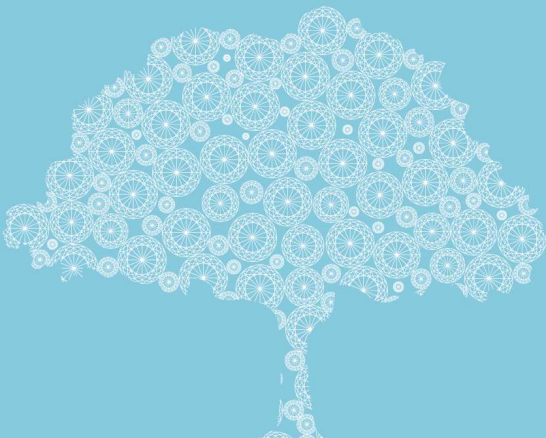


MENA: Healthcare Sector Report

- How large is the healthcare market in the MENA region?
- What are the demand drivers for healthcare in the MENA region?
- What challenges does the healthcare market in the MENA region face?
- Are the governments making efforts to improve the availability and quality of healthcare in the MENA region?
- What roles do the public and private sectors play in the MENA healthcare market?
- What are the investment opportunities for private equity firms?
- Which private equity deals have taken place in the MENA healthcare market?



EXECUTIVE SUMMARY

Healthcare is a large and growing market globally. Healthcare spending in the MENA region totaled USD65.6 billion (4.3% of GDP) in 2009; we estimate the expenditure on healthcare in the region to reach USD125 billion by 2015. Demand for healthcare in the MENA region is expected to rise amid high population growth, increased life expectancy, lower mortality rates, the prevalence of life-style related diseases, an aspiration for better quality healthcare services and the growing awareness of health insurance.

Several factors are driving the growth of the healthcare market in the MENA region. Population in the MENA, which is home to about 214 million people currently, is projected to reach 233 million by 2015 and 272 million by 2025. Increased life expectancy (71 years in 2009 compared to 59 years in 1980) and lower mortality (26 per 1,000 live births compared to 90) rates have led to high population growth in the region. Prevalence of non-communicable or lifestyle diseases such as diabetes, cardiovascular ailments and certain forms of cancer is also rising. The International Diabetes Federation estimates that the number of people suffering from diabetes in the MENA region is set to nearly double to 51.7 million by 2030 from 26.6 million currently. Amid rising income and literacy levels in the MENA region, citizens aspire for quality healthcare services. The average income level of the population in the MENA has increased to USD8,187 in 2010 from USD3,727 at the beginning of the decade. Data from the World Bank suggests that the GCC countries have high literacy rates. Qatar (94.7% literacy) has the most educated population in the GCC, while Libya (88.9%) leads North Africa in terms of its literacy rate. In addition, more countries are adopting insurance as the preferred tool to finance medical expenditure. The introduction of mandatory health insurance laws in countries such as Saudi Arabia, Abu Dhabi and Kuwait is a positive step in this direction. Taking cue from this, other GCC countries plan to introduce compulsory medical insurance for expatriates. Buying insurance to help pay for high healthcare costs incurred in case of illnesses/accidents is a usual feature in developed markets. Around 85% of the population in the US has health insurance.

The existing healthcare infrastructure in the MENA region is insufficient. The average hospital bed count per 10,000 people here is 21.6, much lower than developed economies such as the UK (33.8) and the US (31.0). Our estimates suggest that the region lacks about 200,000 hospital beds currently. It has around 18 qualified physicians per 10,000 people compared to 27 each in the UK and the US, indicating a shortage of about 179,000. The region also lacks medical professionals such as dentists, and nurses and midwives. According to WHO, in terms of trained medical staff per 10,000 people in 2010, the MENA region had 3.5 dentistry personnel and 28.4 nurses and midwives, which is nearly 79% and 71% lower, respectively, compared to the US.

Considering the above, healthcare infrastructure projects worth USD14 billion are already underway in the GCC. According to Middle East Economic Digest (MEED), there are 109 active healthcare projects in the region. Of this, Saudi Arabia accounts for 56, the UAE 24, Kuwait 17, and Qatar, Oman and Bahrain 12. Major projects include Sidra Medical and Research Centre, Qatar (USD2.3 bn); Cleveland Clinic, UAE (USD1.9 bn); Mohammed bin Rashid al Maktoum Academic Medical Centre, UAE (USD572.0 mn); King Saud University Medical City, Saudi Arabia (USD400.0 mn); and Jaber Al Ahmed Al Sabah Hospital, Kuwait (USD1.2 bn).

The high cost of treatment is another factor. According to a Grant Thornton report, a heart bypass surgery that costs about USD44,000 in the UAE could be performed at USD18,500 in Singapore, USD11,000 in Thailand and a mere USD10,000 in India. The MENA region suffers from shortage of medical professionals such as physicians, dentists, and nurses and midwives. Our earlier report “MENA: The Great Job Rush” clearly mentions the reason behind this. The MENA region produces more graduates in humanities than in science and engineering, as a result of which it has fewer numbers of qualified physicians, nurses and midwives, and dentistry personnel.

Healthcare costs in the MENA region are largely shouldered by the state. In Saudi Arabia, one of the largest economies in the MENA, the government (through the Ministry of Health) finances 68% of the total cost of healthcare. The share of government expenditure on healthcare is high in Algeria (86% of total spending), Qatar (80%), Kuwait (76%) and Oman (76%), among others. As a result, the private healthcare market in the MENA region remains underdeveloped. A McKinsey report states that some governments have attempted to engage private sector firms through Public Private Partnerships (PPP) to manage public facilities and, in turn, reimburse them for the treatments. Johns Hopkins Medicine and Cleveland Clinic in Abu Dhabi (UAE) are fine examples of this change. Some of the key advantages of PPPs in healthcare are: i) access to new sources of financing; ii) access to the best practices in the industry; iii) access to improved technologies; iv) higher quality of services; and v) increased efficiency of systems.

Efforts to reduce the healthcare burden on the government and to increase the role of the private sector through PPPs are likely to create tremendous opportunities for private equity players. Private equity firms have invested a total of USD882.1 million (disclosed value) through 13 deals, in the MENA healthcare sector since the beginning of 2005. The UAE is the preferred country for private equity investments. Six of the 13 deals in the MENA region since the beginning of 2005 involved UAE-based companies. The total value of these deals stood at USD453.3 million.

In our opinion, besides hospitals, diagnostic centers and pharmacies could be lucrative for private equity investments, going forward. Diagnostic centers offer a variety of services, including X-rays, CT and MRI scans, and ultrasound to produce a visual display of structural or functional information of the (inside of the) human body. These centers also offer pathology tests on blood, tissues and other body fluids. The reports generated by the diagnostic centers is used by doctors for detection, diagnosis, evaluation, monitoring and treatment of diseases and other medical conditions, as well as to monitor and evaluate responses to medication. Retail pharmacies sell medicines based on prescriptions written by doctors. In addition, they offer OTC drugs, surgicals and supplements & nutritions. Over the past few years, the definition has broadened to include cosmetics, convenience foods and a wide assortment of general merchandise.

We also present the profiles of some of the healthcare markets (country profiles) and prominent healthcare companies—both private and public, in this report.

