GCC HEALTHCARE AND PHARMACEUTICAL SECTOR

Healthcare Sector at the Fore

June 2021

ARDENT ADVISORY & ACCOUNTING

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Foreword

The GCC healthcare & pharmaceutical industry has witnessed steady growth in the last few years. This report outlines recent developments in the industry including market size, segments, policy initiatives and other developments.

The GCC healthcare market has grown at a CAGR of 5.4% to reach US$ 86.2 billion in 2020, from US$ 66.3 billion in 2015. Growth in the healthcare sector has been driven by the region's growing population share of senior citizens, increasing life expectancies and rising prevalence of lifestyle diseases.

To meet the rising demand, GCC countries continue to develop their healthcare infrastructure and are investing heavily on developing medical cities.

While GCC governments are taking steps to reduce dependency on expatriate healthcare workforce (by setting up medical colleges and training centres for the national workforce), the region is likely to continue to rely on expat workforce, especially in niche areas such as cardiology and oncology - in the near future.

Bulk of healthcare spending in the GCC is still borne by the government. However, over the last decade, we have seen a gradual shift towards private healthcare.

Roll-outs of mandatory health insurance in Oman, Kuwait, Bahrain, etc. is likely to further drive private healthcare spending in the region. Public–private collaborations in healthcare are also likely to increase with countries such as Saudi Arabia, Oman and Qatar planning for upcoming healthcare infrastructure projects through the public-private partnership route.

Technology is expected to play a large role in healthcare transformation. GCC countries have started leveraging technology, to streamline processes, especially in areas such as digitisation of health records and telemedicine.

The GCC pharmaceutical industry is still at a nascent stage with all GCC countries relying on imports to meet their demand, which has also added to the governments' expenditure on drugs. While the GCC governments are promoting local manufacturing particularly of generics, dependence on pharma imports will continue in the long term.

Going forward, the investment outlook is expected to be buoyant for the healthcare sector. The Covid-19 pandemic will further accelerate the need for public-private collaborations and diversification of services provided by the healthcare providers.

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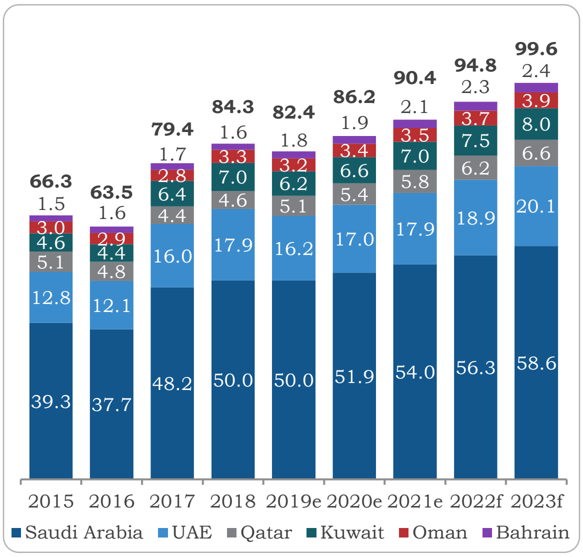
HEALTHCARE SECTOR OVERVIEW

HEALTHCARE SECTOR OVERVIEW

Driven by demand and government spending, the healthcare sector in the GCC countries is undergoing a wide-scale transformation. The sector remains among the key focus areas of the long-term economic diversification strategy of the region.

The healthcare sector continues to remain a high-priority area for the GCC governments. With the outbreak of COVID-19, the GCC governments have been making substantial investments to ramp up hospital capacities to address the sudden surge in demand. In addition, with the high incidences of non-communicable diseases, prevalence of an ageing population and increasing penetration of health insurance, the demand for healthcare in the GCC is expected to remain high in the long term.

Figure 1: Healthcare Expenditure in the GCC, US$ billion

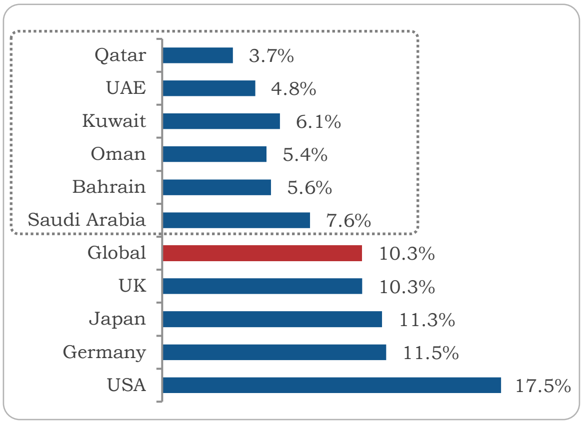


Source: World Bank, WHO, IMF, ARDENT Advisory, Fitch

Healthcare spending in the GCC is expected to increase at a CAGR of 4.9% to ~US$ 99.6 billion in 2023 from US$ 86.2 billion in 2020.

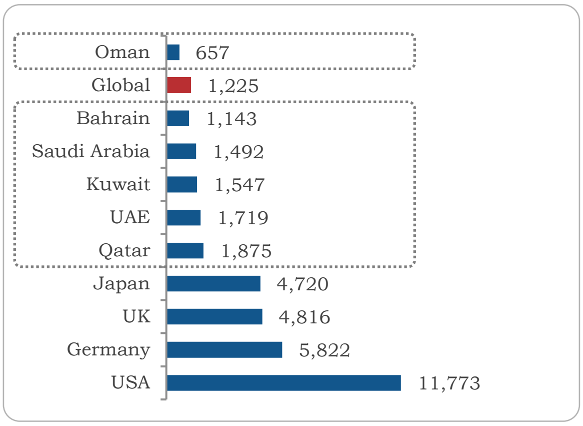
In terms of absolute expenditure, Saudi Arabia and the UAE are the largest markets, together accounting for ~80% of the region's healthcare spending in 2020. While the high spend amount of Saudi Arabia directly correlates to its vast population, the high spend amount of the UAE is a factor of its higher per capita spending. Healthcare spending in Kuwait is expected to expand at a CAGR of 6.4% between 2020 and 2023 driven by anticipated high government spending on healthcare.

Figure 2: Healthcare Spending, % of GDP, 2020



Source: World Bank, WHO, IMF, ARDENT Advisory, Fitch

Figure 3: Healthcare Spending per Capita, US$, 2020



Source: World Bank, WHO, IMF, ARDENT Advisory, Fitch

Per capita healthcare spending of most of the GCC countries is higher than the global average of ~US$ 1,225. However, the percentage spend of GDP in healthcare is lower than the global average of 10.3% and that of developed countries such as the US, Germany, Canada and the UK.

Within the GCC, Qatar has the highest per capita spending of US$ 1,875; however, its healthcare spending as a % of GDP remains the lowest at 3.7%.

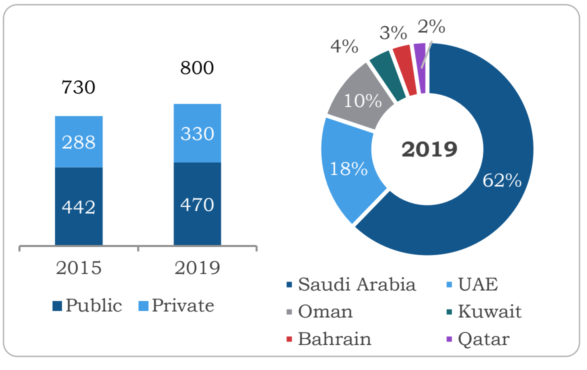
HEALTHCARE INFRASTRUCTURE

The GCC countries are focussing on public sector overhaul and increased private sector contributions.

Healthcare Infrastructure

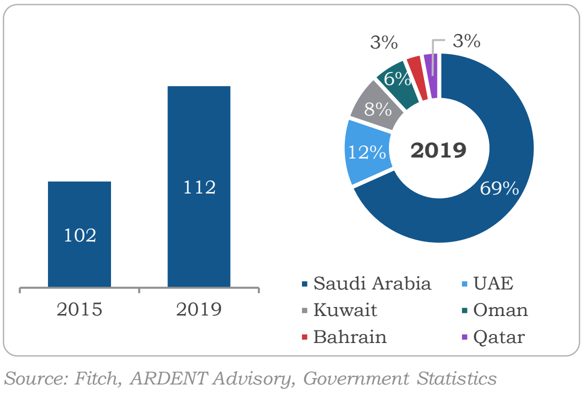
Public hospitals dominate the GCC healthcare market. However, the share of private hospitals increased from 39% in 2015 to 41% in 2019. Rise in private sector contributions stems from the push towards privatisation goals of the GCC countries and is expected to expand even further.

Figure 4: Number of Hospitals in the GCC, Public and Private, Country



Source: Fitch, ARDENT Advisory, Government Statistics

Figure 5: Number of Beds in the GCC, '000s, Country



Source: Fitch, ARDENT Advisory, Government Statistics

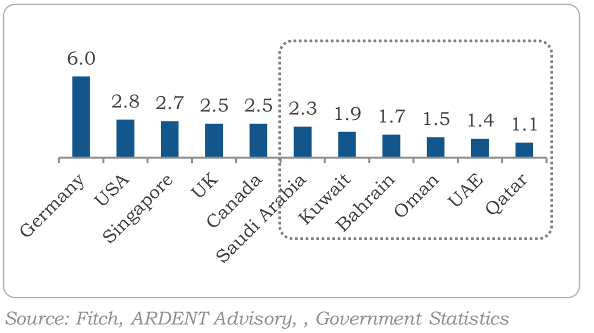
As of 2019, Saudi Arabia accounted for 62% and 69% of the total number of hospitals and hospital beds, respectively, in the GCC.

Saudi Arabia is also restructuring its public health sector to improve delivery, a major contributor to its health infrastructure, by decentralising the health service provisions from its Ministry of Health to local clusters (covering 1 to 2 million people), which will be managed by local providers.

The GCC governments continue to make substantial investments to improve their healthcare systems and increase the availability of hospital beds for secondary and tertiary care. For example, Qatar is focussing on the expansion of Hamad Medical Corporation's facilities, its principal public healthcare provider.

Between 2015 and 2019, ~10,500 new hospital beds were added in the GCC, but the hospital bed density remains lower than that in developed economies.

Figure 6: Bed Density per 1,000, 2019

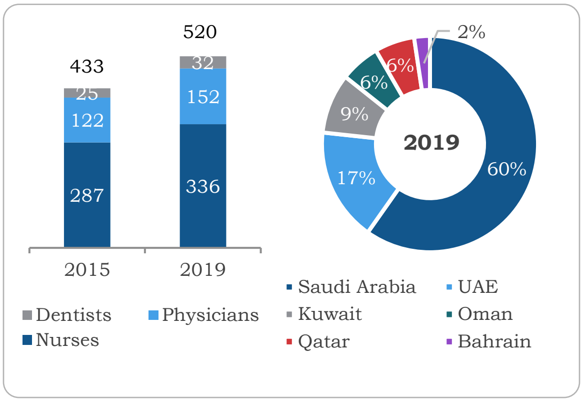


Source: Fitch, ARDENT Advisory, , Government Statistics

The number of beds available in the GCC needs to rise at a high rate to keep up with the growing healthcare demand, ageing population and high incidences of non-communicable diseases (NCDs). For example, as per a 2018 report by UK-based property consultancy Knight Frank, Saudi Arabia will require additional 20,000 beds by 2025 and 40,000 beds by 2035 to keep pace with its increasing population and ageing citizens.

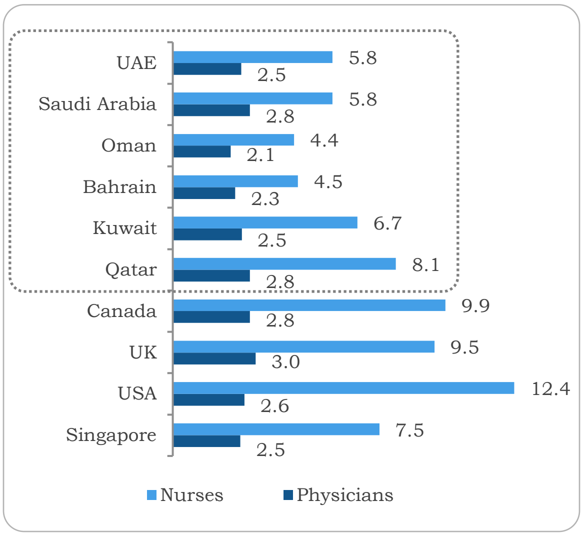
The GCC countries mainly depend on expatriate healthcare professionals owing to the shortage of qualified national healthcare professionals. The dependence on foreign doctors was further amplified due to the COVID-19 outbreak, when doctors and nurses from countries such as India and Pakistan were hired by the UAE and Kuwait to meet the surge in demand. However, the nationalisation visions of the GCC countries emphasise on the development of local healthcare resources by investing in education, expanding medical colleges and focussing on training and development to meet the regional demand.

Figure 7: Physicians, Nurses and Dentists, '000s, Country



Source: Fitch, ARDENT Advisory, Government Statistics

Figure 8: Physicians and Nurses per 1,000, 2019



Source: Fitch, ARDENT Advisory , Government Statistics

Although the number of healthcare professionals per capita is growing, the number of nurses per capita in the GCC is still below the numbers of developed countries such as the US, the UK, etc.

Centres of Excellence

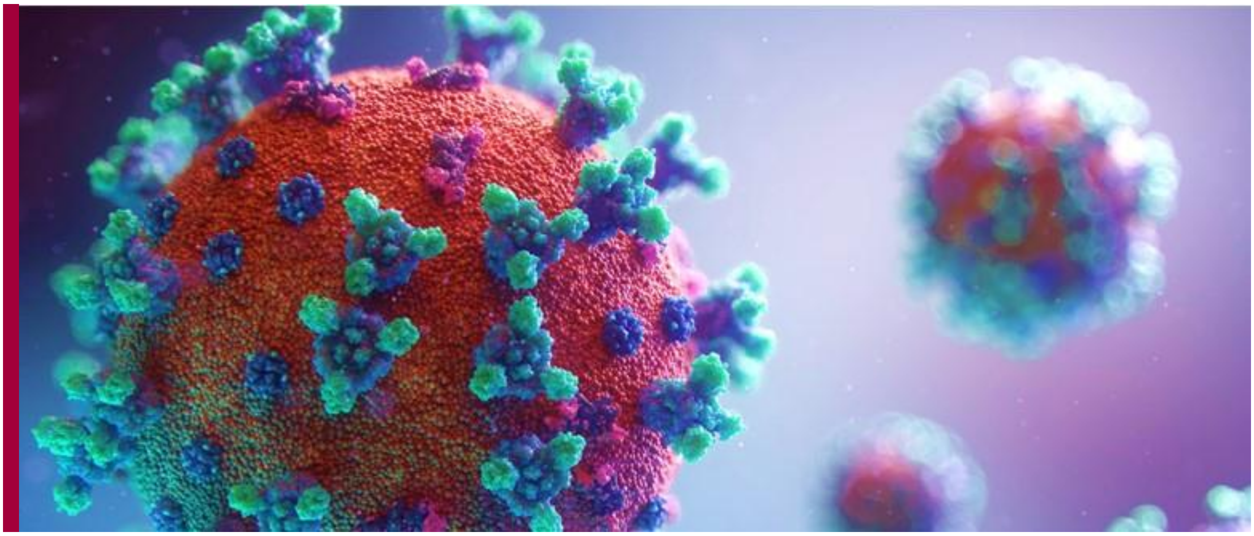
Healthcare system in the GCC mainly caters to primary care. However, countries are now focussing on developing secondary and tertiary care hospitals to cater to the growing demand and in many cases, to develop medical tourism in the country.

