opportunities. Plans for the initiative encompass over 60 countries, which make up 60% of the world's population and a collective GDP equivalent to 33% of the world's wealth, so it is a major undertaking. Europe is very much part of the initiative, with the 16 Central & Eastern European markets receiving particular attention under the '16+1' initiative. And indeed our teams in Poland and Czech Republic are seeing increased inflows from China.

We are also seeing strong FDI activity in the pharmaceuticals market, and technology continues to be a major sector »

» with US internet companies, for example, expanding quite aggressively in Europe.

There are some interesting trends emerging in how multinationals are managing their treasury operations and cash management functions around the world. Companies are rationalising their facilities with many looking to centralise their Treasury operations via a Treasury Centre.

In Europe, for example, the main treasury hubs are the UK, Netherlands, Ireland and Switzerland. US companies especially have their regional treasury centres in one of these locations and set up a cash management pool with a regional or global provider.

Ultimately, many corporates are looking to reduce their banking relationships to one or two partners in the region.

A CONSISTENT GLOBAL SERVICE

Through our International Subsidiary Banking (ISB) teams we are excellently placed to support those businesses in their growth plans. In 19 countries throughout Europe, we have dedicated ISB teams and Relationship Managers that work with the European subsidiaries of multinational companies. Working with our teams on the ground means companies can benefit from our local knowledge and the support of our product specialists to meet their specific needs.

Above all, though, the European subsidiary of a multinational headquartered in the US, for example, will receive the same level and consistency of service in France, Armenia, Germany and so on, as it would in New York. Our global network means that our relationship with companies at a headquarters level can be replicated at a local country level.

Increasingly multinationals are establishing regional treasury centres in Europe so our teams here can work with a Regional Finance Director or Regional Treasurer to make sure we meet their needs here, leveraging our e-channels.

Our global presence and network of International Subsidiary Banking teams throughout Europe means we are well placed to support businesses as they look to rationalise their regional treasury functions. We offer a consultative approach to help streamline and consolidate companies' banking and treasury needs, giving them greater visibility and control.

> "For many multinationals Europe's sheer size as a trading hub and consumer market means it is too big to ignore."

[1] EY's attractiveness survey Europe 2015

[2] European Commission figures: http://ec.europa.eu/trade/policy/eu-position-in-world-trade/index_en.htm

[3] World Bank GDP rankings for 2014, accessed February 2016: http://databank.worldbank.org/data/download/GDP.pdf

[4] European Economics Quarterly, January 2016 https://research.uk.hibm.hsbc/R/10/GKjwjnTUs8S0

The era of DISRUPTION

Technology is disrupting the way businesses source, make and move products. Is this the end of the supply chain as we know it?

From 3D printing to drones, from advanced analytics to robotics and on to intelligent learning, digital technology is reshaping the way business works.

Every company is a digital company now, as we are constantly reminded. In fact, Peter Sondergaard, Global Head of Research at Gartner, goes one step further, likening every business to a tech start-up.

Sondegaard told strategists at a recent event that developments such as e-commerce software, supply chain optimisation and product cost analytics were replacing ERP systems in the priorities of supply chain chiefs.

Alongside these incremental improvements come big disruptors such as drones, which Sondergaard predicted will be a standard element of many supply chain operations within five years. "Falling behind in these developing technologies could have serious implications for enterprises," he warned.

DIGITAL NETWORKS

Others have predicted the imminent death of the so-called 'linear supply chain' and its replacement with digital networks, focused as much on people, data and finance as on the movement of products and materials.

But for some sectors, the changes are likely to be more incremental. "Digital supply chains are not a panacea, and are not necessarily relevant to all sectors," warns Professor Michael Bourlakis, Head of the Supply Chain Research Centre at Cranfield School of Management.

He sees clear potential: "We are witnessing the emergence of a new supply chain model, where technology is a key driver and we use less traditional approaches. This applies more agile, flexible use of assets such as trucks and warehouses. »

"However, I do not think that traditional supply chains will become obsolete in the near future."