INTRODUCTION

Healthcare is one of the fastest growing sectors worldwide

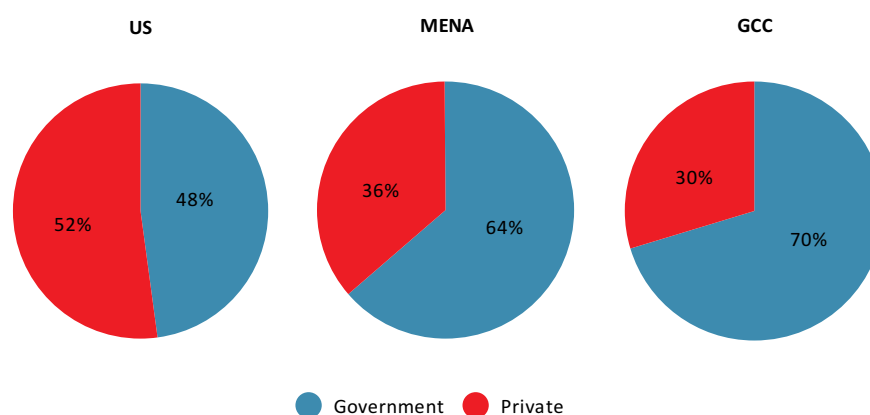
Healthcare is one of the fastest growing sectors worldwide. The expenditure on healthcare is increasing, driven by demographic factors, rising income levels and increasing instances of lifestyle diseases, among others. The US is the largest healthcare market globally - in 2009, the US economy spent as much as 16% of its GDP on healthcare. According to PwC projections, healthcare spending as a percent of GDP for the US could increase to 20% in 2020.

The US spends as much as 16% of its GDP on healthcare compared to 4.3% in the MENA

Compared to this, the healthcare market in the MENA region is relatively small and underdeveloped. In 2009, the MENA region spent 4.3% of its GDP (about USD66 billion) on healthcare or USD315 per person. Healthcare spending in the GCC stood at 3.8% of the GDP (about USD35 billion) or USD913 per person in 2009.

The MENA governments (and the GCC in particular) account for a major portion of the total healthcare expenditure in the economy. The US government bears less than 50% of the total healthcare costs in the economy compared to 64% in the MENA and 70% in the GCC.

Exhibit 1: Share of healthcare spending by government is high in the MENA and the GCC



Source: WHO, IMF, World Bank, Al Masah Capital Research

The MENA and the GCC are low on healthcare spending and facilities

In addition, the healthcare infrastructure in the region is far below that of the developed economies. For instance, the ratio of hospital beds (per 10,000 people) and the number of physicians (per 10,000 people) in the MENA and the GCC are poor compared to that of US.

Exhibit 2: The MENA and the GCC are low on healthcare spending and facilities

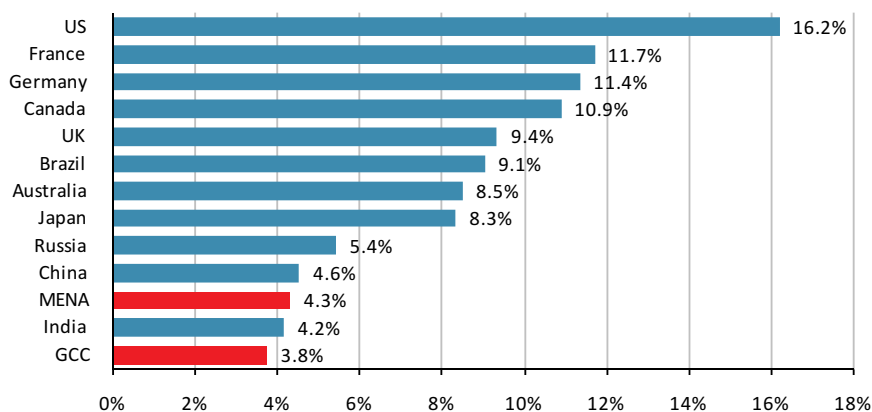
Country	US	MENA	GCC
Total healthcare spending as a % of GDP	16.2%	4.3%	3.8%
Total healthcare spending, on a per capita basis (USD)	7,410	315	913
No. of Hospital Beds per 10,000 people	31.0	21.6	20.6
No. of Physicians per 10,000 people	26.7	18.3	13.0

Source: World Bank, WHO, Al Masah Capital Research

Healthcare expenditure in the MENA region is low both in terms of percentage of GDP and on a per capita basis. The region spends 4.3% of the GDP on healthcare; it is lower compared to the developed countries such as the US (16.2%), Canada (10.9%) and the UK (9.4%) as well as the developing BRIC nations (5.4%).

In 2009, the MENA region spent 4.3% of its GDP on healthcare. At 3.8%, the GCC spending was even lower

Exhibit 3: Healthcare expenditure as a percentage of GDP

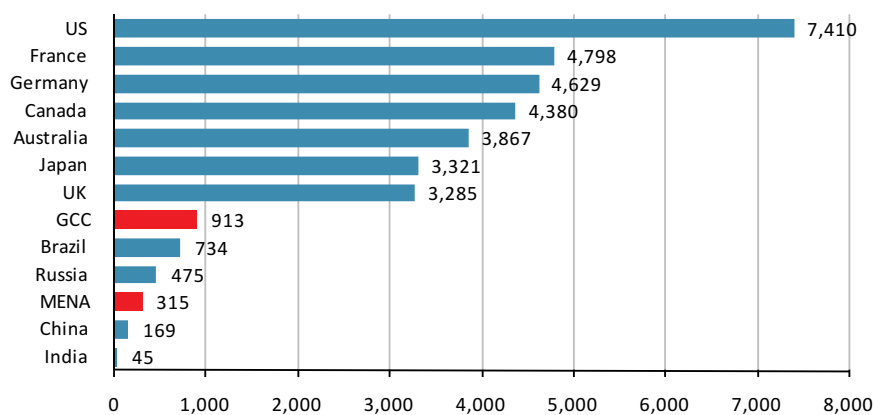


Source: WHO, IMF, Population Reference Bureau (PRB), World bank, Al Masah Capital Research

Healthcare expenditure on a per capita basis in the MENA region stands at USD315. It is lower than that in the GCC region (USD913) and much below developed countries such as the US (USD7,410), Canada (USD4,380), and the UK (USD3,285).

Healthcare expenditure on a per capita basis in the MENA stands at USD315

Exhibit 4: Healthcare expenditure on a per capita basis, USD



Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research

HEALTHCARE SECTOR IN THE MENA IS LIKELY TO GROW MANIFOLD

Healthcare spending in the MENA region stands at USD65.6 billion

At USD18.5 bn, Saudi Arabia is the largest healthcare market in the GCC well as the MENA region. It is followed by Egypt (USD9.0 bn), the UAE (USD7.5 bn), Algeria (USD6.3 bn), Morocco (USD5.0 bn) and Kuwait (USD4.3 bn). Together, these six countries form a little more than three-quarters of the total healthcare market in the MENA region.