Moreover, the need to reduce outbound health expenses has also created an opportunity for the development of speciality centres.

High incidences of NCDs, such as diabetes and obesity, in the region offer huge opportunities in areas of cardiology, oncology and various respiratory diseases. This has led to the development of the 'Specialised Centres of Excellence' to provide technologically advanced medical services through customised healthcare solutions.

The following are a few examples:

1. Capital Health's New Specialised Rehabilitation Hospital (SRH) – Abu Dhabi – Specialties: Medical Rehabilitation
2. Sidra Medical and Research Centre – Doha – Specialties: Tertiary care for women and children, pediatric surgeries and specialist pediatric services in neurology and cardiology
3. King Khaled Eye Specialist Hospital – Riyadh – Specialties: Ophthalmology



COVID-19 Impact

COVID-19 has severely disrupted the global healthcare industry. GCC countries have been quick to respond to this crisis and ramped up their healthcare and diagnostic facilities to meet the demand surge.

The testing capacities of most GCC countries were better than those of advanced countries such as the US, the UK and Singapore. For example, the UAE quickly scaled up its COVID-19 testing capabilities and by October 2020, the UAE had conducted 10.32 million tests. The UAE has one of the highest testing densities globally.

Most GCC countries have also established drive-through testing facilities to ramp up testing rates.

GCC countries have also quickly ramped up their healthcare infrastructure in response to the COVID-19 pandemic. For example, Saudi Arabia set up field hospitals in Mecca and Jeddah. Saudi Arabia also designated 25 hospitals with an overall capacity of 80,000 beds and 8,000 ICU beds for COVID-19 patients. It added ~2,200 beds in a span of three months.

The UAE rapidly expanded its bed capacities to address the sudden surge in demand due to the COVID-19 impact. For example, the UAE established facilities in Dubai and Abu Dhabi with bed capacities of 5,000 and 1,200, respectively. Several dedicated hospitals were opened in Abu Dhabi, including field hospitals in Khalifa City.

Qatar built a medical isolation facility, in the outskirts of Doha, with a capacity of 12,500 beds. Kuwait constructed a makeshift hospital with a capacity of 1,700 beds to treat COVID-19 patients.

In addition, most GCC countries have been offering free of cost testing, quarantine and treatment services at public health facilities to both nationals and expatriates.

The pandemic has strained the already limited healthcare personnel in the GCC. To increase availability of healthcare personnel to treat COVID-19 patients, Kuwait and the UAE have called doctors and nurses from India, Pakistan and Cuba. For example, in June 2020, Kuwait hired 300 Cuban doctors and nurses to treat COVID-19 patients. In May 2020, a team of health workers from India flew to the UAE after a request from the latter.

MEGATRENDS

MEGATRENDS

Innovation and Digital Transformation

GCC countries have been investing heavily in healthcare information technologies such as telemedicine, digitisation of electronic medical records (EMRs/EHRs), data analytics and mobile applications for patient engagement to improve healthcare delivery and disease management. Technologies such as artificial intelligence (AI), machine learning (ML), blockchain, augmented reality/virtual reality (AR/VR), cloud computing and Big Data analytics are being used to create faster, more efficient and predictive healthcare tools.

Driven by the market potential of medical technologies in the healthcare sector, six of the nine early-stage investment deals (undertaken over the past two years) have been focussed on medtech companies specialising in telemedicine, AI, e-pharmacy, practice management solutions, etc.

Digital transformation of the healthcare sector is a key focus area of GCC governments. For instance, Qatar is in the tendering process to implement the 'Smart Healthcare' initiatives of its 'TASMU Smart Qatar' programme, which aims to build an integrated system to provide the highest standards of healthcare services

Artificial Intelligence

GCC countries are also looking to leverage AI in their healthcare practices. In February 2020, the Dubai Health Authority (DHA) enabled its 'Smart Salem' fitness screening service for expatriate workers. The service uses AI to improve and streamline its procedures, allowing Dubai Health Authority's 'Smart Salem' medical fitness centres to conduct medical checks, which are prerequisites for work visas.

Electronic Medical Records

With applications in diagnostics and screening, a centralised system for digitisation and distribution of medical records is being introduced in many parts across the GCC.

For example, the Abu Dhabi Health Information Exchange platform, known as Malaffi, currently connects more than 85% of hospitals in the emirate. Such a database is used by healthcare providers to track and record real-time data of patient medical history.

Genome Programme

The Qatar Genome Programme (QGP) is another initiative that aims to pave the way for precision medicine and personalised care. This national programme plans to complete genomic characterisation of 10% of the population by 2020. Additionally, the Qatar Precision Medicine Institute was launched in November 2020 to develop and implement the precision medicine technology for Qatar.

Fitness Monitoring Applications

GCC countries are also launching fitness monitoring initiatives to boost use of IoT devices and data analytics. For example, Abu Dhabi's 'Weqaya' is a health screening programme for Emiratis that allows users to check their health status and conduct follow-up consultations, if they have a risk of any disease. Also, Qatar's Connected Wellness initiative includes a 'Digital Health Coach' service, which deploys smartphones and fitness wearables to monitor food consumption and activity levels to provide real-time customised health insights.

Telemedicine

Telemedicine has been on the rise in the GCC and is viewed by governments as a key component of their digital healthcare transformation programme. For example, Saudi Arabia, as a part of its health strategy, aims to improve the accessibility and quality of remote care to citizens by utilising telemedicine. According to a Frost & Sullivan survey, 70% of the patients in Saudi Arabia already use telehealth services.

Key Developments: Telemedicine

- In early 2020, Mubadala's Cleveland Clinic Abu Dhabi successfully launched an online health portal that allows patients to attend virtual visits with physicians, track their prescriptions and receive information on test results
- In January 2020, Abu Dhabi's Ministry of Health and 'Du', a telecom service provider, signed an MoU to build the city's first virtual hospital, which is expected to provide telemedical services, remote healthcare monitoring and electronic claims processing
- In November 2020, as a part of Dubai's plan to create a consultant programme to help doctors provide remote second consultations to patients in critical conditions, the emirate launched an international telemedicine service in 16 public hospitals, covering all medical specialties
- To boost adoption of telemedicine, Bahrain implemented legislations that allow hospitals and clinics to use telemedicine without a license.

The pandemic has catalysed healthcare service providers in the GCC to ramp up investments in digitisation and telehealth to drive growth and improve operational efficiencies post COVID-19. As per Mashreq Bank and Frost & Sullivan research, annual investments in healthcare digital infrastructure in the GCC are expected to increase by US$ 0.5 to US$ 1.2 billion in the next two years, a 10% to 20% rise compared with the previous estimates of 3% to 4%.

Leveraging Technology to Fight COVID-19

In their fight against COVID-19, the GCC countries have leveraged and adopted numerous technologies such as contact tracing applications, remote care, AI and robotics.

For example, the Ministry of Health and Prevention in Abu Dhabi launched Virtual Doctor, a chatbot service, to help users assess if their symptoms could be associated with the COVID-19 virus. A robotic doctor was deployed in Riyadh's King Salman hospital to map COVID-19 patient's vital signs and conduct sterilisation procedures.

The GCC countries deployed contact tracing apps such as Tabaud (Saudi Arabia), Alhosn (Abu Dhabi), Shlonik (Kuwait) and Etheraz (Qatar) to quickly isolate at-risk people as well as disseminate critical information regarding health tips and hospital availability.

The Qatar Computing Research Institute (QCRI), part of the Hamad bin Khalifa University, leveraged its data processing platform, 'Rayyan', to accumulate and process large volumes of virus-related information on a daily basis. This helped the healthcare experts and researchers—fighting against COVID-19—significantly reduce the time to conduct further medical research.

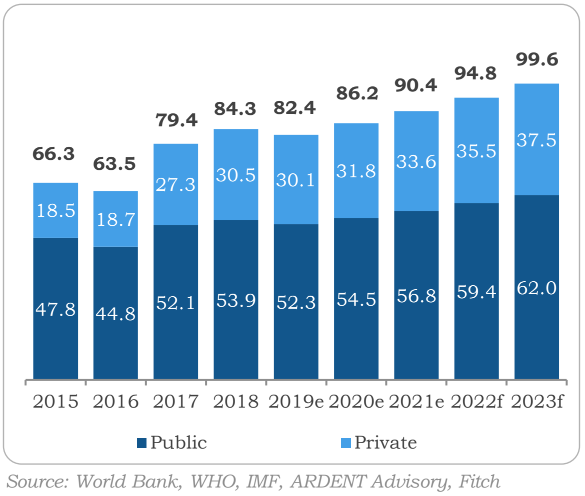
The American Hospital in Dubai has been using AI-powered robotic surgeons amid the pandemic to reduce complications and eliminate infections in surgeries.

The UAE launched a platform to identify the population density and death toll caused by COVID-19 in each area across the country. The platform uses AI to analyse spatial and statistical data to determine which government buildings could be converted into health or storage facilities to help the healthcare service providers curb the spread of coronavirus.

Privatisation of Healthcare

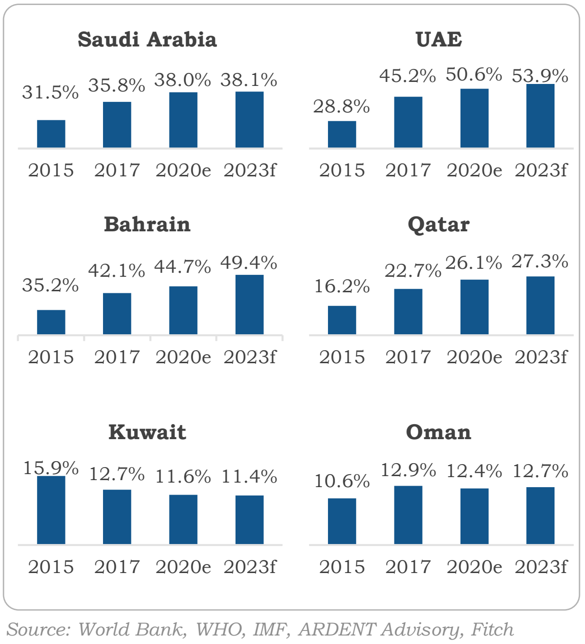
Private healthcare expenditure in the GCC region has increased from 28% in 2015 to ~37% in 2020 at a CAGR of 11.4%. Private sector expenditure is expected to reach ~US$ 37.5 billion and likely to account for ~38% of the overall healthcare expenditure by 2023. Of all the GCC countries, the UAE has the highest contribution by the private sector expenditure at ~54% as of 2020.

Figure 9: Healthcare Expenditure in the GCC, Public and Private, US$ billion



Source: World Bank, WHO, IMF, ARDENT Advisory, Fitch

Figure 10: Private Healthcare Expenditure Share in the GCC, %



Source: World Bank, WHO, IMF, ARDENT Advisory, Fitch

GCC governments are actively promoting private sector participation through public–private partnerships (PPPs), rolling out mandatory insurance coverage and drafting laws that allow ease of doing business in the healthcare sector. The gradual introduction of mandatory health insurance schemes across the region will boost adoption of private medical services by reducing out-of-pocket expenses on medical services for both nationals and expatriates and subsequently, ease the strain on public healthcare infrastructure.

Healthcare Privatisation is a Key Agenda of National Strategies

Healthcare privatisation remains at the forefront of the economic vision of GCC countries. Saudi Arabia, as a part of its 'National Transformation Programme', aims to develop the healthcare sector through increased private sector participation and PPP projects. Saudi Arabia's private sector contribution was estimated to be ~38% in 2020 and has met its goal to increase private sector contribution in healthcare spending to 35% by 2020. Oman, as a part of its 'Health Vision 2050', envisions the private sector to own and operate 50% health services in the country.

Public–Private Partnerships

Private sector participants are being incentivised through PPPs to invest in healthcare infrastructure and manage healthcare operations, while the public sector becomes the regulator. The GCC has ~161 healthcare projects (totalling US$ 53.2 billion) under various stages of development. A number of these projects are being financed through the PPP model. In addition, GCC countries are also looking to privatise the existing public health infrastructure by outsourcing operations and management via the PPP model.

PPP Deals

PPP healthcare deals have been rising in the GCC.

In 2019, Saudi Arabia set up its first healthcare PPP project, focussed on offering medical imaging services, across seven hospitals. In 2020, the country, under the PPP model, began the bidding process for the Al Ansar Hospital, which is yet to be completed.

In 2018, Dubai opened the tendering process for a US$ 100 million cardiology hospital under the PPP model. The private sector partner will be responsible for designing, building, financing, maintaining, operating and managing the hospital for a period of 25 years. Oman, under a PPP model, envisions to build its US$ 1.5 billion Sultan Qaboos Medical City Complex. The country has already rolled out numerous projects including a dialysis centre, secondary hospital and central laboratory under the PPP model.

Kuwait has devised a model to increase the number of PPP healthcare projects and has already established the Health Assurance Hospitals Company (Dhaman), a structured PPP entity held by Kuwait Investment Authority, the Public Institution for Social Security, Arabi Group and Kuwaiti nationals. The entity currently owns and operates three facilities in the country.

Enabling Policies

The GCC governments have been working on drafting laws that provide frameworks for the PPP models. In 2018, Saudi Arabia drafted a law covering partnerships between the government and private sector (including PPPs) to realise privatisation goals and bring in foreign investments for infrastructure projects. This law exempted investors from labour laws, real estate ownership restrictions and other regulations. The country also relaxed its existing FDI regulations and has allowed 100% foreign ownership in healthcare companies.