JJ Van Der Meer, Supply Chain Innovation Expert at PA Consulting Group, agrees. He draws a distinction between 'disruptor' start-ups, which can launch with digital business models, and established businesses with legacy plant and processes.

Manufacturers, in particular, have become accustomed to driving incremental productivity improvements through Lean techniques.

BLIND SPOTS

"There's been so much investment to develop continuous improvement capabilities on the back of Japanese management techniques, and huge advantages have been realised. But that might result in blind spots when it comes to recognising radical new ways of working," says Van Der Meer.

"For established companies, there are two main drivers for changing to digital technologies: cost and customer demand. If a business sees its customers start to demand a higher degree of personalisation and shorter lead times, and if they see competitors starting to fulfil those needs, they need to make this trade-off: stick to the current installed base or move on?"

For those who opt to move on, a host of technologies may offer opportunities.

Some businesses are looking to expand their cloud storage, towards a so-called cloud-based business network designed to achieve more effective collaboration. Sharing a platform can allow a business to check its suppliers' inventory against its own needs in real time, and match its own stock with changing customer demand.

Businesses have barely begun to explore the potential of analytics. Increasingly, advanced methods of interrogating data from various sources will enable firms to understand customer behaviour better and to evaluate their own marketing strategies.

3D printing is opening up new potential for personalised manufacture in fields such as medicine. Using CAT scan data, customised replacement joints can now be produced to match the bone shape and size of individual patients.

Further progress in this sector will depend heavily on regulatory response, however. "I have heard that the FDA in the US is considering requiring companies that produce such implements to maintain data files for 75 years," Van Der Meer says. "Imagine the compliance issues associated with that."

DATA HARVEST

The use of sensors to harvest data from firms' own manufacturing equipment should not be underestimated, says Van Der Meer.

ROBOT REMEDIES

A Dutch pharmacy chain found a digital way to take the headache out of repeat prescriptions.

Traditionally, a request for a repeat medicine entails a delay in store while staff check stock and then make up the prescription.

The pharmacy consolidated data to get visibility of all repeat prescriptions, and then developed a process so that they could be prepared centrally by robots.

By the time a patient arrived in store to ask for their prescription, it was already waiting for them. Service levels were improved and cost reduced.

According to PA Consulting's JJ Van Der Meer, who has worked with the pharmacy business, developing the technology was far less time-consuming than ensuring that all stakeholders – including pharmacists, GPs, insurers and patient representatives – were signed up to the change.

But the benefits go beyond cost: "You can add real value through data, by noting which patients don't turn up for their prescription, and sending that back to their GP to follow up," Van Der Meer says.

STRIVING FOR FASTER DESIGN

Enhanced build quality and a significant reduction in production time are the goals of an innovative digital supply chain project in the automotive industry.

Based in the North West, the project has seen Bentley team up with supply chain companies and the University of Liverpool's Virtual Engineering Centre.

The partners in STRIVE – Simulation Tool for Rapid Innovation in Vehicle Engineering – are developing new virtual prototyping tools which can simulate real-world interactions with astonishing accuracy.

This will allow problems in design to be detected and resolved earlier, helping to speed up the development of new vehicles.

Bentley's Crewe factory is acting as a real-life testing ground for the tools produced by Optis, Icona and DNA-Agile Group, working alongside the university's experts. The programme is being led by the Northwest Automotive Alliance with funding from the government's Advanced Manufacturing Supply Chain Initiative.

On completion of the project, the aim will be to roll out the resulting improvements in manufacturing productivity to other vehicle manufacturers and suppliers – and to other sectors with a similar manufacturing and assembly environment.

The partners are set to announce the results of the programme in the summer. Carol Holden of the Northwest Automotive Alliance says: "The project is successfully delivering new opportunities for businesses to join the digital supply chain."

» "A manufacturing plant is a complex organism. Data ends up in all sorts of different systems and spreadsheets, making it extremely difficult to properly analyse performance.