Saudi Arabia is the largest healthcare market in the MENA region

Exhibit 5: Saudi Arabia is the largest healthcare market in the MENA

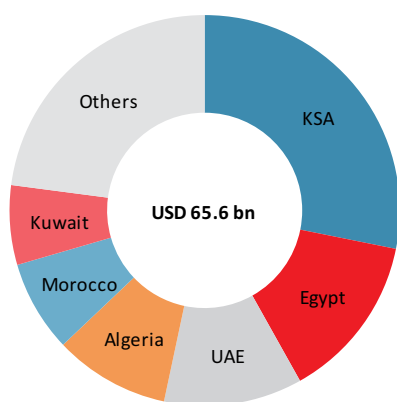
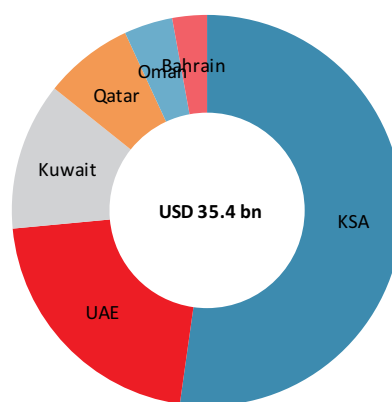


Exhibit 6: Saudi and UAE form 74% of the healthcare market in the GCC

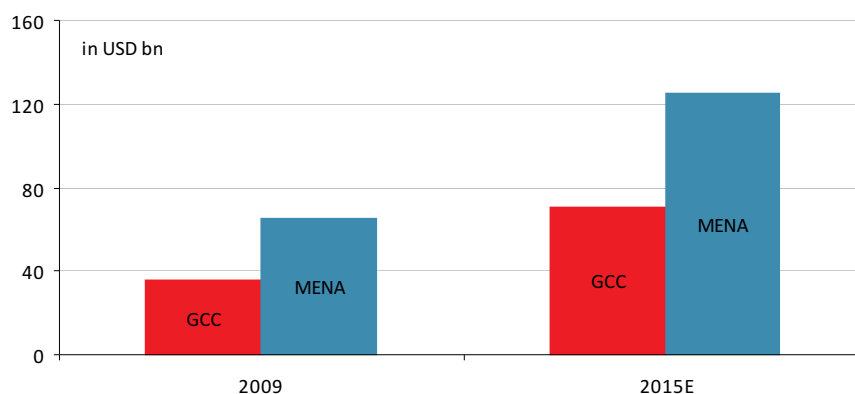


Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research
Note: Others comprise Lebanon, Qatar, Tunisia, Libya, Jordan, Oman, and Bahrain

We estimate healthcare spending in the MENA region to reach USD125 billion by 2015. Our estimation is based on the projected population growth in the MENA and likely increase in per capita spending on healthcare. We have taken a conservative stance on growth in per capita income - we have assumed that the per capita spending on healthcare through 2015 would mirror the growth of 9.0% CAGR achieved between 2000 and 2009.

We estimate the healthcare spending in the MENA region to reach USD125 billion by 2015

Exhibit 7: Healthcare spending in the MENA and the GCC



Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research

KEY DEMAND DRIVERS

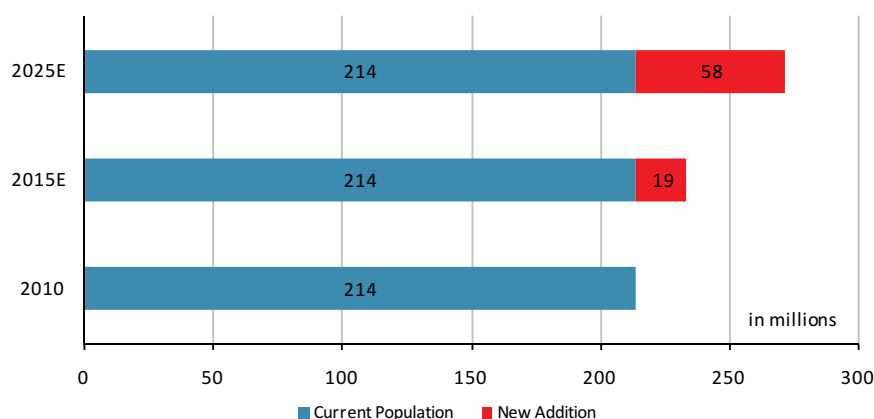
Demand for healthcare in the MENA region is expected to rise due to high population growth, increased life expectancy with lower mortality rates, higher literacy, prevalence of lifestyle related diseases, aspiration for better quality healthcare services and greater awareness of health insurance.

Higher than average population growth

Population growth in the MENA is much higher than the global average

The MENA is home to about 214 million people. Over the last decade (2000–10), population growth in the region averaged 2.0% per annum, higher than the global average of 1.3%. Population in the MENA is projected to grow to 233 million by 2015 and rise to nearly 272 million by 2025. This is likely to drive the demand for healthcare services.

Exhibit 8: Population in the MENA region



Source: IMF, PRB, Al Masah Capital Research

Increased life expectancy, lower mortality rates and a large elderly population

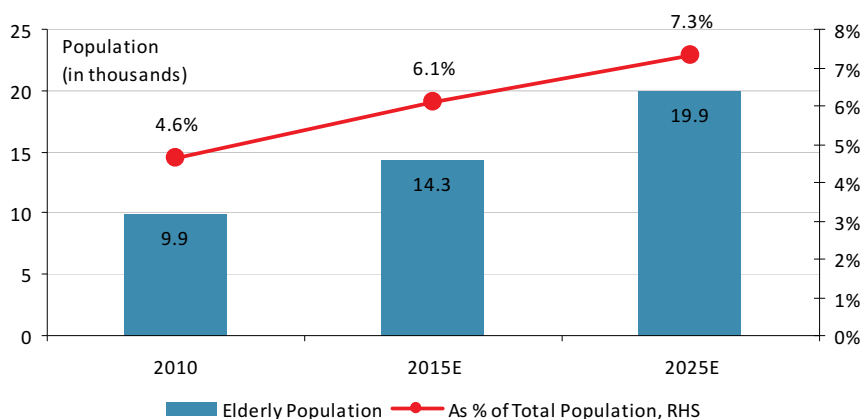
The high population growth rate in the MENA region is due to increased life expectancy and lower mortality rates. Life expectancy in the region improved to 71 years in 2009 from 59 years in 1980, a 21% increase. Infant mortality rates declined to 26 per 1,000 live births in 2009 vis-à-vis 90 per 1,000 live births in 1980. (See Appendix for more details).

We estimate the elderly population in the MENA to increase to 20 million by 2025

The elderly form a big market for healthcare due to age related ailments. Data from United Nations and IMF suggests that the MENA region had an elderly population (65 years and above) of ~10 million in 2010. By 2015, this is likely to rise to 14.3 million, an increase of over 40%. In fact, the number of elderly in the region could move up to 20 million by 2025.

As a result, the elderly could form nearly 7.3% of the total the MENA population in 2025 from the current level of 4.6%.

Exhibit 9: The elderly population in the MENA is expected to grow to 20 million by 2025



Source: IMF, PRB, UN, Al Masah Capital Research

Higher literacy rates

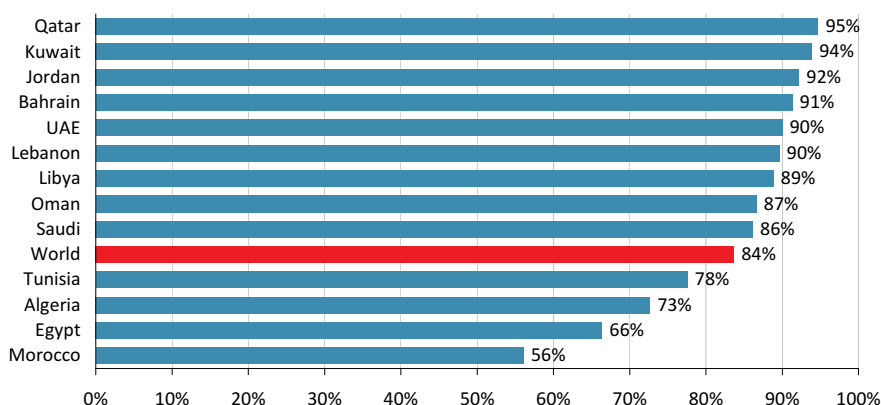
Some of the countries in the MENA have high adult literacy rates.