Countries such as Qatar and the UAE have also drafted laws providing a legal framework for all public–private partnerships, thus paving the way for numerous deals.

Mandatory Health Insurance

The GCC countries are adopting mandatory health insurance schemes to reduce government costs and improve healthcare standards. This will drive the growth of private insurance companies in the region.

Driven by the successful implementation of mandatory health insurance schemes in the UAE and Saudi Arabia, other GCC countries such as Oman and Bahrain are following suit.

The GCC countries are focussing on the medical coverage of not only nationals, but also expatriates and their dependents, who form the majority population in most GCC countries. In addition, the national mandatory insurance strategies are focussed on driving the adoption and utilisation of private hospitals and healthcare services; thus, reducing the strain on public healthcare infrastructure. The GCC healthcare insurance market is expected to expand at a CAGR of 11.3%, reaching US$ 25.5 billion in 2025 from US$ 14.9 billion in 2020.

Status of Mandatory Healthcare Insurance in the GCC Countries

Saudi Arabia

The country was among the first in the region to launch a mandatory health insurance scheme in 2006. In 2016, it introduced the first phase of the one-contract health insurance policy, which mandated private employers to provide insurance for their Saudi employees and dependents. In 2018, in the second phase, the scheme was extended to expatriate employees and their dependents. In 2019, the country made it compulsory for visitors to have health insurance while visiting the country.

By 2019, the total number of insured consumers stood at ~11.4 million, including 3.3 million Saudi employees along with their dependents and 8.1 million expatriate employees along with their dependents.

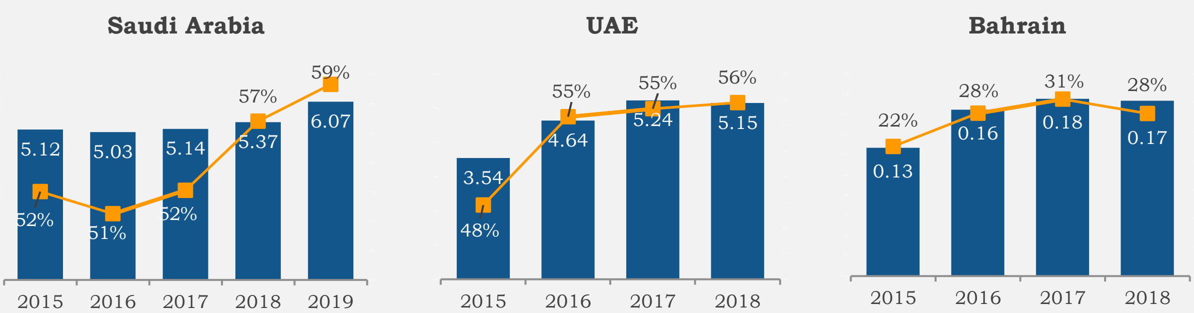
UAE

Abu Dhabi: The emirate provides comprehensive coverage to all UAE nationals under the 'Thiqa' programme, which covers 100% costs of healthcare treatments received in Abu Dhabi. In addition, health insurance coverage is compulsory for expatriates and their dependents since 2006 and is provided by employers.

Dubai: Emirati nationals in Dubai are eligible for free or low-cost public health coverage under the 'Saada Health Programme' run by the Dubai health authorities. In 2013, Dubai required foreign residents to have mandatory health insurance sponsored by their employers. As of 2019, 98% residents in Dubai had medical insurance coverage.

Buoyed by government support and increased demand, the value of health insurance and share of health insurance as a part of non-life insurance has been increasing in the GCC countries.

Figure 11: Health Insurance, Value and Share, US$ billion, %



Source: SAMA *Source: FCSA* *Source: Central Bank of Bahrain*

Qatar

Residents and expats can access the public healthcare system at a highly subsidised rate via government-issued health cards. In 2013, the country introduced 'Seha', a public national health insurance scheme, which aimed to eventually cover all Qatari nationals, expatriates and tourists. However, the scheme was discontinued in 2015. In June 2019, the government announced its plan to create a new health insurance system. Although limited details are available, the system is expected to mandate expatriates and visitors in Qatar to have medical insurance coverage to reduce the current pressure on healthcare services.

Bahrain

In 2018, the country mandated all nationals, residents and visitors to hold an insurance policy. While nationals can access public healthcare for free, the government has provided coverage for 60% of the private medical costs. For expatriates, their employers are mandated to provide health insurance coverage under the National Health Insurance Scheme (Sehati). The government is yet to develop an implementation framework for this scheme. As the early planned implementation date of January 2019 has been missed, it is unclear as to when this scheme will be implemented.

Kuwait

While nationals can avail healthcare for free at public hospitals, expatriates in Kuwait are required to pay the annual insurance fees to Kuwait's Health Insurance Hospitals Company (Dhaman) to access public health infrastructure. To reduce the load on public health infrastructure, the government increased the annual health insurance fee charged to foreign residents by 260% to US$ 428 (KD 130) from US$ 165 (KD50) in 2017.

The government has also drafted a law mandating health insurance coverage for its expatriates, who account for ~70% of its population. Also, the country is building new hospitals for treating expatriates exclusively.

Oman

The 'Mandatory Health Insurance System' (Dhamani) programme is expected to be rolled out by 2021–2022, enabling health insurance for >5 million private sector employees, including expatriates and visitors and their dependents.

The insurance compliance cost to private sector employers is expected to be US$ 130 to US$ 519 per employee. It is expected to boost the private sector insurance players, especially local companies, by increasing their premium revenues.

INVESTMENT THESIS

INVESTMENT THESIS

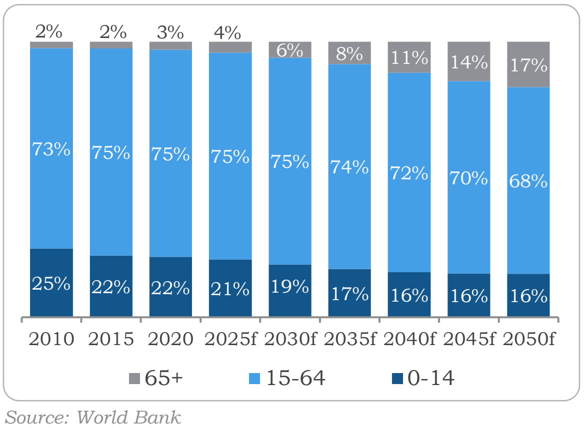
Rise in ageing population and high prevalence of lifestyle diseases, among other things, are propelling growth in the GCC healthcare and pharmaceutical sector in the region

Rise in Ageing Population

Growth in the GCC healthcare sector will be mainly driven by the ageing population. Currently, the youth accounts for the highest share of the population in the GCC. According to the World Bank, the proportion of GCC population aged above 65 will reach ~17% by 2050, from 3% in 2020.

Also, improving life expectancy and declining mortality rates are expected to further increase the proportion of ageing population. This would lead to a higher demand for healthcare services, along with a rise in associated pharmaceutical expenses.

Figure 12: GCC Population by Age Groups, %



Source: World Bank

High Prevalence of Lifestyle Diseases

With the prevalence of sedentary lifestyle patterns and fast-food component in diets, instances of hypertension, obesity, cancer, heart conditions and other lifestyle diseases in the GCC are quite high.

In 2019, the UAE, Bahrain, Qatar, Kuwait and Saudi Arabia were ranked in the top 20 most diabetic countries in the world on the International Diabetes Federation's (IDF) list of the most diabetes-prevalent countries.

Saudi Arabia has a high incidence of lifestyle diseases; this has further strained the healthcare system.

Reducing diabetes and obesity has therefore become a major priority for the country and the Saudi Arabia government has set a target of reducing diabetes by 10% by 2030. According to IDF, Saudi Arabia had an incidence rate of 18.3% of adult diabetes against a global average of 9.3%.

The NCD-related mortality rate for all GCC countries is much higher than developed countries. Because of this, the GCC healthcare sector is witnessing a structural shift towards a more preventive care model.

Focus on Medical Tourism

Medical tourism is a key component of the future economic diversification visions of most GCC countries, with Dubai and Abu Dhabi being the frontrunners at present. These cities were ranked as the sixth and ninth most popular medical tourism destinations in the world respectively on the 2020 'Medical Tourism Index'. The cities were scored on a number of parameters such as medical costs, quality of care, facilities accreditations, etc.

Table 1: 2020 Medical Tourism Index: Location Rankings

Rank	Country
1	Canada
2	Singapore
3	Japan
4	Spain
5	United Kingdom
6	Dubai
7	Costa Rica
8	Israel
9	Abu Dhabi
10	India

Source: 2020 Medical Tourism Index Report

Euromonitor forecasts the UAE's medical tourism industry to reach US$ 5.2 billion by 2023. Anticipating the rising demand for medical tourism in the near future, Dubai has licensed 3,397 healthcare facilities, with 45 new health facilities, a hospital, and 10 general and specialised medical clinics inaugurated during H1 2020.

Dubai is also a prominent hub for cosmetic surgery and is home to the largest number of cosmetic surgeons per capita in the region at ~50 specialists per million people.

Abu Dhabi is also focussing on the development of its medical tourism industry as a part of its Abu Dhabi Vision 2030. It launched the 'Jawda Quality Index' to provide a detailed assessment of the performance of medical service providers for foreign medical tourists.

Similar efforts are also being initiated by other GCC countries to attract international medical tourists. For example, in Saudi Arabia, a five-year plan is being developed to attract medical tourists from other Islamic countries. The government has endorsed a proposal that combines religious and medical tourism to promote Saudi health services to the pilgrims.

Bahrain too attracts a high volume of international medical tourists on account of its reputation in specialised healthcare in the areas of cardiology and oncology.

As quality of infrastructure and care continues to soar, the region is expected to attract higher number of medical tourists and simultaneously, reduce outbound medical tourism.

Rise of MedTech

Healthcare technologies are being increasingly adopted by public and private payers in the GCC region. These technologies are being used to create more efficient healthcare delivery workflows and predictive tools for preventive healthcare. This is expected to drive down the cost of healthcare and improve the quality of healthcare services in the region, thus boosting the overall demand for healthcare services.

Growth of Privatisation in the Healthcare Sector

The GCC countries are focussing on increasing the share of private sector in the healthcare industry to reduce burden on public healthcare infrastructure and curtail government expenditure. This privatisation drive is being supported via public–private partnerships. This higher involvement of private sector participants is expected to enhance the quality of healthcare services available in the GCC countries and thus, drive the demand for healthcare services. Additionally, the higher involvement of private players is necessary for development of the medical tourism sector in GCC countries.

National Mandatory Health Insurance Schemes

Implementation of the mandatory health insurance schemes is expected to increase the use of private healthcare facilities by reducing the out-of-pocket expenditure on medical services of both nationals and expatriates. Additionally, as more people get insured in the region, the demand for primary care and elective surgery segment of secondary and tertiary care is also expected to increase.

The pharmaceutical sector will also get a boost as the expenditure on drugs is expected to get covered under the insurance schemes, leading to an increase in consumption.

Challenges

Shortage of Healthcare Staff

The GCC healthcare sector continues to be highly dependent on foreign workers for its healthcare personnel needs. This high degree of dependence on foreign healthcare professionals was brought to the fore during the pandemic, with many GCC countries hiring doctors and nurses from countries such as India and Pakistan to meet the sudden surge in demand.

To address this challenge, GCC governments have been undertaking initiatives to develop more healthcare education institutions as a part of their long-term economic national vision strategies. Additionally, the nationalisation agendas of the GCC countries have been focussed on increasing the share of nationals in the workforce. For example, as per a report by the Saudi Commission for Health Specialties, the projected percentage of Saudisation for doctors is 60% by 2027, but for nurses it is only 12% by 2027. This highlights that the dependence on foreign professionals is expected to continue.

While the GCC countries can be expected to reduce reliance on foreign healthcare professionals in the long term, the dependency on expats is expected to continue in the short to medium term.

Lack of Super Specialised Care Facilities

While the number of hospitals and health centres in the GCC region have been growing, there is still a lack of highly specialised facilities for segments such as neurosurgery and specialised cancer treatments. As a result, outbound medical tourism is still prevalent in the GCC countries.

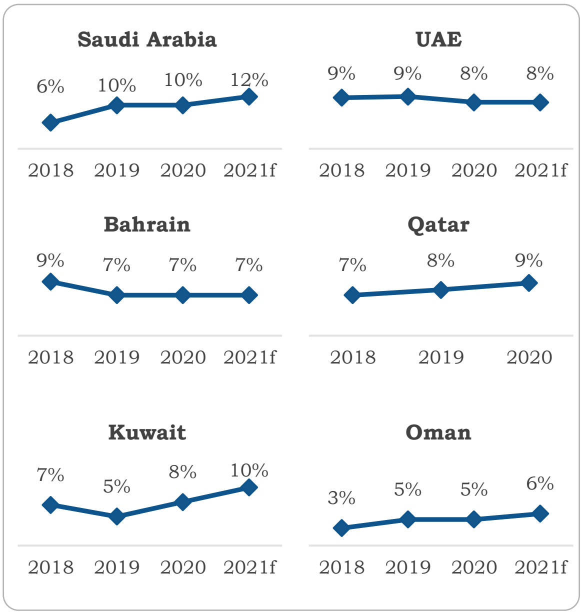
Since the cost of the overseas medical treatments for nationals is borne by the government, it has led to significant strain on the government health expenditures. According to Dubai's Health Authority, in 2019, the emirate spent ~US$ 76.7 million (AED 282 million) for 733 patients sent overseas for treatments.

The GCC countries have started establishing centres of excellence to provide speciality medical services. As the number of these speciality healthcare centres grows, the healthcare demand for highly specialised healthcare segments is also expected to be addressed.

High Cost of Medical Treatment

The cost of healthcare services has been rising rapidly. Additionally, increasing privatisation of healthcare facilities and the initial costs associated with medical technology adoption are also contributing to a rise in the cost of medical treatment in the GCC region.

Figure 13: Average Medical Cost Inflation Trend (Gross Cost Y-o-Y Growth Rate), %



Source: Towers Watson

During 2015–2020, the inflation in medical costs has consistently outstripped general inflation rates in the GCC countries.

As per the cost-of-living index by Expatistan, a crowd sourced cost-of-living comparison site, the average cost of a 15-minute visit to a private doctor in the GCC region is higher than the average visit costs of many developed countries. This high cost is expected to impact the medical tourism industry as many cost-sensitive consumers will consider cheaper alternatives in countries such as India and Thailand.