"The opportunity to get a much better finger on the pulse of a complex plant offers huge potential for improving reliability and the quality of the finished product."

He predicts future supply chain breakthroughs based on more widespread adoption of two further technologies: additive manufacturing and the 'internet of things'.

The first could ultimately produce personalised goods at the same line speeds and costs as traditional manufacturing: "You will be able to specify and order your own unique shampoo or deodorant and get it delivered at the same cost as for a mass-produced item.

"RFID and NFC tags offer the opportunity to track goods, but currently come in at around 20 US cents each if you buy in bulk," he observes. "But imagine a world where you could get a tag that you applied like a label, at a cost of just one or two cents.

"That would open up enormous opportunities in a host of supply chains, especially consumer goods. It would give better visibility of your inventory and shelf life, and help to make step changes in reducing waste of fresh products, for example.

"It's prohibitive at current cost, but I'm confident that this is going to happen."

While some suggest that total reinvention of the supply chain is the only way to reap the full benefits of technology, Van Der Meer advocates that businesses choose from those technologies whose potential aligns with their own goals.

"Digital technology offers a toolkit to improve your performance and make step changes on cost, agility or service – or sometimes to really shift the paradigm," he concludes. "The key is to understand what your business really needs to compete, and what elements of the toolkit help to unlock that."

The three keys to unlocking working capital

Working capital is an essential element in achieving overall capital efficiency and one of the cheapest ways of funding growth. So it's clear why every company should optimise their working capital strategy. The question is how. The three essentials, says Ian Fleming, MD of HSBC Working Capital Advisory, are benchmarking, the smart use of data and the right finance tools.

The most effective businesses tend to excel in managing their working capital and perform better in their sector. We're now seeing more companies combining a working capital initiative with a profit improvement agenda. Why? Because it's not just about driving profit and loss, but is actually about delivering cash profit: about making sure the balance sheet improves as well. And, when a company needs to be fleet of foot for a tactical acquisition, for example, who wants to have to tell the board that the flexibility just isn't there?

Optimising working capital is critical as a component of the overall return on invested capital, but it involves balancing trade-offs. It's the complexity, the fact that it touches so many parts of the business, which gives you the opportunity for significant improvement but also for internal inefficiency and conflict.

SHARE THE GOAL

Look at the sales function, for example. It wants to make sure there are no stock-outs or service issues, that it achieves or even exceeds its sales targets. So, it may want to hold a higher inventory than is necessary and underplay potential credit issues. The treasury, on the other hand, is focused on liquidity management, cash flow forecast accuracy and facility constraints or covenants. They can contradict. To get these functions in line, you need to make sure your KPIs take working capital into account – from return on capital employed through to something as simple as networking capital as »

▲ BACK TO START ◄ PREVIOUS PAGE NEXT PAGE ►

» a proportion of sales. And those KPIs need to accommodate these functional trade-offs and percolate throughout the business.

There are actions that can be taken within the treasury or the finance function alone but we're seeing a renewed focus and involvement in working capital management initiatives. Increasingly, the treasury doesn't just aggregate information, but challenges it, and goes more deeply into business systems and processes.

So how do successful companies manage their working capital? Firstly they benchmark their performance against their sector and peer group; secondly, they get the right information and they're then smart at using that data, and thirdly, they choose the best financial tools and use them wisely. Time and time again, the adage is proved true – what gets measured gets done.

THE ART OF THE POSSIBLE

Benchmarking – comparing your business with your peers, and your regions or divisions with each other – is an important starting point and not least because it very often takes the management of working capital from a tactical discussion to a strategic discussion, and that tends to get boardrooms interested.