Qatar tops the list in the GCC while Libya leads in North Africa

An educated citizen would have higher expectations regarding healthcare than the less educated. This can be ascribed to an educated person's awareness of the quality of life in developed countries which he/she looks forward to enjoy. Consequently, demand for improved healthcare facilities is likely to increase with the rise in literacy rates in the MENA region in the near future.

Literacy rates differ substantially across countries in the region. Data available from the World Bank suggests that the GCC countries have high literacy rates; however, the same does not hold true for many countries in North Africa. Qatar (94.7% literacy) has the most educated population in the GCC, while Libya (88.9%) leads North Africa in terms of its literacy rate. As many as 9 countries in the MENA region (Qatar, Kuwait, Jordan, Bahrain, the UAE, Lebanon, Libya, Oman, and Saudi Arabia) have literacy rates above the world average of 83.7%.

Exhibit 10: Adult Literacy rates in the MENA*



Source: World Bank

Note: * latest available numbers (between 2006 and 2009)

With education becoming a key focus area for most economies in the MENA, we expect the literacy rates to move up, going forward.

Prevalence of lifestyle related diseases

Rising number of people suffering from lifestyle related diseases in the MENA would push the demand for healthcare

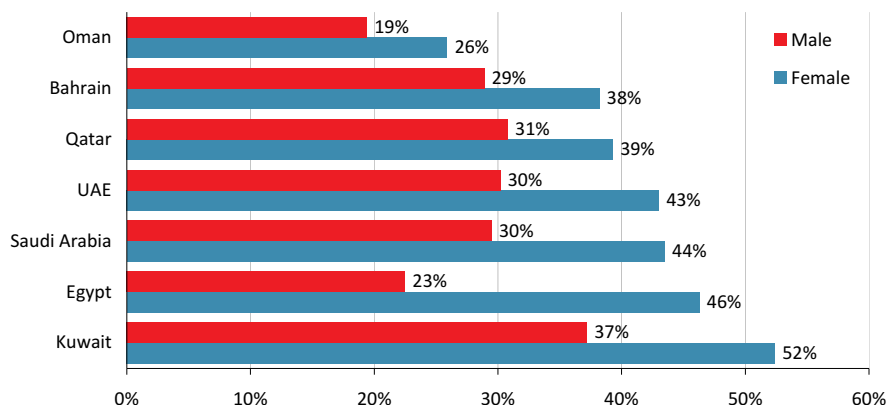
A study by the WHO states that non-communicable or lifestyle diseases like diabetes, cardiovascular ailments, and certain forms of cancer have become the major cause of death around the world, Non-communicable diseases killed 36.1 million or 63% of the people who died worldwide in 2008.

The International Diabetes Federation estimates that the MENA region is home to 9.3% of the world's adults with diabetes. Further, the number of people impacted by diabetes in the MENA region is set to double to 51.7 million by 2030 from 26.6 million currently.

Obesity rate among the GCC nationals stands at 40% (one of the highest in the world). As per Philips Healthcare, about 70% of UAE residents can be classified as obese. Rising obesity levels in the UAE have already triggered a significant increase in Type II diabetes. Obesity is known to cause diabetes, hypertension and other disorders.

The exhibit below clearly indicates that obesity levels in many parts of the MENA region are absurdly high. If not corrected, it would lead to higher medical costs in the coming years.

Exhibit 11: Obesity rates in some of the MENA countries



Obesity rate among the GCC nationals, especially Kuwait, Qatar and the UAE is high

Source: WHO

A McKinsey study conducted in 2007 indicated the demand for healthcare in the GCC would surge 240% over the next 20 years, mainly due to significant increase in cardiovascular diseases and diabetes-related ailments (see Appendix for more details).

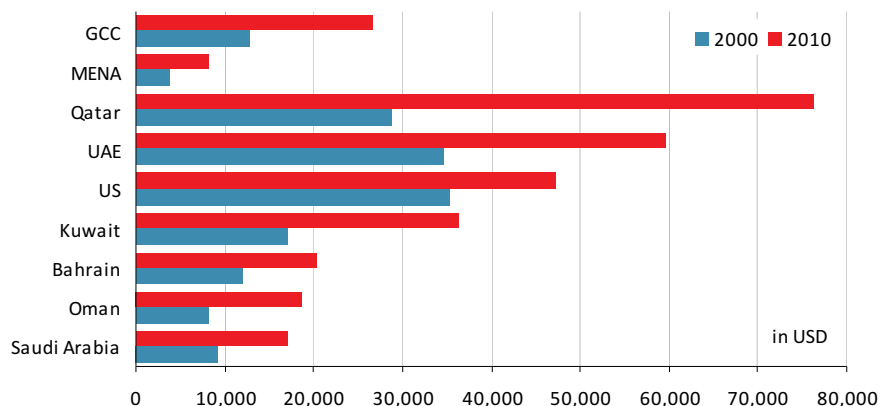
Rising income levels and aspirations for quality healthcare

The income level of the population in the region has been increasing. In 2010, the MENA and the GCC had a per capita income of USD8,187 and USD26,745, respectively compared to USD3,727 and USD12,782 in the beginning of the decade. In fact, two countries in the MENA region – Qatar and the UAE – enjoy per capita incomes that are as much as 60% and 25% higher than that of the

US. With rising hydrocarbon prices, the per capita income of many of the oil-rich countries is likely to remain high and lead to increased demand for healthcare services.

Exhibit 12: Per Capita Income in the MENA has doubled over 2000-2010

The per capita income in the MENA region has doubled over 2000-2010



Source: IMF, Al Masah Capital Research

Rising income breeds increased aspirations for quality healthcare. Given the shortage of good and affordable healthcare facilities in the MENA region, patients are willing to travel outside the region to countries like Singapore, Thailand and India for treatments.

Mandatory health insurance

Introduction of mandatory health insurance laws in many of the MENA countries could result in higher demand for healthcare services

Buying health insurance to help pay for high medical care costs incurred in case of illness/accidents is a usual feature in developed markets. Around 85% of the population in the US has health insurance. However, this concept is new to many countries in the MENA as people think it is the government's duty to take care of its citizens' health. Healthcare in several MENA countries has been typically funded by the government. According to consulting firm McKinsey, the GCC governments provide for the lion's share of healthcare financing (approximately 75%).

Introduction of mandatory health insurance laws in many of the MENA countries (like Saudi Arabia and the UAE) is a welcome change. Saudi Arabia ordered companies to seek health insurance for expatriate workers in 2005. The government extended the rule to include Saudi nationals employed in the private sector in 2008. Abu Dhabi introduced health insurance laws in 2006, while the UAE followed suit in 2008.

Demand for healthcare infrastructure is expected to increase as more countries adopt health insurance as the preferred tool to finance healthcare expenditure.