With the GCC countries expected to further develop healthcare infrastructure in the region, the demand-supply gap is expected to decrease in the long term. Additionally, introduction of the mandatory health insurance schemes is also expected to reduce the out-of-pocket expenditure of nationals and expatriates in the GCC. However, in the short term, the rising medical treatment cost can be expected to dampen the demand for healthcare services.

HEALTHCARE PROJECTS

HEALTHCARE PROJECTS

As of 2020, the GCC has ~161 healthcare projects, with a combined value of US$ 53.2 billion, which are under various stages of development. These projects are expected to add >40,326 beds to the region's existing bed capacity.

Despite the pandemic-induced economic slowdown in the GCC, the long-term appetite for healthcare development appears to be largely unaffected.

Infrastructure Projects

Saudi Arabia

King Abdullah Bin Abdulaziz Medical Complexes in Riyadh and Jeddah – This project for security forces is being developed at a cost of US$ 6.8 billion, expected to add >1,500 beds in each city and is the largest project in the GCC. The Riyadh Security Forces Medical complex includes three hospital buildings, an academic and clinical centre, research areas, a specialist hospital for mental health, and a gynecology and obstetrics hospital.

King Faisal Medical City in Asir – This US$ 1.06 billion project is expected to add 1,350 beds in two phases, wherein Phase 1 is expected to be operational by 2021. The Phase 1 will include establishment of the main hospital building and will comprise 500 beds, with another 850 beds, to be added in Phase 2, distributed across five specialty areas.

King Fahad Medical City Expansion in Riyadh – This futuristic project is expected to add ~600 beds. This project focusses on incorporating the latest medical technologies into its operations and aims to provide high-tech medical infrastructure.

Medical City for Rehabilitation and Treatment in Riyadh – This US$ 346.6 million project is expected to add ~1,100 beds. This centre will cater to patients for the treatment and therapy of physical disabilities and rehabilitation and is expected to serve >170,000 patients per year.

UAE

Burjeel Medical City in Abu Dhabi – The US$ 381 million project is likely to be operational in 2021 and has dedicated 400 beds to cancer specialty treatment. The medical city is equipped with specialised departments such as oncology, acute care, long-term care and wellness, along with air ambulance services.

New Al Ain Hospital – The US$ 1.2 billion is being developed by the Abu Dhabi General Services Company (Musanada) in collaboration with Abu Dhabi Health Services Company. The hospital will have 719 beds, 104 clinics, 17 radiology rooms for X-ray, CT Scan and MRI services, as well as 22 specialised rooms for endoscopy diagnosis and procedures.

Al Mamzar Long Term Care Facility – The nursing home facility is spread over a land area of 57,000 sq.m covering a built up area of 158,000 sq.m including 120 beds, 10,000 seats theater and other related facilities.

–**Saudi German Hospital in Al Marjan, Ras Al Khaimah** – The Saudi General Hospital Group plans to develop a 100-bed hospital in the island of Al Marjan in Ras Al Khaimah.

Kuwait

The Ministry of Health and the Ministry of Public Works announced a US$ 4.42 billion project to replace or expand nine operating hospitals within the next 10 years. The goal is to add 5,400 beds, 150 operating rooms and 500 outpatient clinics to the current 7,095 hospital beds in the country.

New Al Jahra Hospital in Al Jahra – This US$ 1 billion project is expected to add 1,171 beds and is being developed by the Amiri Diwan and the state of Kuwait.

Farwaniya Hospital Expansion, Kuwait City – This US$ 928 million project is expected to add ~955 beds and will include a new state-of-the-art hospital.

Al Adnan Hospital Expansion – This US$ 588 million project is expected to add ~632 beds. It will include new maternity and pediatrics healthcare facilities.

Kuwait Cancer Control Centre Expansion – This US$ 596 million expansion will add 618 beds and is being undertaken by the Ministry of Health and the Kuwait Health Assurance Company (KHAC).

Sabah General Hospital Expansion, Al Sabah – This US$ 617 million project will add 617 beds and is being undertaken by the Ministry of Health and KHAC.

Oman

Sultan Qaboos Medical City Complex in Barka – This US$ 1.5 billion mega project is expected to add >5,000 beds and will have five highly specialised hospitals. This project is expected to be managed and operated by private players on a PPP model.

International Medical City in Salalah – This US$ 1 billion mega project will add 800 beds and is being developed by Apex Medical Group, a subsidiary of Saudi Arabia's Al Joaib Group, which has invested ~US$1 billion in the project.

Sultan Qaboos Hospital, Salalah – This US$ 350 million project is expected to add >700 beds. Construction work on the project began at the start of 2020 and operations are expected to commence by 2024.

Bahrain

King Abdullah Bin Abdulaziz Medical City in Durrat – This US$ 1 billion project is being built in phases, with Phase 1 expected to be completed by 2021. The project is expected to add 264 beds in Phase 1 and 500 overall across phases. The project is funded via a US$ 267 million grant from Saudi Arabia.

Muharraq Hospital Complex in Muharraq – This US$ 81.7 million project will be completed in three phases, with the addition of 210 beds. Construction on Phase 1 was 53% complete in December 2020 and is expected to be completed in Q3 2021.

Mohammed Bin Khalifa Cardiac Hospital in Awali – This US$ 106 million project is dedicated to the provisioning of specialised cardiology services and is expected to add 150 beds. This project is being executed under direct supervision of the Bahrain Defence Force General Command and is partially funded by the Abu Dhabi Fund for Development.

Qatar

The Public Works Authority (Ashghal) is expected to hand over the five new health centres in Al Sadd, South Al Wakra, Al Meshaf, Ain Khaled and Al Khor to the Ministry of Public Health (MoPH) by 2022.

Hamad Medical Corporation (HMC), Qatar's principal public healthcare provider, developed an ambitious masterplan to increase healthcare capacity by establishing a number of new hospitals, clinics and research facilities by 2030. Some planned projects by the HMC include the following:

- Al Wakra Hospital Expansion
- Al Maha Children's Development Centre, Al Wakra
- Al Shamal Hospital

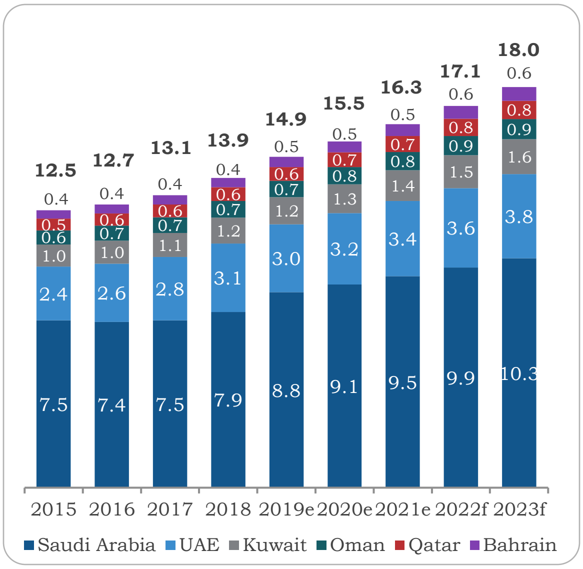
Military Medical Complex Project in Al Sailiya – This complex is being built by the Dorsch Group and is being built in two phases, wherein Phase 1 (250 beds inpatient capacity) was expected to open in 2020, while Phase 2 is expected to be operational by 2030.

PHARMACEUTICAL INDUSTRY

PHARMACEUTICAL INDUSTRY OVERVIEW

The pharmaceutical industry in the GCC has been growing rapidly over the years on the back of favourable demographic and economic factors. In addition, GCC countries have been focussing on developing local R&D and manufacturing capabilities to reduce their reliance on foreign drugs and promote the use of locally manufactured generic drugs.

Figure 14: Pharmaceutical Market in GCC, US$ billion

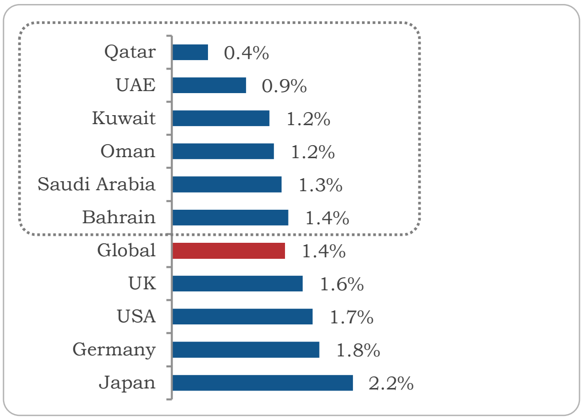


Source: World Bank, IMF, ARDENT Advisory, Fitch

The pharmaceutical market grew at a CAGR of 4.5%, from US$ 12.5 billion in 2015 to US$ 15.5 billion in 2020. It is projected to expand at a CAGR of 5.0%, reaching US$ 18 billion by 2023. This growth is expected to be driven by high prevalence of non-communicable diseases, government efforts to develop the industry and rise in the GCC population.

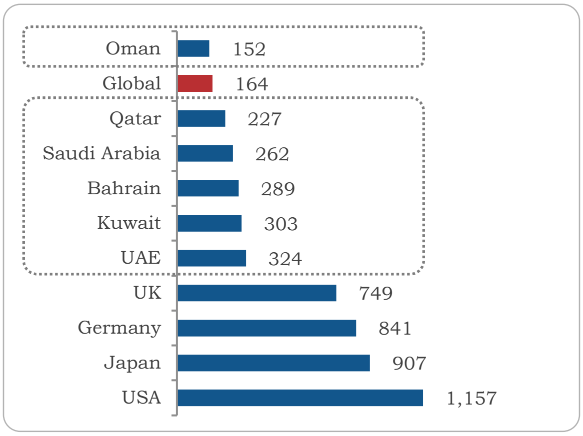
Saudi Arabia and the UAE are the largest pharma markets in the GCC, accounting for 59% and 21%, respectively, as of 2020. Saudi Arabia's market size is mainly attributed to the large population base, while the UAE's market size is attributed to its high per capita spend on medicines.

Figure 15: Pharmaceutical Sales, % of GDP, 2020



Source: World Bank, IMF, ARDENT Advisory, Fitch

Figure 16: Pharmaceutical Spending Per Capita, US$, 2020



Source: World Bank, IMF, ARDENT Advisory, Fitch

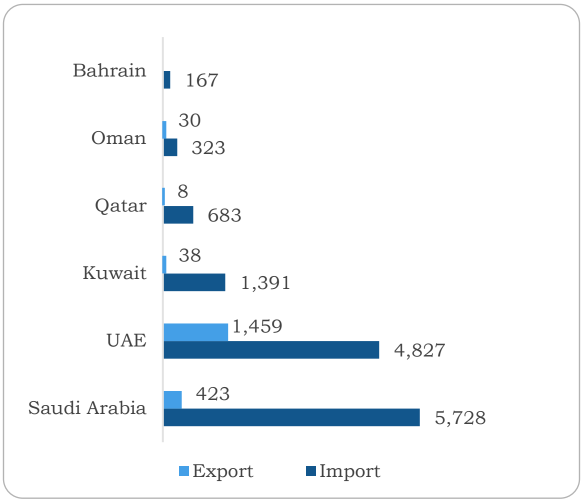
Even though the per capita income of GCC countries is at par or higher than most developed countries, the pharmaceutical spending per capita is lower than the developed countries. This indicates a high potential for growth of the pharmaceutical industry in the GCC region.

Of all GCC countries, Bahrain has the highest contribution to pharmaceutical spending at 1.4% of its GDP; this is much lower than that of developed countries such as the US, Germany and Japan at 1.7%, 1.8% and 2.2%, respectively.

Import Dependency

Local pharmaceutical production in the GCC region is still developing and most of the demand is met via imports.

Figure 17: Import–Export Value, US$ million, 2020



Source: Fitch, ARDENT Advisory

Trade deficit for pharmaceutical products stood at US$ 11.2 billion, as of 2020, with Saudi Arabia accounting for ~48% trade deficit in the region.

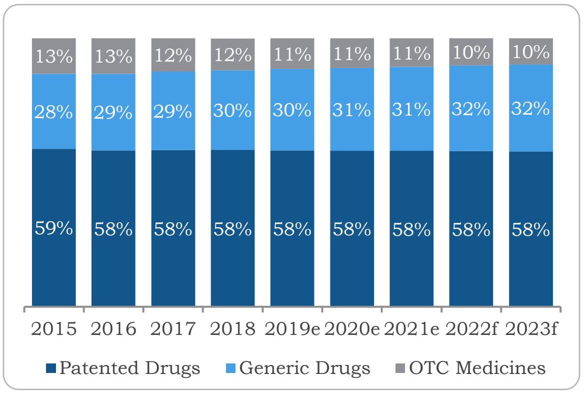
Even though Saudi Arabia and UAE export certain generic drugs, most of the domestic demand is met via imports. In 2019, local manufacturing in Saudi Arabia only accounted for ~20% of the domestic pharmaceutical consumption. The import/local production ratio is even higher for other GCC countries. For instance, the UAE imports >90% of its pharmaceutical needs.

GCC countries have been focussing on the development of the local pharmaceutical manufacturing industry to reduce their dependence on foreign companies. As of 2019, Dubai had three pharmaceutical production zones, i.e., Dubai Science Park (DSP) in Al Barsha South, Dubai Investments Park and the Jebel Ali Free Zone.

Also, the economic diversification plans of GCC countries focus on ramping up the domestic production of pharmaceuticals. For example, Oman's Health Vision 2050 aims to establish local drug manufacturing operations by encouraging foreign investments and increasing the local production of pharmaceuticals and medical equipment to 20% to 30% of the total consumption. In 2017, Dubai launched its Industrial Strategy 2030, which aimed to attract >US$ 2.5 billion in investments to develop the pharmaceutical production by 2022.

Market Segmentation

Figure 18: Patented, Generic and OTC Medicine Sales, % of Total Sales



Source: Fitch, ARDENT Advisory

Patented Drugs

As of 2020, patented drugs dominated the GCC pharmaceutical market and accounted for 58% of the overall market. Due to the high-income levels in the GCC, there is an enhanced preference for branded and foreign medicines by nationals. This has led to a rise in the average drug prices in the region, which are at times higher than the prices in developed countries. In addition, there is a common belief that expensive and imported branded products are superior to locally manufactured generic drugs.

Generic Drugs

Generic drugs accounted for ~31% and have been recording a rise in market share over the past few years. The share of generic drugs is expected to grow on the back of local pharmaceutical manufacturing development and government efforts to promote the use of generic drugs in the region.

The GCC governments have been supporting the use of generic drugs by enacting numerous laws and price protection strategies. For example, in 2018, Abu Dhabi's Ministry of Health mandated pharmacies and physicians to prescribe and dispense locally produced generic drugs as the first-choice for patients, unless specifically asked otherwise.