There's no secret to benchmarking – for publicly listed companies the information is already available to their various stakeholders. Companies can be ranked by their outstanding days payable, inventory and sales (DPO, DIO and DSO), together with their cash conversion days (CCD). At the time of writing, Kimberly-Clarke, for example, was ranked fourth in a sample of FMCG companies and Unilever was first. Between the two, there was a 19-day difference for DSO. What it tells us is that, if Kimberly-Clarke could improve its DSO to the level of Unilever's DSO – by multiplying its daily sales of £54m – it could generate additional free cashflow of over one billion dollars.

Gauging relative working capital efficiency says to the company Board that, by managing your working capital as effectively as the number one company, you can create free cashflow.

Of course, a benchmark only tells you what's possible, not how to make it happen. Its value is in bringing up all those questions you need to answer – why is the business model different and how can we do things differently in our own organisation?

> "Increasingly, the treasury doesn't just aggregate information, but challenges it."

SMART DATA, SMARTER ANALYSIS

When you know how you compare and can set objectives for improving your working capital, the key is then knowledge. The right data, effectively collected, analysed and interpreted, is what underpins your forecasting, target-tracking, KPI evaluation and more. Without it, you can't identify areas for improvement or do more of the things that work.

Data comes from many sources – customer relationship management, inventory and logistics systems, sales and operation planning, bank systems, credit and collections, ERP and the treasury management system. From my experience as a treasurer over the years and actually supporting the implementation of shared service functions, I know that a lot of this data is available within shared service functions that are well served with people who understand how you process data quickly and well. They tend not to be so blessed with high quality analytics skills – the people who are bright at extracting and challenging the data, asking the right questions of the data and applying it to solving business issues beyond process efficiency.

So understanding where this data is within your business is one thing, but actually making sure that you've got the analytics to use it in the most effective way is very important.

GIVE ME THE TOOLS

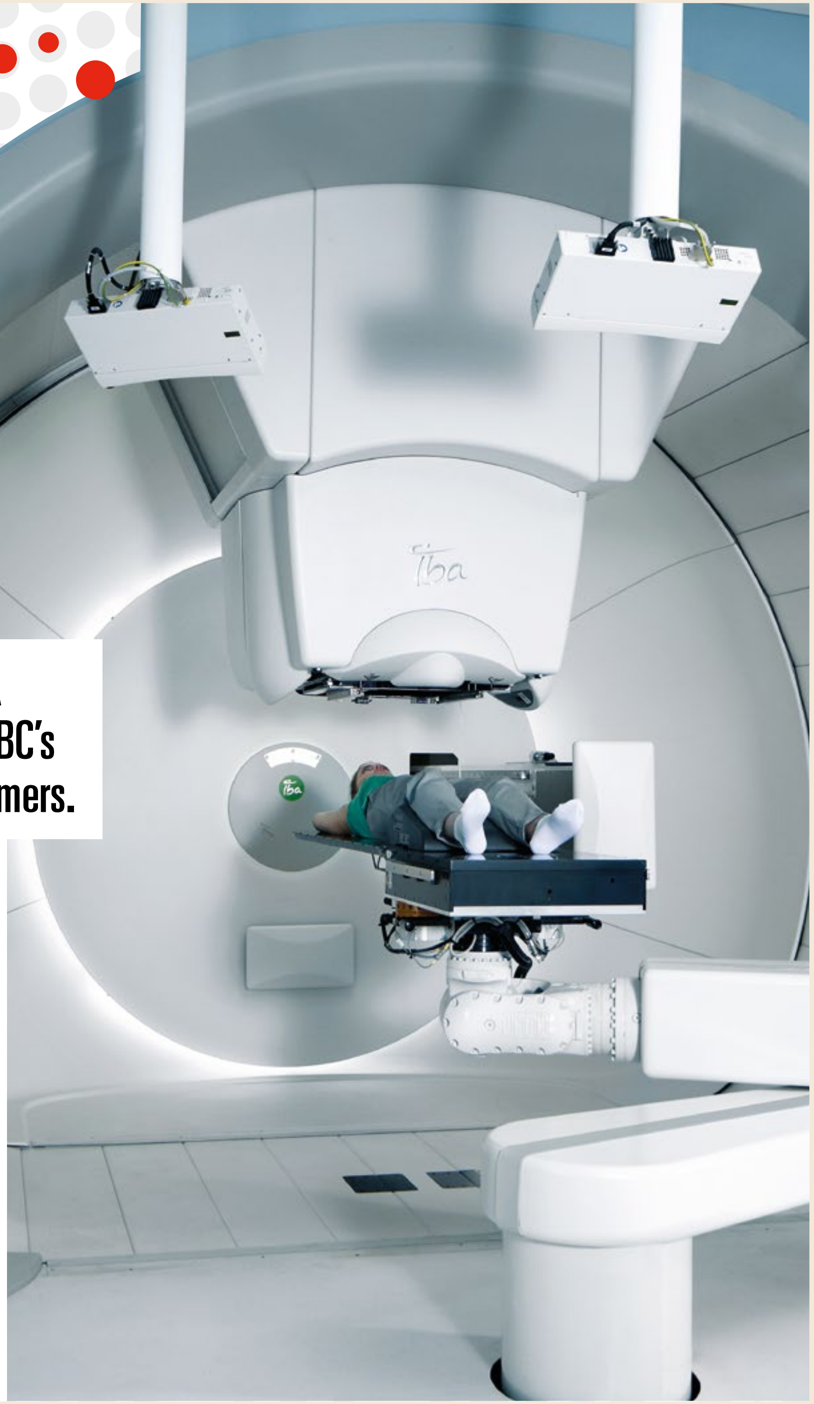
At its simplest, improving working capital is nothing more than making sure that cash going out gets paid later and cash coming in arrives as soon as possible. That's a scenario, however, that almost inevitably creates tension between buyers and suppliers. Choosing the right tools – both organisational and financial – can help you manage this in a way that maximises your cash efficiency and minimises conflict.