INVESTMENT OPPORTUNITIES FOR PEs IN HEALTHCARE

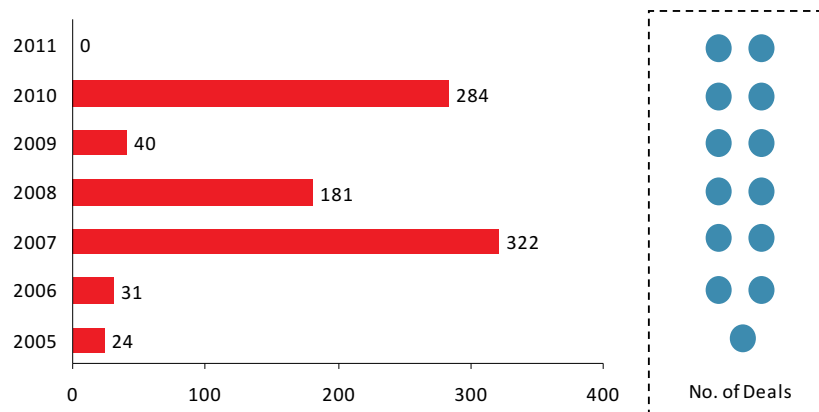
The healthcare sector in the MENA has gained popularity among private equity investors

The healthcare sector in the MENA region has gained popularity among private equity players as the sector is likely to see strong growth, going forward. Demographic changes in the society, longer lifespan of the population, growing number of people with lifestyle diseases and increasing liberalization of healthcare markets are pushing the demand for healthcare services in the region, while there is short supply.

Private equity players have invested a total of USD882.1 million (disclosed value) through 13 deals in the MENA healthcare sector since the beginning of 2005. Going by the deal count (which we consider a better indicator due to lack of details on transaction values), there has been increased activity in the sector since 2006/07.

PE deals totaled USD882.1 million through 13 deals since 2005

Exhibit 13: PE activity in the MENA healthcare – Value (USD mn) and Deals (No's)



Source: Gulf Venture Capital Association (GVCA), Zawya, Thomson One Banker
Note: The above numbers are highly understated because of poor deal disclosures in the MENA region

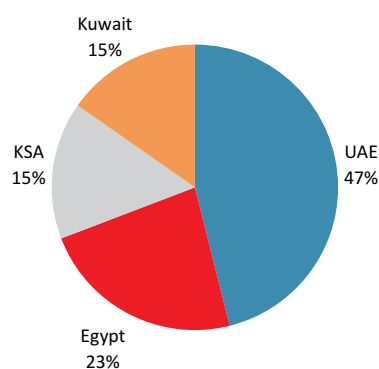
UAE, Egypt and Saudi Arabia have been the most active countries for PE deals

The UAE, Egypt and Saudi Arabia are key targets

The UAE is the clear favorite among private equity investors. Six (out of 13 deals taken place in the MENA since the beginning of 2005) were with companies based in the UAE. The total value of these deals stood at USD453.3 million.

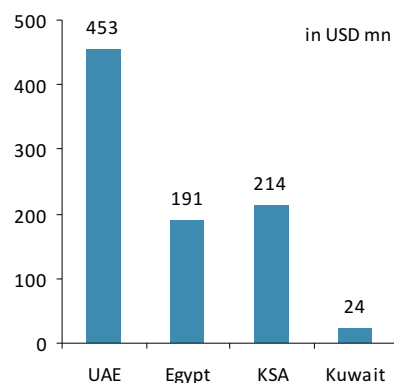
Saudi Arabia comes second with two deals worth USD214.0 million in terms of the value of deals. If the number of deals is considered, Egypt follows the UAE with three deals worth USD191.0 million.

Exhibit 14: Number of deals – 2005 to date



Source: GVCA, Zawya, Thomson One Banker

Exhibit 15: Value of deals – 2005 to date



Source: GVCA, Zawya, Thomson One Banker

Notable transactions include Ithmar – Al Noor and Abraaj – Tadawi

Dubai-based Ithmar Capital executed the largest transaction in the MENA healthcare sector

The single largest transaction in the MENA healthcare sector took place between Al Noor Medical Company and Ithmar Capital, a Dubai-based private equity firm. As per the press release dated July 19, 2010, Ithmar paid USD272.2 million for a strategic equity stake in Al Noor.

Established in 1985, Al Noor operates three hospitals, three clinics and ten pharmacies in Abu Dhabi. The healthcare company treats 1.2 million patients a year.

Exhibit 16: Private equity deals across various MENA countries since 2005

Deal Value USD mn	Company	Country	Sub-Sector	PE Fund/Firm	Year
272.2	Al Noor Medical Co.	UAE	Hospitals, Clinics, Pharmacies	Ithmar Capital	2010
214.0	Saudi Tadawi Healthcare Co.	Saudi Arabia	Pharmacy	Abraaj Capital	2007
151.0	Al Borg Laboratories	Egypt	Diagnostics	Abraaj Capital	2008
108.1	Planet Pharmacies	UAE	Pharmacy	Global Buyout Fund & Global Opportunistic Fund II	2007
40.0	Sigma Pharmaceutical	Egypt	Pharmaceutical	Eastgate MENA Direct Equity	2009
31.0	Gulf Healthcare International	UAE	Diagnostics	Global Opportunistic Fund I	2006
30.0	Gulf Healthcare International	UAE	Diagnostics	Global Opportunistic Fund II	2008
23.9	Elaj Medical Services Co.	Kuwait	Specialty Care services	Global Opportunistic Fund I	2005
12.0	Pro Vita	UAE	Specialty Care services	Shefa MENA Health Fund	2010
NA	Al Mashafi Group of Hospitals	Saudi Arabia	Hospitals	Shefa Healthcare Fund	2006
NA	TechnoScan	Egypt	Diagnostics	Gulf Capital Equity Partners II	2009
NA	NMC Group	UAE	Hospitals	Al Aseel Investments	2011
NA	Taiba Hospital - Elaj Services	Kuwait	Hospitals	NBK Capital	2011

Source: GVCA, Zawya, Thomson One Banker

The second large PE deal in this space was between Saudi Tadawi Healthcare Company (Tadawi) and Abraaj Capital, a Dubai-based private equity firm. Information from the GVCA indicates that Abraaj invested USD214.0 million through two of its funds (Abraaj Buyout Fund II, and Infrastructure & Growth Capital Fund) for an undisclosed stake in Tadawi.

Tadawi is Saudi Arabia's largest retailer and wholesaler of pharmaceutical products with over 500 pharmacies and 2,500 employees.

Diagnostic centers and pharmacies seem attractive for private equity players

Diagnostics business offers attractive profit margins

Emerging investment avenues in the healthcare sector

The healthcare sector comprises primary and day care clinics, hospitals (general and specialized), diagnostic centers, pharmacies and pharmaceutical manufacturing. Apart from hospitals, diagnostic centers and pharmacies seem attractive for private equity players.

Diagnostic centers: These offer a variety of services, including X-rays, CT and MRI scans, and ultrasound to produce a visual display of structural or functional information of the (inside of the) human body. Diagnostic centers also offer pathology tests on blood, tissues and other body fluids. The reports generated by these centers is used by doctors for detection, diagnosis, evaluation, monitoring and treatment of diseases and other medical conditions, as well as to monitor and evaluate responses to medication.

Some key positives are:

- Diagnostic testing is being increasingly viewed as a means to improve health and reduce the overall cost of healthcare through early detection, prevention and treatment. In fact, physicians are recommending diagnostic testing not just to help identify risk for a disease, but also to monitor patient compliance and evaluate treatment results.
- The use of laboratory test services has risen over the past few years amid aging population, increasing disease prevalence and preference for a healthy lifestyle. Chronic diseases such as diabetes and high cholesterol require continuous monitoring and recurring medical treatments.
- The number of tests per capita in the MENA region is below international levels. In Egypt and Saudi Arabia, the per capita average is 2.5 and 6.0 laboratory tests per year, respectively, compared to 16.0 in Europe and 22.0 in the US (source: Al Borg Laboratory).
- Increase in health insurance in the MENA could provide a boost to the diagnostics sector since the onus of paying for tests falls on insurance companies instead of the insured patients.
- Employers in the MENA are increasingly seeking a physical fitness test along with some clinical investigations to determine an individual's employability before taking him/her on the rolls. The diagnostics business would benefit from the growing adaptation of this trend across companies.