In addition, GCC countries regularly undertake price cuts for certain key drugs to control the drug prices in domestic markets.

Local manufacturers in the GCC mainly focus on the production of generic drugs. This is because local companies have limited in-house research & development capabilities and the high capital outlay required for development of branded medicines.

OTC Medicines

The demand for OTC medicines is marginal compared with the demand for prescription medicines in the region. With the planned implementation of health insurance schemes, the demand for OTC medicines is further expected to dampen, as consumers may prefer getting prescription medicines from doctors than self-medicating.

Development of Biotechnology Parks

To promote healthcare and pharmaceutical sectors, GCC countries have established a number of biotechnology parks and free zones, such as Jeddah BioCity Science Park and Saudi Vaccine and Biomanufacturing Centre at the King Abdullah University of Science and Technology in Saudi Arabia, the Qatar Science & Technology Park and the Dubai Biotechnology and Research Park Free Zone (Dubiotech) in Al Barsha South in the UAE.

In addition, GCC countries have dedicated free zones, which can be leveraged by pharmaceutical companies. These free zones offer benefits such as fewer regulatory requirements, ownership and tax relaxations, research, networking and collaboration facilities and warehousing & logistics support. By providing modern infrastructure and regulatory support, these parks and free zones aim to attract a number of domestic and multinational drug companies to set up their regional bases for research and production. For example, in 2019, the Saudi government announced plans for a new US$ 152 million pharmaceutical complex (industrial centre) in Madinah, which would also have pharmaceutical research and development facilities. In the UAE, Dubai has established the Dubiotech under the umbrella of DSP, in Al Barsha, South.

PAST TRANSACTIONS

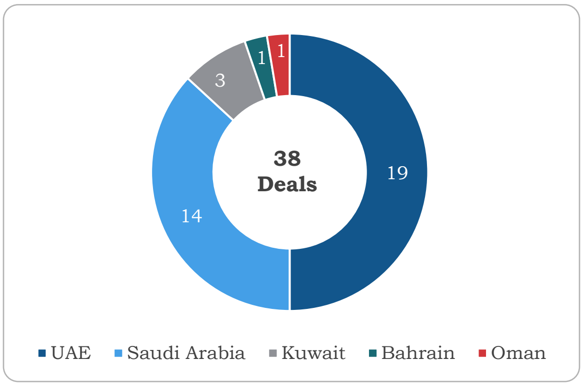
M&A and Early-stage Investments

HEALTHCARE & PHARMACEUTICAL

M&A Deals - Healthcare

Between 2018 and March 2021, 38 M&A transactions were reported. The UAE and Saudi Arabia were the most active markets reporting a total of 33 transactions during the same time period.

Figure 19: Healthcare, Number of M&A Deals by Country



Source: CapitalIQ

In the UAE and Saudi Arabia, 33 deals were undertaken by just 16 players, indicating consolidation in two of the largest healthcare markets in the GCC. Most M&A activities were undertaken by large healthcare providers than investment companies, indicating focus on strategic market expansion of the major players in these two countries.

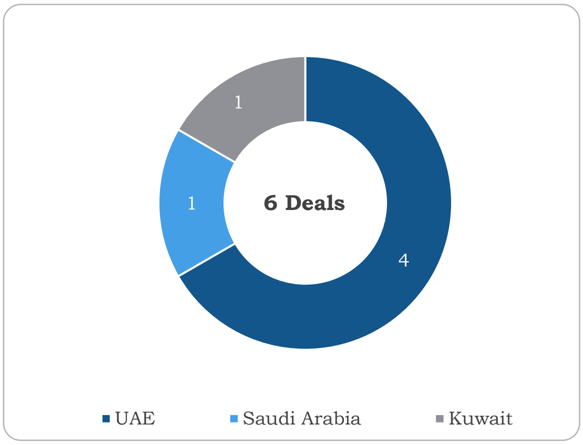
Aster DM Healthcare and NMC Health, which are two of the largest companies in the healthcare industry in the GCC, completed six transactions each in the time period. Other major acquirers include Amanat Holdings, Ayyan Investment Company, Dallah Healthcare Company, Foundation Holdings, Gulf Capital and Mediclinic Middle East, all with two or more deals in the time period. The industry also reported five transactions across Kuwait, Bahrain and Oman.

M&A Deals - Pharmaceutical

Between 2018 and March 2021, six transactions were reported in the GCC.

The UAE was the most active market accounting for four of the six M&A transactions during the time period.

Figure 20: Pharmaceutical, Number of M&A Deals by Country



Source: CapitalIQ

Four out of five M&A transactions were acquisitions of the UAE companies, indicating consolidation in the pharmaceutical industry in the country.

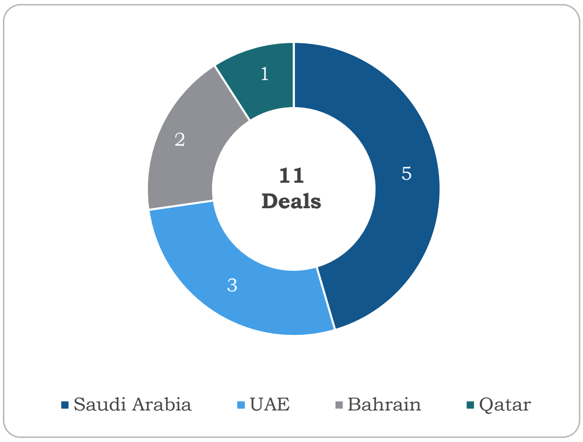
In August 2019, Mezzan Holding, a major distributor of beverage and healthcare products in the Gulf, announced the acquisition of a 67% stake in KSPICO, Kuwait's only local pharma manufacturer, for US$ 69 million.

In December 2018, Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO) acquired a stake in Dammam Pharmaceutical, a local generics manufacturer in Saudi Arabia, for US$ 16 million.

Early-Stage Investments – Healthcare

There has been a high level of interest in the healthcare technology start-ups in the GCC region. Six out of nine early-stage investment deals were concentrated across medtech companies specialising in telemedicine, AI, online delivery, practice management solutions, etc.

Figure 21: Healthcare, Number of Early-stage Investment Deals by Country



Source: CapitalIQ

In Bahrain, both the deals were seed funding rounds and were undertaken by Flat6labs, a venture capital and an accelerator firm.

Meddy Inc., a doctor discovery and appointment booking platform in Qatar, raised US$ 2.5 million in October 2019 from Qatar Science & Technology Park, 212 Limited, Kasamar Holdings and Modus Capital.

In November 2019, Nala, an artificial intelligence platform that provides instant medical diagnosis in Arabic and customised healthcare through its mobile application, raised US$ 1 million in a funding round led by AlAraby Investment.

Table 4: Top Deals across the GCC (2018–March 2021)*

Target	Acquirer	Deal Type	Date	Sector	Value US$ millions	Country
Cambridge Medical and Rehabilitation Center	Amanat Holdings PJSC	M&A	Q1 2021	Healthcare	232.0	UAE
Fakih IVF Group	NMC Health Plc	M&A	Q1 2018	Healthcare	206.7	UAE
CosmeSurge Clinics L.L.C	NMC Health Plc	M&A	Q1 2018	Healthcare	170.0	UAE
Al-Muhaidib Dental Group	United Eastern Medical Services L.L.C.	M&A	Q1 2019	Healthcare	136.1	Saudi Arabia
IVI Middle East Fertility Clinic LLC	Gulf Capital Pvt. JSC	M&A	Q1 2020	Healthcare	100.0	UAE
Al-Muhaidib Dental Group	United Eastern Medical Services L.L.C.	M&A	Q4 2018	Healthcare	79.9	Saudi Arabia
Makkah Medical Centre Company	Dallah Healthcare Company	M&A	Q1 2020	Healthcare	43.0	Saudi Arabia
Royal Hospital for Women	Amanat Holdings PJSC	M&A	Q3 2018	Healthcare	38.6	Bahrain
Dammam Pharmaceutical	SPIMACO	M&A	Q4 2018	Pharmaceutical	16.0	Saudi Arabia
Kuwait Saudi Pharmaceutical Industries Co.	Mezzan Holding Company K.S.C.P.	M&A	Q2 2019	Pharmaceutical	9.0	Kuwait
Meddy Inc.	Qatar Science & Technology Park, 212 Limited, Kasamar Holdings, Modus Capital	Early-stage	Q4 2019	Healthcare	2.5	Qatar
Nala	-	Early-stage	Q4 2019	Healthcare	1.0	Saudi Arabia

Source: CapitalIQ

Note: * Only transactions that have disclosed deal values were considered

COUNTRY PROFILES

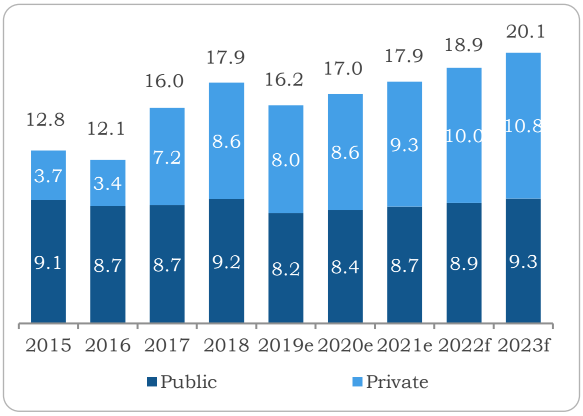
COUNTRY PROFILE: UAE

The UAE has a comprehensive government-funded healthcare service and a rapidly developing private healthcare sector.

The UAE has gradually created a healthcare infrastructure that is increasingly being considered at par with international standards. As of 2020, the country's healthcare expenditure reached US$ 17.0 billion and has increased at a 5.8% CAGR during 2015–2020.

The UAE's healthcare system is expected to continue expanding rapidly to accommodate growth in population and manage the rising incidences of chronic and lifestyle diseases.

Figure 22: Healthcare Spending, US$ billion



Source: World Bank, WHO, IMF, ARDENT Advisory, Fitch

The share of private healthcare spending has been growing over the past few years and accounted for ~51% of the overall healthcare expenditure in the country in 2020. The share of private healthcare spending in the UAE rose drastically in 2017 due to the implementation of the final phase of the mandatory health insurance scheme in Dubai.

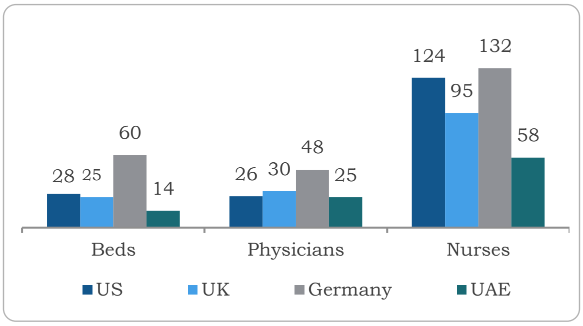
The private sector contribution to healthcare spending is likely to increase further with the government support to private healthcare service providers and prominence of mandatory health insurance schemes across the emirates.

The country's focus on healthcare development is a key pursuit in its economic diversification plan as highlighted both in the UAE Vision 2021 and Abu Dhabi Vision 2030.

Healthcare Infrastructure

The UAE's healthcare infrastructure surpasses that of other GCC countries. Dubai and Abu Dhabi lead in the GCC region in terms of workforce density, but lag in terms of bed density, indicating scope for establishing more such facilities.

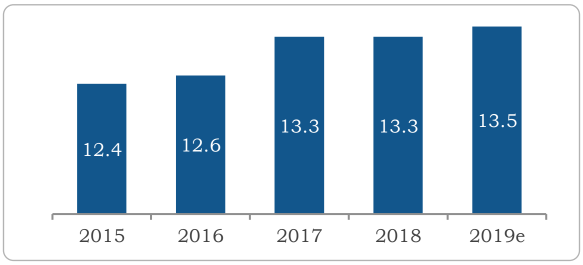
Figure 23: Key Healthcare Indicators, per 10,000 People, 2019



Source: ARDENT Advisory, Fitch, Government Statistics

The number of hospital beds has increased at an average annual rate of 2.1% to 13,505 beds during 2015–2019. The government hospitals account for a majority share in the overall number of beds in the country.

Figure 24: Hospital Beds, '000s



Source: ARDENT Advisory, Fitch, Government Statistics

The UAE Vision aims to achieve a world-class healthcare system in the country through public and private participation.

Emirate-level Healthcare Plans

Abu Dhabi

Abu Dhabi released its 'Healthcare Sector Strategic Plan', which aims to identify and address capacity gaps in the city's healthcare delivery system.

In 2020, the Abu Dhabi department of health released its 'Healthcare Capacity Masterplan' for the next decade. The plan estimates that the city will require an additional 1,311 hospital beds and consultation rooms, 4,320 doctors and 13,036 nurses by 2030.

To address shortfalls in specialty care, Abu Dhabi initiated construction of various healthcare facilities across the emirate. The key facilities, which are under construction, include a US$1.2 billon public hospital with 719 beds at Al Ain. The city is also constructing the Burjeel Medical City, with a 400-bed facility.

Dubai

In 2015, Dubai released its healthcare strategy plan 2016–2021, which aims to establish it as a hub for medical tourism and provide residents, with internationally recognised levels of healthcare.

Dubai has been rapidly developing its healthcare infrastructure. In 2019, King's College Hospital in Dubai Hills, which has links to the King's College Hospital in London, became the fourth franchise to open in the UAE.

In March 2020, Dubai reduced fees for issuing and/or renewing operating permits, thereby benefiting almost 150 clinical practices in the free zone as well as prospective operators. These moves are likely to aid the operational feasibility of private operators in the emirate and thus, boost private sector investments in the healthcare sector.

Dubai recorded a 4% y-o-y rise in medical inbound tourists, reaching 350,118 visitors in 2019. Anticipating the growing demand, Dubai launched its new 12-year healthcare plan, projecting an additional requirement of 2,149 beds, 8,429 doctors and 13,923 nurses by 2030.

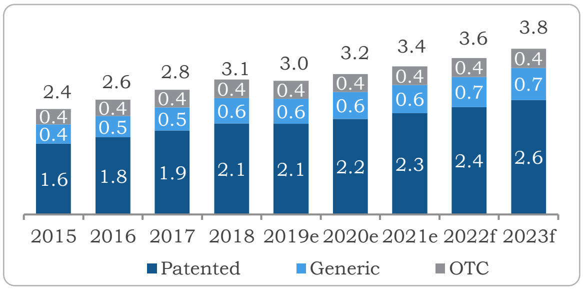
Other Emirates

The northern emirates, although lagging behind Abu Dhabi and Dubai, are taking measures to enhance their healthcare infrastructure. For example, Sharjah developed the Sharjah Healthcare City that will operate as a free zone, with 100% foreign ownership and no taxes. In 2018, Abu Dhabi-based Ahlia Group announced that it will build a US$ 100 million 120-bed capacity multi-specialty hospital in the Sharjah Healthcare City.