Organisationally, for managing payables, you might be considering harmonising payment terms, implementing improved purchase order control, settlement discounts or the timing of payment runs. Typical financial tools available include supply chain finance, purchasing cards or dynamic discounting. For managing receivables, opportunities for improvement might include more sophisticated credit risk management, order processing efficiencies, the introduction of eBilling or the offer of settlement discount, and the related tools might include receivables finance, securitisation, credit protection and documentary credits to improve risk management.

What's clear, though, is that optimising working capital takes a blend of operational efficiencies and financial tools. And the payback can be substantial, with accelerated cashflow, reduced costs and the flexibility to grow. TR

Targeting global growth

As the market leader in a pioneering cancer treatment, IBA Group is enjoying impressive growth and is leveraging HSBC's global presence to provide financing solutions for its customers.



Established in 1986, Belgium-headquartered IBA Group develops, manufactures and supports medical devices for cancer treatment by proton beam therapy, cancer diagnosis and patient quality assurance.

With more than 25 years' experience, the company is the market leader in proton therapy, having designed and equipped the majority of clinically operating centres around the world.

Unlike traditional radiotherapy that uses photons to irradiate and kill tumour cells, proton therapy is an advanced form of treatment using protons, which can more accurately target the tumour, leading to fewer side effects and a better quality of life during and after cancer treatment.

It is a focus on proton therapy that has driven the company's growth in recent years. In 2011, IBA Group underwent a significant reorganisation, selling non-core areas of the business such as the production of radiopharmaceuticals so it could focus on three key areas – with its ground-breaking proton-therapy at the centre.

"At the time, proton therapy was really showing signs of taking off and we decided that we needed to »

» give that our full focus," explains Chief Financial Officer Jean-Marc Bothy.

"The move also allowed us to become a pure-play medtech business rather than splitting our focus between that and Radiopharmaceutical biotech."

And the company is certainly seeing the impact of the restructure with operating profitability increasing from 3% before the move to 10.9% in 2015. There is also a positive outlook for future growth with proton therapy playing an increasingly significant role in the fight against cancer, as Bothy explains.