Sale of drugs is highly fragmented in the MENA; organized retail pharmacy holds growth potential

- Diagnostic center offers good profit margins, but is considered an asset intensive business. Companies operating in this space tend to build large networks and then apply a hub and spoke method for conducting operations. Al Borg Laboratories, a leading company in this business, earns gross margins of more than 50%.

Retail pharmacies: Such stores sell medicines based on prescriptions written by doctors. In addition, retail pharmacies offer OTC drugs, surgicals and supplements & nutritions. Over the past few years, the definition has broadened to include cosmetics, convenience foods and a wide assortment of general merchandise.

The key positives include:

- The sale of drugs is a highly fragmented and unorganized business in the MENA. The concept of a retail pharmacy chain holds immense potential due to its ability to organize and redefine this space.
- A retail pharmacy incurs low cost of manpower as it does not need a doctor or a physician to operate. Such stores generally employ pharmacists, nurse practitioners and physician assistants.
- The elderly population (65 years and above) in the MENA region is likely to rise to 14.3 million by 2015 from around 10 million currently. An ageing population fuels demand for additional pharmacy services.
- Retail pharmacies provide scope for operational efficiency—bulk purchasing, availability of stock credit and centralized operations help keep a tab on the cost side of the business. Also, sales are usually in cash and not credit.
- A retail pharmacy business is generally a low-margin, but high-volume business. YIACO Medical Co., a leading marketing agent for pharmaceutical companies in Kuwait, earns gross margins of about 20%.

The abovementioned segments seem to have caught the attention of PE firms, though only a few transactions have been closed.

Exhibit 17: Diagnostic centers and pharmacies that have received PE investment

	Deal Value USD mn	Company	Business description	PE Fund/Firm	Year
Diagnostic Centers	151.0	Al Borg Laboratories, Egypt	Al Borg is currently the largest private medical laboratory group in the Middle East with over 1,400 group employees across 100 branches. The Company is involved in a wide range of conventional and specialized tests and is the market leader in hepatitis, molecular & genetic diagnosis.	Abraaj Capital	2008
	61.0	Gulf Healthcare International, UAE	Medsol Diagnostics is the diagnostic arm of Gulf Healthcare International. It is a specialist Laboratory and Radiology network, currently spread across 15 locations throughout the Middle Eastern region.	Global Opportunistic Fund I and Global Opportunistic Fund II	2006/08
	NA	TechnoScan, Egypt	TechnoScan is the largest private chain of imaging centers in Egypt. The company operates 15 imaging centers, 13 of which are wholly owned and 2 of which are owned in partnership with other investors.	Gulf Capital Equity Partners II	2009
Pharmacies	214.0	Saudi Tadawi Healthcare Co., Saudi Arabia	Saudi Tadawi Health Care Company is a retailer and wholesaler of pharmaceuticals and personal care products in Saudi Arabia. The company operates through DarMarwa (the wholesale arm) and Tadawi Pharmacies (retail arm). The company has about 500 stores in Saudi Arabia.	Abraaj Capital	2007
	108.1	Planet Pharmacies, UAE	UAE-based Planet Pharmacies is engaged in selling pharmaceuticals, health and beauty products, and baby products. The company plans to open more than 750 stores across the UAE and Saudi Arabia by 2012.	Global Buyout Fund L.P. and Global Opportunistic Fund II	2007

Source: GVCA, Zawya, Thomson One Banker, Company website

SUPPLY SIDE FACTORS AND CHALLENGES

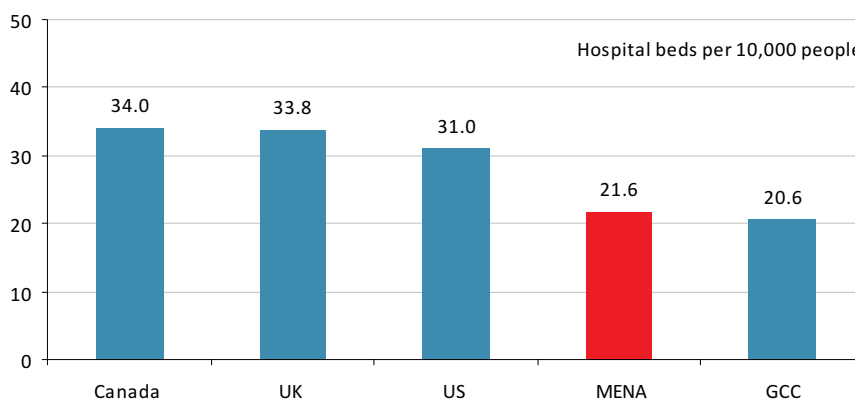
The existing healthcare infrastructure in the MENA is not sufficient

The current state of healthcare infrastructure in the MENA region is not adequate to satisfy the existing demand

The current state of healthcare infrastructure in the region is not adequate to satisfy the existing demand. The ratio of hospital beds (per 10,000 people) and the number of physicians (per 10,000 people) underscores this. Firstly, the average hospital bed count per 10,000 people in the MENA region is 21.6, much lower than in developed economies such as the UK (33.8) and the US (31.0). Availability of hospital beds is low particularly in countries like Morocco, Qatar, Algeria, and Jordan. (Refer Appendix for country-wise details).

The average hospital bed count per 10,000 people in the MENA is 21.6 compared to 33.8 in the UK and 31.0 in the US

Exhibit 18: Hospital beds in the MENA is low

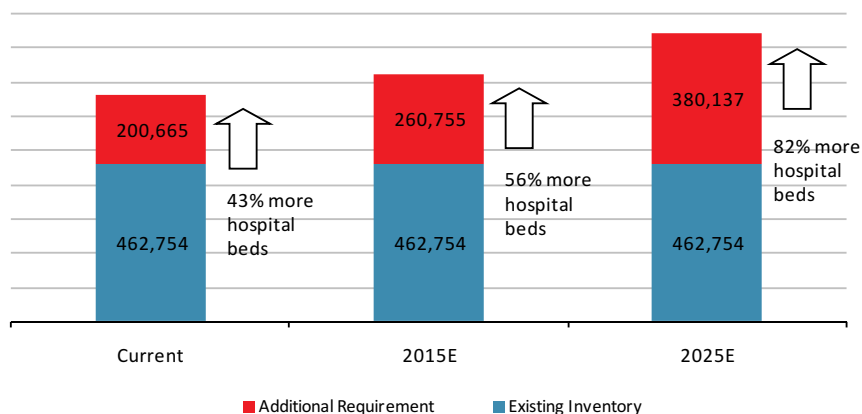


Source: World Bank, WHO, Economic Intelligence Unit (EIU), Al Masah Capital Research

Assuming the availability of hospital beds in the US as a standard, there is shortage of about 200,000 beds in the MENA region. The region would need to add as many as 260,000 hospital beds to its existing inventory of 462,000 beds by 2015.