Pharmaceutical

The UAE is the second-largest pharmaceutical market in the GCC, after Saudi Arabia. The UAE pharmaceutical market has been expanding at a CAGR of 5.9%, reaching US$ 3.2 billion in 2020 from US$ 2.4 billion in 2015. In the GCC, the UAE had the highest per capita spend on medicines at ~US$ 324 per person, as of 2020. As per the UK-based Medbelle's Medicine Price Index, the UAE is the third-most expensive country worldwide to purchase pharmaceutical drugs.

Figure 25: Pharmaceutical Industry , US$ billion



Source: World Bank, IMF, ARDENT Advisory, Fitch

Although patented drugs account for 68% of the overall pharmaceutical spending in the UAE in 2020, the country has been trying to promote the usage of generic drugs to reduce the government expenditure on expensive foreign drugs and boost the local manufacturing industry, which mainly produces generic drugs. Although patented foreign drugs will remain dominant in the short term, the share of generic drugs can be expected to increase.

As of early 2019, there were 19 factories producing 1,500 different drugs and medical instruments and equipment at the Dubai Science Park. As per Dr. Amin Hussain Al Amiri, Assistant Undersecretary of Public Health Policy & Licensing at the MoH in Dubai, there are 17 more factories in the pipeline, which are expected to be completed by 2021.

Pharma Manufacturers Competitive Landscape

Local manufacturing in the UAE is limited to a few manufacturers producing generic medicines. The top pharmaceutical manufacturer in the country is Julphar, which is increasingly focussed on exports.

While most international pharmaceutical companies have representative offices in the UAE and service the market via local distributors, some companies are in licensing agreements with local producers for manufacturing select drugs.

In 2019, Julphar, entered into a license and technology transfer agreement with a PharmaMatch, a Dutch company, to launch a combination cholesterol medicine for the treatment of hypercholesterolemia, which is currently unavailable in the UAE market.

With the government focus on promoting pharmaceutical manufacturers as a part of its economic diversification strategy, local players are expanding their manufacturing capacities.

Companies such as Neopharma and Julphar have focussed on expanding their global reach and product portfolio. In April 2017, Julphar inaugurated its US$ 53 million pharmaceutical manufacturing facility at the King Abdullah Economic City in Saudi Arabia to better penetrate the Saudi market.

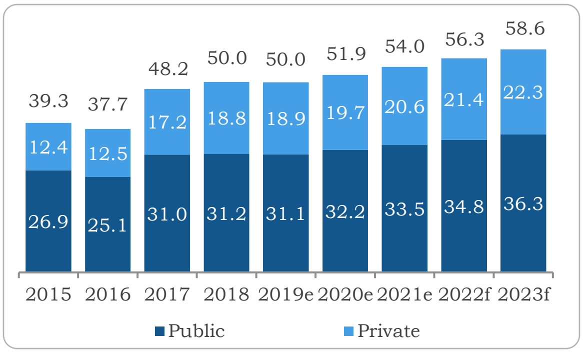
Table 5: Major Pharmaceutical Manufacturers in the UAE

Company	Annual Production Capacity	Comments
Julphar Gulf Pharmaceutical Industries	• 30 million vials and 25 million insulin cartridges and pens • 4.8 billion tablets, 1.5 billion capsules, 113 million bottles of syrups/ suspensions, 44 million tubes of creams and ointments, 68 million drops, 9 million vials and 68 million ampoules	▪ The UAE's leading drug manufacturer, producing drugs under license, as well as its own products portfolio ▪ Julphar has 13 facilities in the UAE, including a biotechnology plant, and others globally ▪ About 90% of its products are exported ▪ In-license manufacturing and distribution agreements with Piramal Critical Care, Biocad, PharmaMatch, etc.
Neopharma	3.6 million infusions, 36 million ampoules, 5.55 billion capsules and tablets, 27 million sachets and 7.5 million oral syrups and suspensions	▪ In-license manufacturing and distribution agreements with Pfizer, Merck Serono, Neubourg Skin Care, etc.
Pharmax	Over 300 million tablet and capsule dosage forms	▪ In 2019, the company expanded its portfolio to drugs addressing illnesses such as cardiological, gastroenterological and metabolic disorders ▪ In January 2021, ADQ, Abu Dhabi's state holding company, announced that it will acquire Pharmax
Medpharma	1,030 million tablets, 280 million capsules, 580 million bottles and 250 million tubes	▪ The company operates as a subsidiary of Valeant Pharmaceuticals

COUNTRY PROFILE: SAUDI ARABIA

Saudi Arabia is the largest healthcare and pharmaceutical market in the GCC region. A large population base (34.8 million) and a comparatively high per capita income of US$ 20,490 (as of 2020) are key factors attributing to its market position. As per a 2018 report by UK-based property consultancy Knight Frank, the country will require 20,000 more beds by 2025 and 40,000 by 2035 to keep pace with high incidences of NCDs, projected population growth and higher number of ageing citizens. These trends point to a projected boom in the Saudi healthcare market.

Figure 26: Healthcare Spending, US$ billion



Source: World Bank, WHO, IMF, ARDENT Advisory, Fitch

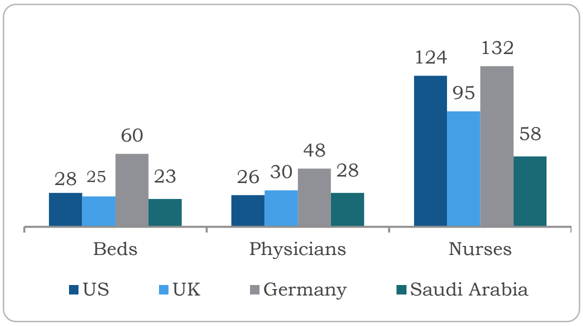
Driven by Saudi Vision 2030, the government has implemented major changes in public healthcare and opened the sector to private investments. Saudi Arabia, as a part of its 'National Transformation Programme', opened the sector to increased private investments. The government also plans to privatise 290 hospitals and 2,300 primary healthcare centres by 2030. The country is focussing on the PPP model to increase the involvement of private players.

To provide better care, the government is also decentralising public healthcare wherein the MOH will be responsible for regulations and oversight, while healthcare service will be managed by local providers.

The government is also focussed on e-healthcare and launched an electronic appointment booking system—Mawid—in 2018, allowing patients to book appointments. By mid-2019, Mawid was rolled out to 98% MoH hospitals and healthcare centres, >6.5 million users had registered for online health services and ~16 million medical appointments had been logged via the platform.

Healthcare Infrastructure

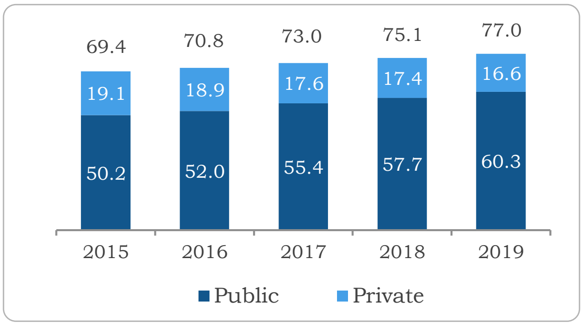
Figure 27: Key Healthcare Indicators, per 10,000 People, 2019



Source: ARDENT Advisory, Fitch, Government Statistics

Saudi Arabia has historically relied on foreign nationals to meet its workforce demands. As of 2019, ~67% and 60% of doctors and nurses, respectively, were expatriates. However, the government, as a part of its Saudisation programme, aims to increase the number of nationals in its healthcare workforce. The country denied employment contract renewals of many foreign health workers who had exceeded 10 years of service. Under the NTP, the government has committed to train 4,000 local doctors each year to support its Saudisation objectives.

Figure 28: Hospital Beds, '000s



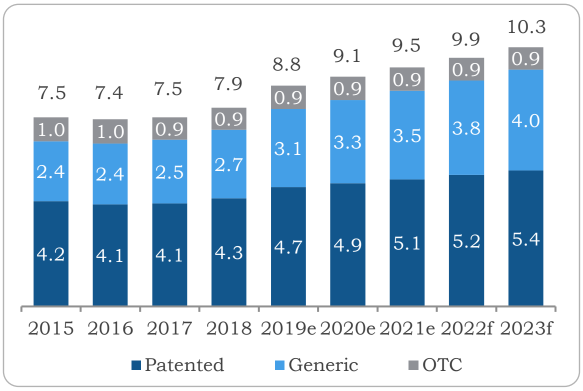
Source: Government Statistics

As of 2019, the Kingdom had 498 hospitals and 76,988 beds. The number of hospitals in Saudi Arabia rose from 462 in 2015 to 498 in 2020, of which 19 were private hospitals. Similarly, hospital beds increased at a CAGR of 2.6% per annum during 2015–2019. Government hospitals accounted for ~75% of the overall number of beds in 2019.

Currently, the Kingdom has numerous megaprojects such as the King Abdullah Bin Abdulaziz Medical Complexes (US$ 6.8 billion) in Riyadh and Jeddah, and King Faisal Medical City (US$ 1.06 billion) in Asir.

Pharmaceutical

Figure 29: Pharmaceutical Industry , US$ billion



Source: World Bank, IMF, ARDENT Advisory, Fitch

The Saudi market is dominated by multinational companies, with local manufacturing accounting for ~20% as of 2019.

The country has a large, well-developed domestic pharmaceutical industry, compared with other countries in the GCC region, with many companies producing generics drugs.

While foreign patented drugs dominate the market, 54% as of 2020, the government is focussing on the promotion of generic drugs to reduce government costs and boost the local manufacturing industry. To this end, the government has implemented a price-protection strategy for locally produced pharmaceuticals, exempting them from price cuts enforced by the SFDA.

The drug prices in Saudi Arabia are already among the lowest prices in the GCC region. Additionally, the Saudi government is a major buyer of drugs in the market and uses this leverage to further promote local pharmaceutical industries with many government tenders in Saudi Arabia only open to local suppliers and manufacturers.

Pharma Manufacturers Competitive Landscape

Currently, there are 27 local manufacturing companies in Saudi Arabia. Most multinational pharmaceutical companies are present in Saudi Arabia via partnerships with local manufacturers and distributors. However, some multinational companies such as Pfizer and GSK have been allowed to have 100% and 75% ownership in their respective local subsidiaries, which focus on production. Sanofi too has been allowed to operate its own production facility in the KAEC industrial valley.

While most local manufacturers focus on the production of their own brand generic drugs, many manufacturers have entered into in-licensing agreements (manufacturing, marketing, and sales & distribution agreements for patented drugs) with multinational companies. In 2018, AstraZeneca and SPIMACO entered into a US$ 80 million agreement to produce five medical products.

Due to limited R&D capabilities, some local pharmaceutical companies are focussing on technology transfer agreements with multinational companies to diversify their product portfolio. In 2019, Novartis and Sudair Pharmaceuticals signed an agreement for manufacturing oncology drugs in the country. Under this agreement, Novartis will provide Sudair with all information needed for the technology and maintain quality standards in creating a range of cancer drugs.

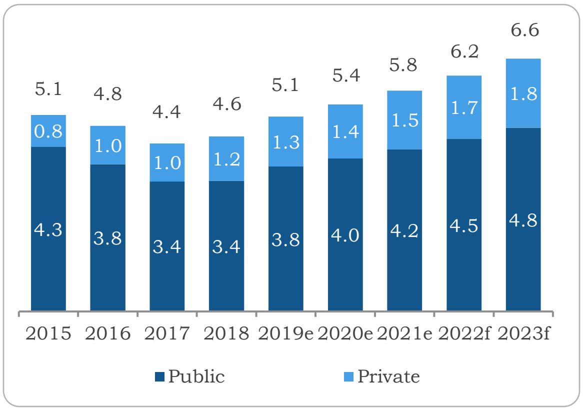
Table 6: Major Pharmaceutical Manufacturers in Saudi Arabia

Company	Annual Production Capacity	Comments
Tabuk Pharmaceuticals	Not Available	▪ One of the largest private Saudi pharmaceutical manufacturing companies with more than 250 registered products, commercial operations in 25 countries and four active manufacturing sites ▪ Manufacturing and distribution with many international pharma companies such as Dong A, Innovus Pharmaceuticals and Aenova Holding
SPIMACO	Not Available	▪ The company manufactures more than 70 branded drugs and is one of the leading producers of OTC health products ▪ The company has manufacturing and in-licensing agreements with multinational pharma companies such as Roche, Lilly, GSK, Sanofi, Bayer and Meda ▪ The company entered into an agreement with CureVac to distribute its coronavirus vaccine in the Kingdom.
GSK	The company plans to expand production at its Jeddah production site by 30%	▪ Leading player in the OTC market segment ▪ GSK currently manufactures 80% products for the Middle East market in Saudi Arabia.
Sanofi	20 million packs of antibiotics, diabetes drugs, gastrology and oncology medications and other products	▪ The company has entered into a partnership with SAJA Pharmaceuticals, a local manufacturer and distributor, to launch the premium anti-diabetic drug – Vivaro ® as a second brand of Sanofi's drug Lantus®.
Pfizer	18 million packs of solid dosage medicines per year	▪ The company has a US$ 50 million manufacturing and packaging facility, which produces 16 medicines across five therapeutic areas

COUNTRY PROFILE: QATAR

Despite its small size and population, Qatar has the highest per capita healthcare expenditure (estimated at US$ 1,875 in 2020) in the GCC. In 2020, government spending accounted for ~74% of the country's total healthcare expenditure. Further, Qatar's healthcare spending is likely to increase to US$ 6.6 billion by 2023.