"Proton therapy used to be an area of niche research and a very expensive way to treat cancer. It is now increasingly moving into the mainstream, and becoming a key part of the arsenal to fight cancer."

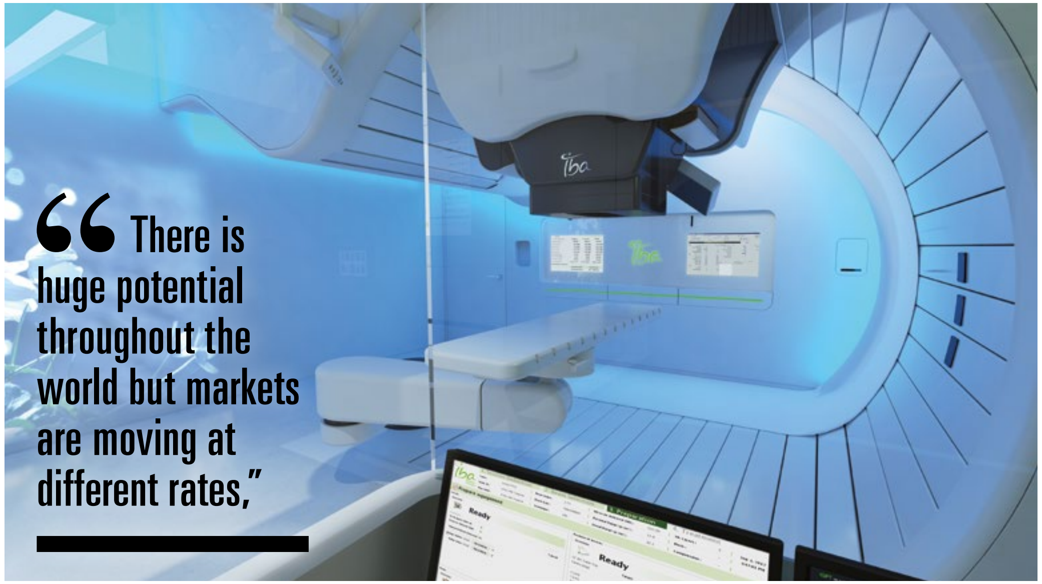
In 2014, the American Society for Radiation Oncology (ASTRO) published a recommendation for the use of proton therapy[1], which alongside studies commissioned by the NHS in the UK and the Ministry of Health in the Netherlands, has really helped to accelerate the market.

IBA Group's market is very much global with customers in the US, Europe, China, Korea, Japan, India, Argentina and Taiwan amongst others, but those countries are at different stages of adoption.

"There is huge potential throughout the world but markets are moving at different rates," explains Bothy.

"The US, for example, is fairly advanced in its use of proton therapy. A lot of the major university hospitals have machines in place and we're now speaking to the large community hospitals, which are interested in our recently developed Proteus ONE, which is a more affordable, compact solution."

In other markets such as Europe much of the adoption is still driven by the state. In the Netherlands, for example, the Ministry for Health has granted four proton therapy licences and Universities have had to present their case to win the licence. »



> "There is huge potential throughout the world but markets are moving at different rates,"

€ 270m

IBA Group revenues in 2015

Jean-Marc Bothy, Chief Financial Officer, IBA Group

» IBA has a clear set of criteria to help it identify potential customers and focuses on hospitals that have at least four radiotherapy machines, meaning they will have access to a significant number of patients that could benefit from proton therapy.

Beyond identifying potential customers, IBA Group's route to market is different from country to country, depending on their particular demands, as Bothy explains.

"Japan is a very educated market in terms of radiotherapy and proton therapy, but it is also a very closed market. So, for Japan we use Toshiba as an exclusive agent, while in the US, Germany, Brazil, India, the UK and Canada we have a general partnership with Phillips who market our solutions on a non-exclusive base. In other markets around the world, we work with a mix of direct sales, agents and distributors."