The MENA has 462,000 hospital beds, much below the current requirement

Exhibit 19: Hospital beds required in the MENA by 2015 and 2025

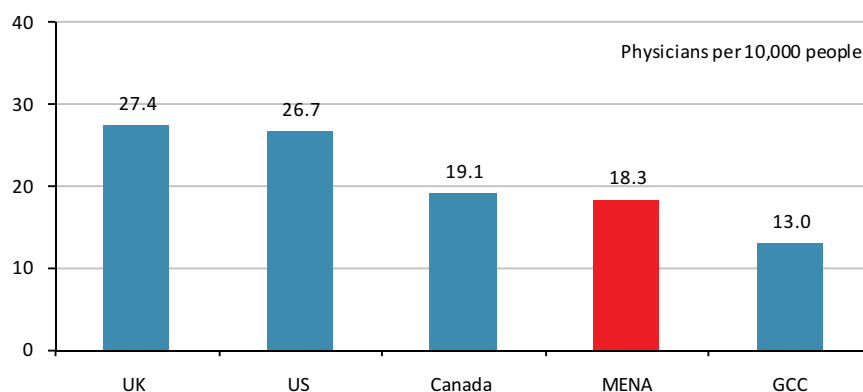


Source: World Bank, WHO, EIU, Al Masah Capital Research

Secondly, the region has around 18 doctors/physicians per 10,000 people compared to 27 in the UK and the US. Availability of doctors/physicians is particularly low in countries like Morocco, Tunisia, Algeria and Saudi Arabia. (Refer Appendix for country-wise details.)

Exhibit 20: Physicians (per ten thousand people) in the MENA is less

The MENA region has around 18 doctors/physicians per 10,000 people compared to 27 in the UK and the US

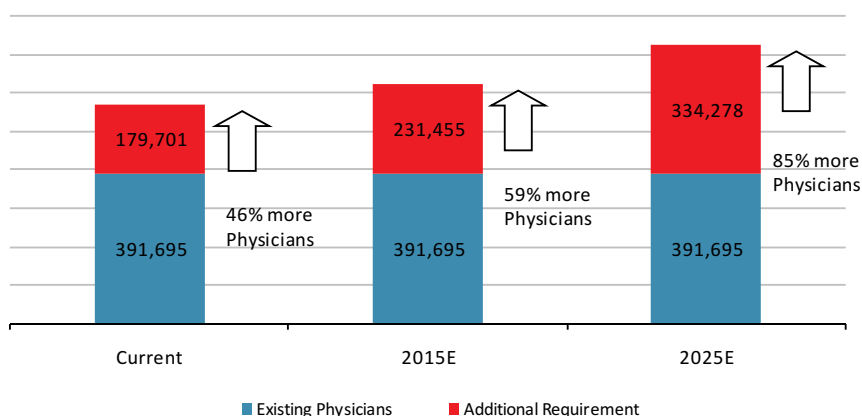


Source: World Bank, WHO, EIU, Al Masah Capital Research

Assuming the availability of physicians in the US as a standard, the region is short of about 180,000 qualified doctors/physicians. The MENA region would have to add nearly 231,000 doctors/physicians to its existing healthcare professional workforce by 2015.

Exhibit 21: Doctors/Physicians required in the MENA by 2015 and 2025

The MENA has 392,000 physicians and is short of about 180,000 physicians



Source: World Bank, WHO, EIU, Al Masah Capital Research

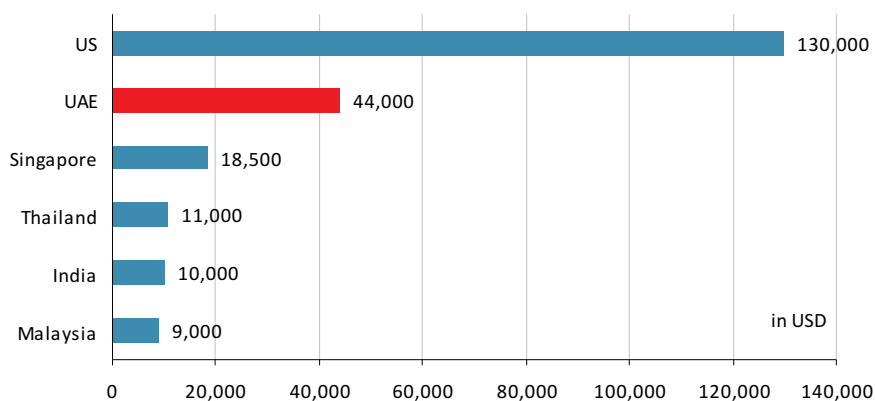
High cost of treatment

According to Abu Dhabi Chamber of Commerce, the UAE residents spend around USD2.0 bn on medical treatment abroad. In fact, nearly 90,000 patients from the UAE travelled to the Philippines for treatment in 2009 (source: Mckinsey).

Many patients cite the high cost of medication in the MENA/GCC region as a deterrent for treatment. According to a Grant Thornton report, a heart bypass surgery that costs about USD44,000 in the UAE could be performed at USD18,500 in Singapore, USD11,000 in Thailand and a mere USD10,000 in India.

Cost of medication is comparatively high in the MENA compared to Malaysia, India, Thailand and Singapore

Exhibit 22: Cost of a heart bypass surgery



Source: Grant Thornton

The high costs of treatments in the MENA are a resultant of multiplicity of factors including the lack of technical know-how for manufacturing medical equipments.

There is a high demand for the latest and sophisticated medical equipment in the MENA. Most of these equipments are imported due to lack of technical know-how

The demand for the latest and sophisticated medical equipment in the MENA region is rising amid the gaining importance of medical devices in diagnosis, treatment and prevention. However, the region is left with little option but to import medical equipment and supplies due to limited production capability and lack of technical know-how. For example, in the UAE, the import of equipment accounts for an estimated 96.6% of the market in value terms, says a report by SME Advisor Middle East. Most countries prefer to buy large medical equipment from the US and Germany. The UK, Japan and a few European countries are known for their small- to medium-sized medical devices. China has begun to emerge as a leading supplier; however, its domain of presence is restricted to consumables and other items at the lower end of the value chain.

Broadly, the medical equipment market consists of five categories: cardiovascular devices, orthopedic devices, ophthalmic devices, drug delivery devices and diagnostics. The MENA region has strong demand for the import of electro-medical equipment (mainly include MRI, ultrasound and dental hardware); general medical, surgical and X-ray equipment; and syringes, needles and catheters.

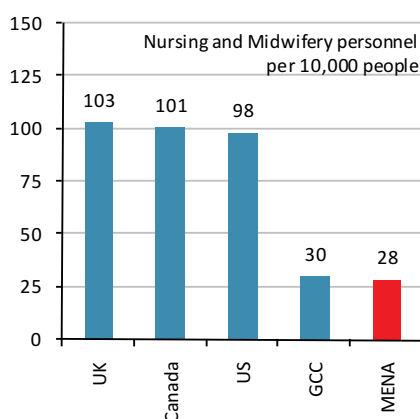
Low availability of skilled medical professionals

The MENA region suffers from shortage of medical professionals such as physicians, dentists, and nurses and midwives. According to WHO, in terms of trained medical staff per 10,000 people in 2010, the MENA had 18.3 physicians (see Exhibit 20), 28.4 nurses and midwives, and 3.5 dentistry personnel. The number of physicians, nurses and midwives, and dentistry personnel in the MENA

was as much as 31%, 71% and 79% lower, respectively, compared to the US.