Figure 30: Healthcare Spending, US$ billion



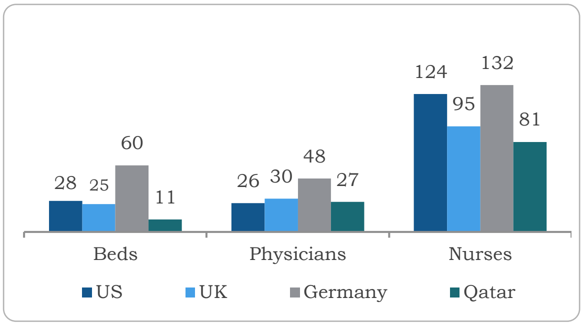
Source: World Bank, WHO, IMF, ARDENT Advisory, Fitch

Hamad Medical Corporation (HMC), a non-profit organisation, and Primary Health Care Corporation (PHCC), an independent body established in 2012, are responsible for providing public healthcare in Qatar. Together, they serve >90% of the country's population, although private healthcare providers are becoming increasingly popular. The PHCC covers most primary care services, while the HMC provides inpatient care. HMC's portfolio consists of 12 hospitals—nine specialist facilities and three community hospitals—with ~2,500 beds. During 2016–2019, it opened five new hospitals, increasing the total number of inpatient beds by 25%.

Healthcare Infrastructure

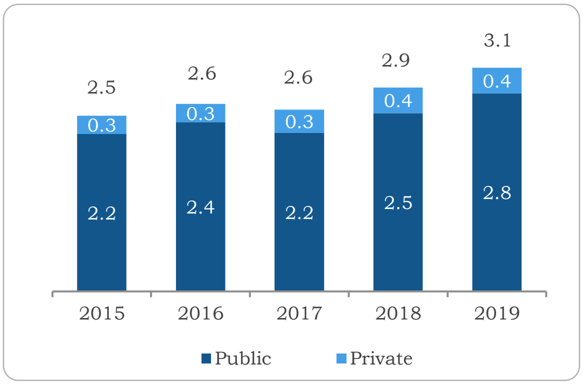
With ~27 physicians and 81 nurses per 10,000 people, Qatar has one of the highest health workforce densities in the GCC region. However, the country exhibits an undersupply situation, with the lowest hospital beds density at 11 per 10,000 people within the GCC.

Figure 31: Key Healthcare Indicators, per 10,000 People, 2019



Source: ARDENT Advisory, Fitch, Government Statistics

Figure 32: Hospital Beds, '000s



Source: Government Statistics

The number of hospitals in Qatar rose from 10 in 2014 to 19 in 2019. Similarly, the number of hospital beds increased at an average annual rate of 6.2% per annum to 3,134 beds during 2015–2019.

As of October 2020, Qatar's Public Works Authority (Ashghal) completed nine healthcare projects and is working to develop five new healthcare centres. Ashghal plans to construct ~70 healthcare centres over 10 years.

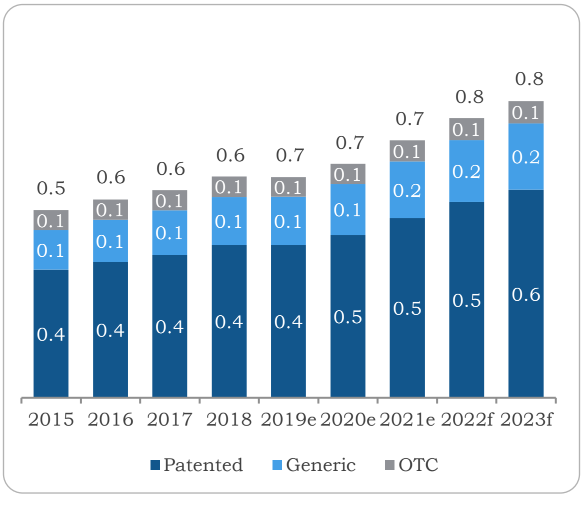
As of 2019, there were six private hospitals in the country and >200 private polyclinics, as well as a range of clinics, laboratories, pharmacies and medical centres.

Qatar aims to enhance the role of private healthcare providers to achieve its expansion plans, which are targeted to reach 5,700 hospital beds by 2033. As a part of this goal, the government invited bidders from the private sector to construct and operate three hospitals on the state-owned land in Abu Hamour and Al Shamal. In 2020, the government published a call for 'Expression of Interest' to replace (two) and build (two) of the four primary healthcare centres under the PPP model.

Sidra Medical and Research Centre (SMRC), which opened in 2018, is now the largest private healthcare facility in the country, with 400 beds and the capacity to treat 275,000 outpatients annually.

Pharmaceutical

Figure 33: Pharmaceutical Industry , US$ billion



Source: World Bank, IMF, ARDENT Advisory, Fitch

Qatar's pharmaceutical market has increased at a CAGR of 4.5% to reach US$ 0.7 billion in 2020, from US$ 0.5 billion in 2015.

Qatar's pharmaceutical market is highly dependent on imports. Most medication is imported by Pharma Express, which is operated by Qatar Airways Cargo.

Although the government promotes the use of generic medicines, patented (branded) pharmaceuticals continue to remain popular (accounting for 68% share in 2020), as these are more trusted by both pharmacists and consumers.

The price of medicines in Qatar is among the highest in the GCC due to factors such as its small population and thus, its correspondingly small market size. In addition, the high income of nationals has led to scant demand for low-cost generic drugs.

In order to reduce the price of drugs in the country, the government has imposed a cap on prices of >5,000 medicines over the years and prohibited distributors and retailers from making >10% profit margin on drug sales.

Pharma Manufacturers Competitive Landscape

There are only two local manufacturers—Qatar Pharma, which focusses on producing intravenous solutions, plasma-volume expanders, eye drops, haemodialysis solutions for kidney dialysis, etc., and QLife Pharma, which produces generic medicines such as oral liquid, tablets, capsules, solutions, ointments, creams, eye/ear drops and antibiotics.

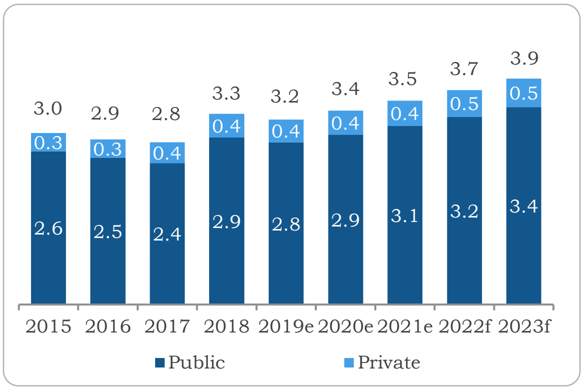
Table 7: Major Pharmaceutical Manufacturers in Qatar

Company	Annual Production Capacity	Comments
Qatar Pharma	About 26 million PP bags, 20 million PE bottles, 3 million jerry cans of haemodialysis acid concentrate, 10 million tubes for topical drugs, 36 million form glass pieces and 50 million ampoules	▪ The company manufacturers over 550 products and exports approximately 90% of its products to other GCC countries, Africa and Europe ▪ In 2017, the company expanded its production by adding 8 new production lines, bringing their total number to 14
QLife Pharma	Not Available	▪ The company has partnerships with pharmaceutical manufacturers and distributors from India, South Korea, Jordan and Turkey ▪ In May 2018, the company signed an agreement between Poland and Qatar on behalf of the Government of Qatar. This agreement is expected to increase collaboration between the two countries for development of life science products that would be manufactured in QLife Pharma facilities ▪ The company is planning to initiate the US FDA approval of its drug products as part of its broader strategy to expand exports in the Middle East, Africa and other geographies

COUNTRY PROFILE: OMAN

Oman's healthcare expenditure is expected to reach US$ 3.4 billion by 2020 and has increased at a CAGR of 2.5% between 2015 and 2020. It is further forecast to reach US$ 3.9 billion by 2023, rising at 5.2% CAGR from 2020 to 2023. This rise can be attributed to increase in private sector participation, roll out of mandatory health insurance schemes and development of new healthcare infrastructure.

Figure 34: Healthcare Spending, US$ billion



Source: World Bank, WHO, IMF, ARDENT Advisory, Fitch

Oman's Health Vision 2050

Healthcare infrastructure development in the country is driven by 'Oman's Health Vision 2050' that aims to establish a well-organised, equitable, efficient and responsive healthcare system. The programme's objectives include establishing numerous primary health centres and launching several other projects covering health technologies, primary care and professional development.

Table 8: Key Future Indicators for Oman Healthcare

Indicator	Indicator per 10,000 people – 2050	Numbers to be added between 2021 and 2050
MoH beds	30.8	6,850
Physicians	28	9,109
Dentists	5	1,455
Nurses	65	24,187

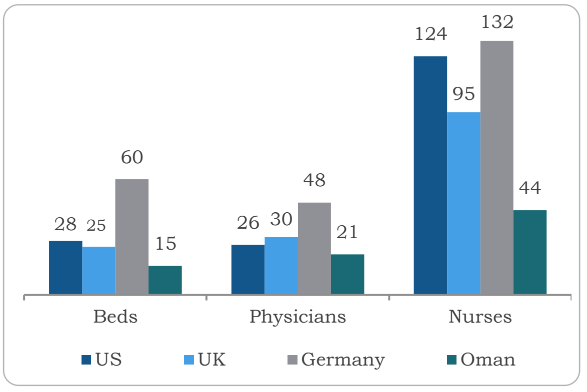
Source: Oman Health Vision 2050 Document

Healthcare Infrastructure

As per 'Oman Health Vision 2050', the government aims to increase the total number of hospital beds to >8,600 by 2030 and >14,500 by 2050. The ratio of hospital beds to inhabitants is expected to increase from 15.0 beds per 10,000 residents, as of 2019, to ~30.8 beds per 10,000 by 2050.

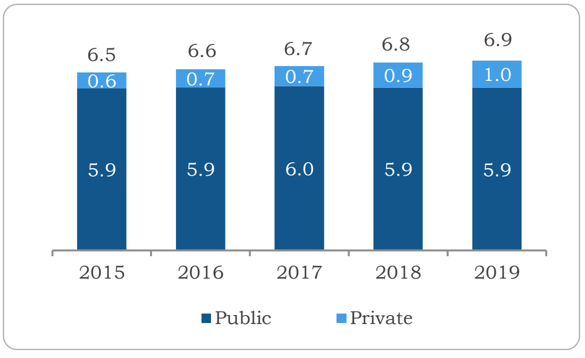
As a part of the vision, the government also started the construction of two mega healthcare cities in Oman. This includes construction of the US$ 1.5 billion Sultan Qaboos Medical City Complex (SQMCC) in Barka. This is the country's first medical city that is expected to be built under a PPP contract. Another key project is the International Medical City, in Salah, which is worth US$ 1 billion.

Figure 35: Key Healthcare Indicators, per 10,000 People, 2019



Source: ARDENT Advisory, Fitch, Government Statistics

Figure 36: Hospital Beds, '000s



Source: Government Statistics

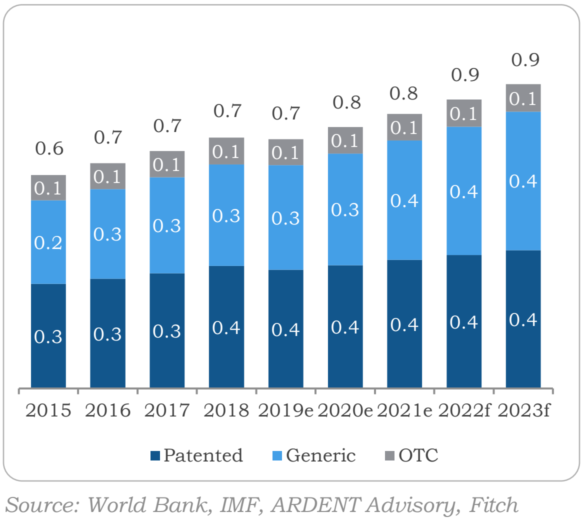
Private sector's contribution to healthcare services is still comparatively low at 33% of hospitals and 14% hospital beds in Oman as of 2019. With the annual demand for hospital expected to reach >7,600 by 2025, the government is focussing on the development of new facilities (10 new hospitals and 27 primary healthcare institutions).

With the growth of the private sector, Oman is also expected to witness a boost in foreign investments, including a recent investment of US$ 260 million by Saudi-based Shifa Al Jazeera Group to develop 13 medical centres in the country over the coming years.

As of 2019, there were ~21 doctors and 44 nurses for every 10,000 people in the country. The government aims to increase this ratio to 28 doctors and 65 nurses per 10,000 people by 2050. While Oman is highly dependent on expatriates to meet its healthcare personnel demands, the government is focussing on increasing the contribution of nationals in the healthcare workforce under its Omanisation Mandate. Under this mandate, doctors and nurses stood at 31% and 50% respectively.

Pharmaceutical

Figure 37: Pharmaceutical Industry, US$ billion



Source: World Bank, IMF, ARDENT Advisory, Fitch

Pharmaceutical spending in Oman is approximately ~US$ 0.8 billion in 2020 and has increased at a CAGR of 4.1% during 2015–2020. It is further projected to increase to US$ 0.9 billion by 2023, rising at a CAGR of 5.2%.

Similar to other GCC countries, the pharmaceutical market is mainly driven by imports. Oman's Health Vision 2050 aims to establish and promote local drug manufacturing operations and thereby, reduce the country's reliance on pharmaceutical imports.

Oman has only two local pharmaceutical manufacturers. However, the country has a few pharmaceutical projects in the pipeline, including a US$ 365 million pharmaceutical plant in the Salalah Free Zone by Flex Pharmaceuticals, which will manufacture >100 pharmaceutical products after its completion in 2021. The government, in May 2020, announced the construction of five new medical factories (costing US$ 65 million) to ensure the production of intravenous and dialysis solutions, cancer drugs, injections, etc.

Currently, Oman's pharmaceutical expenditure mainly comprises patented (branded) drugs, a trend supported by the population's high income, huge demand for sophisticated pharmaceuticals, etc. However, the government is promoting the use of generic drugs by implementing strict drug pricing controls.

In addition, to further drive down high medicine costs that were impacting government health budgets, the country enforced a 45% cap on medicine profits in pharmacies and retail stores.

Pharma Manufacturers Competitive Landscape

Oman has two local pharmaceutical manufacturers, i.e., Oman Pharmaceutical Products Company (OPP), and National Pharmaceutical Industries, both producing generic medicines.