Even with the development of Proteus ONE, proton therapy machines remain a significant investment for IBA Group's customers and one of its key challenges is putting the right financing structures in place.

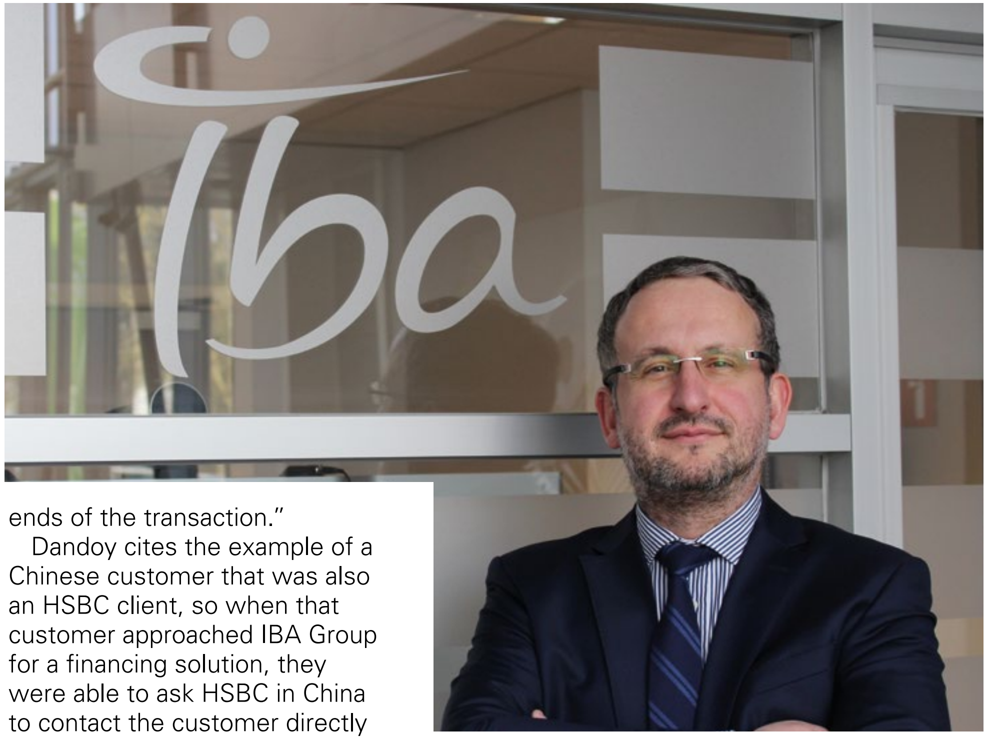
"We work with a number of banks, including HSBC Belgium, to find bespoke solutions that allow our customers to make the investment in proton therapy," says Bernard Dandoy, VP Treasury and Financing at IBA Group.

"HSBC's global presence has certainly been of benefit to us in putting some of these financing solutions in place for our customers. On the one hand they have significant experience in project and export finance, while their extensive global customer base means they are often at both ends of the transaction."

Dandoy cites the example of a Chinese customer that was also an HSBC client, so when that customer approached IBA Group for a financing solution, they were able to ask HSBC in China to contact the customer directly so that the best solution could be implemented.

"We have been a pioneer of proton therapy and strongly believe in it and the potential it has in markets throughout the world. Working with a global partner like HSBC, helps us to ensure that we can put the finance solutions in place to help our customers purchase the machines wherever in the world they might be," concludes Bothy.

"Proton therapy used to be an area of niche research and a very expensive way to treat cancer. It is now increasingly moving into the mainstream, and becoming a key part of the arsenal to fight cancer."



Bernard Dandoy, VP Treasury and Financing, IBA Group

[1] ASTRO Model Policies, Proton Beam Therapy (PBT), May 2014

PUT YOUR BUSINESS ON THE

TRADE RADAR

When you're scanning the landscape for business opportunities our expertise can help you get into the right market with the right plan.

Contact your Relationship Manager today

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