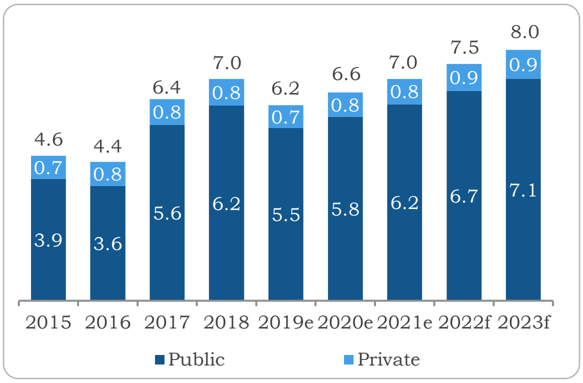
Table 9: Major Pharmaceutical Manufacturers in Oman

Company	Annual Production Capacity	Comments
Oman Pharmaceutical Products Company	2.7 billion tablets and capsules, 26 million topical preparations tubes and 19.5 million oral liquid bottles	▪ The company has over 550 registered products in its portfolio and sells products to over 40 countries ▪ The company has a US$ 50 million production facility in Oman ▪ The company is collaborating with European generic-producing companies to manufacture products for the European markets. These companies include the UK's Neolabs (paracetamol & codeine combinations), German Dragenopharm (metformin hydrochloride 850 mg) and UK's Dee's Pharmaceuticals (a range of topical formulations)
National Pharmaceutical Industries	1.8 billion tablets, 900 million capsules, 150 million sachets, 10 million dry powder bottles and 30 million liquid bottles.	▪ The company has production facilities in three countries—Oman, the UAE and Saudi Arabia

COUNTRY PROFILE: KUWAIT

The country's healthcare spending is estimated at US$ 6.6 billion and has increased at a CAGR of 7.5% during 2015–2020.

Figure 38: Healthcare Spending, US$ billion

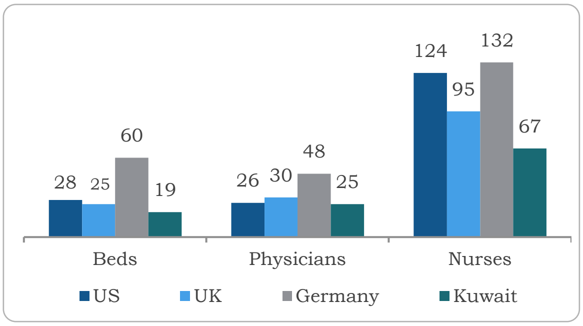


Source: World Bank, WHO, IMF, ARDENT Advisory, Fitch

The state has traditionally played a major role in healthcare provisioning in Kuwait, with the private expenditure only accounting of 12% of the overall healthcare expenditure in 2020. However, the share of private sector in Kuwait's healthcare industry is expected to increase on the back of increasing government support via public–private partnerships and high private sector investments.

Healthcare Infrastructure

Figure 39: Key Healthcare Indicators, per 10,000 People, 2019



Source: ARDENT Advisory, Fitch, Government Statistics

Secondary healthcare is provided through six general hospitals in the country. In addition, the country has 13 government-run specialist hospitals.

To meet the projected demand in healthcare, the government has sanctioned numerous healthcare projects to boost bed capacity in the country. The Ministry of Health in Kuwait plans to add 7,762 beds to its existing capacity of 4,462 beds in the largest hospitals managed by the ministry.

In November 2018, the US$ 988.1 million Jaber Al Ahmad Al Sabah Hospital complex, with a capacity of 1,168 beds, was opened to the public and is now the largest medical facility in the country.

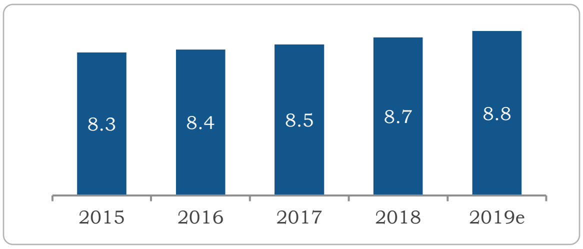
In 2019, the MoH announced that the country had a surplus of nursing staff, with three nurses for every eight hospital beds in Kuwait. However, the country still faces a shortage of other medical professionals.

In April 2018, the Ministry of Health released a memo with an estimation of its requirements for doctors and technical medical staff to be hired to operate new hospitals and clinics. An estimated >500 doctors, 1,500 nurses, radiology technicians and other support medical staff were recruited from India, the Philippines and other Asian countries through contracts with specialised companies.

As Kuwait accelerates its healthcare development strategy, as part of the 'New Kuwait 2035' vision, its healthcare and pharmaceutical markets have been highlighted as high-priority sectors for investment, with many projects set to be carried out under the PPP model.

Also, the government is encouraging the private sector to take responsibility for the non-emergency healthcare provisioning for expatriates employed in the private sector. In 2010, the government established the Kuwait Health Assurance Company (KHAC), also known as Dhaman, a joint-stock entity. The KHAC's 24% stake is owned by the government, while 26% is held by Arabi Holding Group and the remaining 50% by other Kuwaiti private investors. To expand its range of healthcare services to expats, the KHAC is currently building two new hospitals in Ahmad and Jahra, with a combined capacity of >600 beds to specifically cater to expatriates and their families—both are expected to be completed in 2020.

Figure 40: Hospital Beds, ‘000s

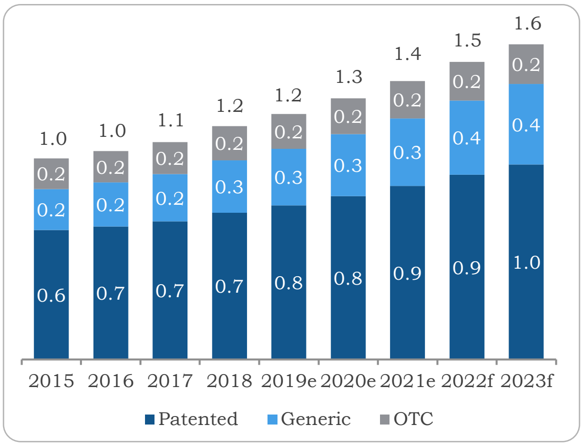


Source: ARDENT Advisory, Fitch, Government Statistics

In Kuwait, while nationals can avail healthcare for free at public hospitals, expatriates are required to pay the annual insurance fees to the Health Insurance Hospitals Company (Dhaman) to access public health infrastructure. To reduce the load on public health infrastructure, in 2017, the government increased the annual health insurance fee charged to foreign residents by 260%.

Pharmaceutical

Figure 41: Pharmaceutical Industry, US$ billion



Source: World Bank, IMF, ARDENT Advisory, Fitch

Kuwait’s pharmaceutical market increased at a CAGR of 5.4% during 2015–2020 to reach US$ 1.3 billion in 2020. It is further projected to reach US$ 1.6 billion by 2023.

The market is dominated by multinational companies and comprises only one key local manufacturer.

Similar to other GCC countries, patented (branded) drugs dominate the market, accounting for 63% market share in 2020. However, the government is pushing the use of generic drugs to reduce public expenditure and boost local production in Kuwait.

The government is looking to develop local pharmaceutical production in Kuwait, as a part of its ‘New Kuwait 2035’ vision. The government has granted permits to 12 drug companies to construct pharmaceutical manufacturing facilities in collaboration with the Public Authority for Industry.

To boost local production, the government is considering raising the drug registration fees. In addition, the government has also slashed prices of various drugs, in line with the price harmonisation strategy of the GCC-DR. The government has set a profit margin of 45% on import costs.

Pharma Manufacturers Competitive Landscape

At present, there is only one local pharmaceutical manufacturer – Kuwait Saudi Pharmaceuticals Industries Company (KSPICO), which manufactures generic drugs and undertakes contract manufacturing for international pharmaceutical companies.

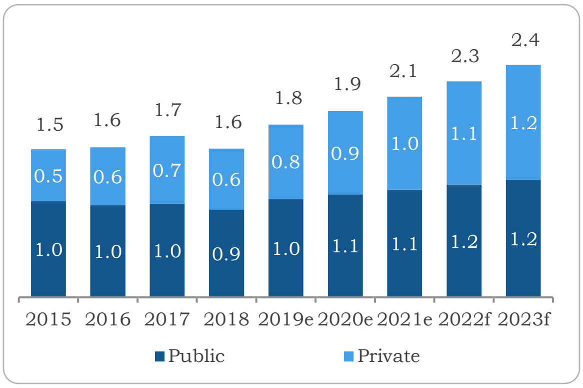
The company has over 120 products in its portfolio and has an annual capacity of 1 billion tablets/capsules, 26.5 million bottles of liquid and 10 million bottles of large volume parenterals.

KSPICO manufactures large volume parenterals for Germany's Fresinius, oral solids for Italy's IMA and oral liquids for Germany's Bosch. It also undertakes contract manufacturing for Switzerland's Mepha.

COUNTRY PROFILE: BAHRAIN

In 2020, the country's healthcare spending was ~US$ 1.9 billion and has increased at a 4.7% CAGR during 2015–2020. Spending on healthcare is projected to reach US$ 2.4 billion by 2023.

Figure 42: Healthcare Spending, US$ billion

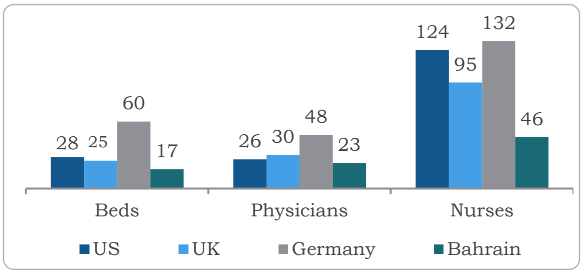


Source: World Bank, WHO, IMF, ARDENT Advisory, Fitch

Among the GCC countries, Bahrain has the highest contribution of the private sector in its healthcare market. Private spending accounted for ~45% of the overall healthcare spending as of 2020. This high share is attributable to a comparatively high concentration of private hospitals in the country, along with government efforts to develop the private sector. Private healthcare players are expected to benefit from rollout of the Sehati national insurance system, in which the government has provided coverage for 60% of the private medical costs, making private care more affordable.

Healthcare Infrastructure

Figure 43: Key Healthcare Indicators, per 10,000 People, 2019



Source: ARDENT Advisory, Fitch, Government Statistics

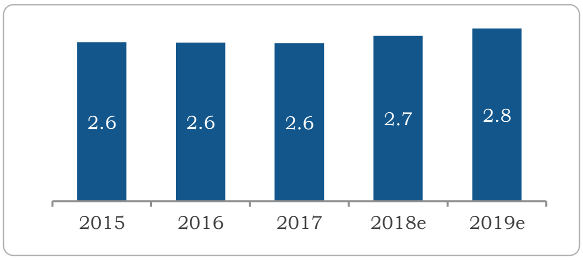
As of 2019, there were about 7 government and 19 private hospitals operating in Bahrain.

Developments in Bahrain's healthcare sector are guided by several mid- and long-term strategies such as the National Health Plan 2016–2025 and the NHRA 2016–2020 Strategy. The Kingdom's long-term development plan, 'Bahrain Economic Vision 2030' also aims to develop and modernise the healthcare sector.

The country has a number of healthcare infrastructure projects in development. Bahrain plans to open the highly anticipated US$ 1 billion King Abdullah Bin Abdulaziz Medical City in 2022; 40% of the project has been completed as of November 2020.

In October 2019, Bahrain unveiled two healthcare infrastructure projects. The first project is a complex housing private integrated medical clinics and second is an industrial zone for the health and medical industries.

Figure 44: Hospital Beds, '000s



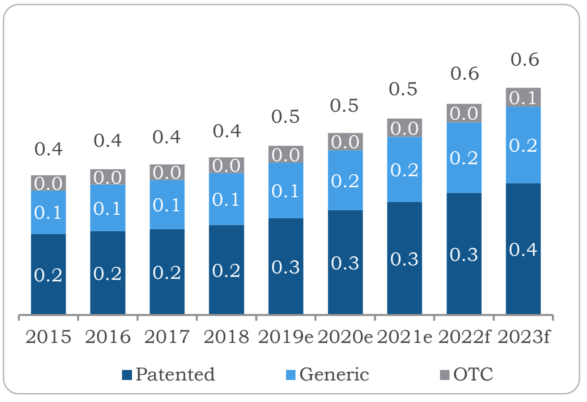
Source: ARDENT Advisory, Fitch, Government Statistics

Pharmaceutical

Pharmaceutical spending in Bahrain is ~US$ 0.5 billion in 2020 and is estimated to have increased at a CAGR of 5.4% during 2015–2020.

The market is primarily driven by imports, especially from neighbouring countries such as Saudi Arabia and the UAE. Foreign drug companies dominate the market and account for ~90% of the country's pharmaceutical consumption and >95% spending. However, foreign companies do not have local manufacturing facilities and import medicines through regional distribution offices.

Figure 45: Pharmaceutical Industry, US$ billion



Source: World Bank, IMF, ARDENT Advisory, Fitch

The Bahraini government is looking to expand manufacturing across all sectors (including pharmaceutical) to reduce oil dependence and provide opportunities to drug manufacturers to establish new factories in its free zones. Bahrain's International Investment Zone in Manama offers benefits such as zero tax for 10 years, 100% foreign ownership and exemption from import duties.

Despite these incentives, pharmaceutical companies may still prefer to establish facilities at investment parks in the UAE or Saudi Arabia as opposed to Bahrain. This is reflected from the fact that the investment zone has failed to attract any big pharmaceutical manufacturers so far.

Pharma Manufacturers Competitive Landscape

At present, there is only one local pharmaceutical manufacturer.

Bahrain Pharma, which commenced operations in June 2020, is a local generic drugmaker and distributor with facilities in the Bahrain International Investment Park. The company has a US$ 30 million facility located in the Bahrain International Investment Park, with two production lines. The company has an annual manufacturing capacity of 600 million animal free softcap gel capsules and 20 million bottles of syrups.

The company has been licensed to produce gel capsule and soluble syrups. However, the company has the capability to manufacture injectable products including lyophilised vials, cartridges, prefilled syringes and ampoules.

Additionally, Gulf Biotech, a US$ 80 million joint initiative between Saudi Arabia and Bahrain, is expected to undergo its final inspection and start production in early 2021. Gulf Biotech facilities is expected to have an annual manufacturing capacity of 22,000 2R vials, 18,000 6R vials, 12,000 of 10R vials, etc.

About us

ARDENT Advisory is a UAE headquartered advisory firm, with a targeted focus on the GCC region. The firm's partners and directors bring over 150 years of cumulative advisory experience with the Big 4 professional firms. The ARDENT Advisory's team members have worked with and advised some of the leading industry players in the region and have played a pivotal role in their business growth. Our client centric business model, in addition to our local expertise and extensive industry knowledge, consistently creates and adds value to our clients.

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- M&A Advisory
- Corporate Finance
- Debt Advisory & Restructuring
- Business Valuation
- Financial Due Diligence

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- ICV & ETIP Certification
- Corporate Governance
- IFRS Advisory
- Forensic Services
- Risk Management
- Accounting & CFO Services

Management Consulting

- Strategy & Operations
- Business Transformation
- People and Change
- Financial Management
- Technology Advisory
- Digital Transformation
- Data Analytics
- Project Management

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