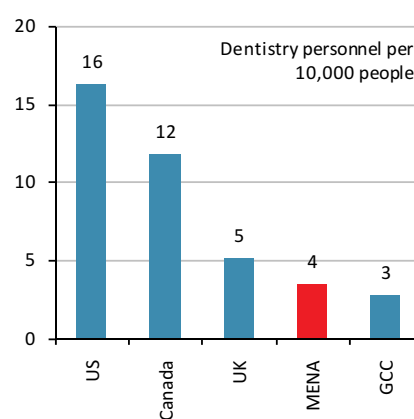
Our earlier report “MENA: The Great Job Rush” clearly mentions the reason behind this. The MENA region produces more graduates in humanities than in science and engineering, as a result of which it has fewer numbers of qualified physicians, nurses and midwives, and dentistry personnel.

Exhibit 23: Nursing and Midwifery personnel per 10,000 people



Source: World Bank, WHO, EIU, Al Masah Capital Research

Exhibit 24: Dentistry personnel per 10,000 people



Source: World Bank, WHO, EIU, Al Masah Capital Research

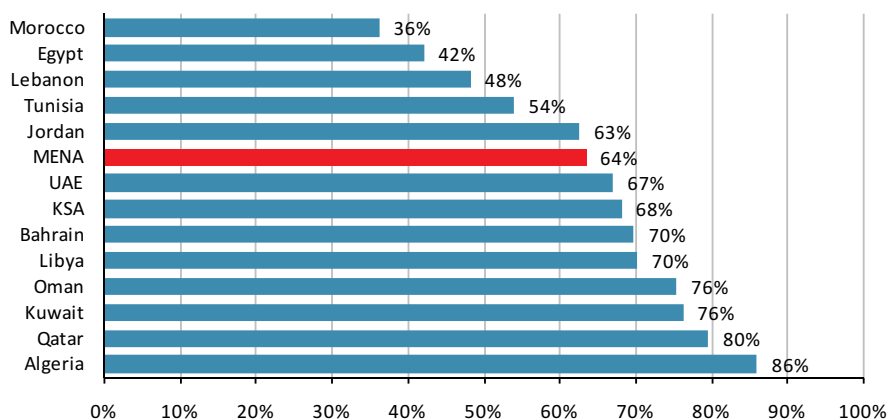
Low private sector participation

The private sector healthcare market in the MENA remains underdeveloped. A major portion of the healthcare spend is done by the government

Most of the MENA countries, the GCC nations in particular, offer treatments free of cost (or with nominal charges) to citizens through government hospitals and healthcare centers. As a result, the private sector healthcare market in the MENA remains underdeveloped. The marginal growth in the private sector is largely due to the enactment of rules restricting foreigners from accessing public healthcare facilities and enforcing health insurance for expatriates.

In Saudi Arabia, one of the largest economies in the MENA region, the government (through the Ministry of Health) finances 68% of the total cost of healthcare. The share of government expenditure on healthcare is high in Algeria (86% of total spending), Qatar (80%), Kuwait (76%), Oman (76%) and Libya (70%), among others.

Exhibit 25: Share of healthcare spending by governments across the MENA region



Source: WTO, Al Masah Capital Research

Some governments have attempted to engage private sector firms in the healthcare sector, Abu Dhabi is an example

A McKinsey report states that some governments have attempted to engage private sector firms to manage public facilities and, in turn, reimburse them for the treatments. Johns Hopkins Medicine and the Cleveland Clinic in Abu Dhabi (UAE) are fine examples of this change.

In 2006, Johns Hopkins Medicine and the General Authority for Health Services in the UAE agreed to a 10-year affiliation that involves the management of the Tawam Hospital in Abu Dhabi, one of the largest and most prestigious hospitals in the emirate.

In the same year, Cleveland Clinic and Mubadala Healthcare signed an agreement to build Cleveland Clinic Abu Dhabi, a multi-specialty tertiary center and clinic, which is scheduled to be completed by 2012.

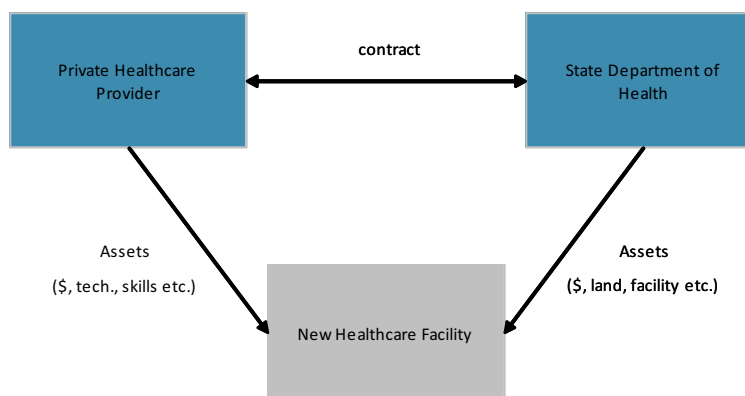
Partnerships with the private sector, medical tourism and regulatory developments are aiding to the supply-side growth

Engaging the private sector

As mentioned above, healthcare in the MENA region are largely supported by the state. Over the past few years, governments in the MENA region have been allocating more funds toward healthcare to help build hospitals and clinics, as well as impart appropriate medical education. The desired results from these initiatives would not be realized without equal support from the private sector—given the rising cost of medication, public sector budgets may soon become inadequate to provide the necessary healthcare facilities for citizens. Consequently, many of these governments have explored the Public Private Partnership (PPP) model in the healthcare sector.

Given the rising cost of medication and establishing healthcare facilities the Public Private Partnership (PPP) model is now being explored

Exhibit 26: PPP Mechanism



Source: KPMG, Al Masah Capital Research

According to a PWC report, PPPs have saved governments as much as 25% of their healthcare costs

According to a PWC report, government spending on healthcare across most nations is growing at a pace that is unlikely to be sustainable unless new sources of funding are found. Considering the recent credit crunch, the PPP model of business offers potential for financial and operational support. The report further suggests that PPPs have saved governments as much as 25% of their healthcare costs.

Government-owned Abu Dhabi Health Service Company (or SEHA) was established in 2007 to establish PPPs and oversee public sector healthcare assets. SEHA has partnered with internationally recognized healthcare leaders such as Johns Hopkins Medicine, Cleveland Clinic, Bumrungrad International, Vamed, and Vienna Medical University.

As private healthcare providers are profit oriented, they lay more emphasis on streamlining operations, improving management style, minimizing errors and optimizing costs, thereby enhancing the overall efficiency of the healthcare unit. Some of the key advantages of involving private healthcare providers through PPPs are: i) access to new sources of financing; ii) access to the best practices in the industry; iii) access to improved technologies; iv) higher quality of services; and v) increased efficiency of systems.

The business unit model of operations adopted by private healthcare providers can be of great use—if adopted, public sector hospitals can operate as separate business units, under different heads, responsible for planning, operations as well as performance. Lack of accountability is often cited as the cause for the sorry state of public sector affairs.

Medical tourism

Until recently, patients from the MENA region traveled to the US, Singapore, India or Thailand for medical treatments as national healthcare services in the MENA were very basic in nature and/or had long waiting times for specialist care.

The quality and availability of medical services in the region has improved considerably (at least for

The quality and availability of medical services in the region has improved considerably due to the availability of specialist doctors and modern healthcare facilities in the UAE

the affluent class) due to the availability of specialist doctors and modern healthcare facilities in the UAE. The number of JCI-accredited hospitals in the UAE stands at 35, the highest in the MENA/GCC. The JCI accreditation is the gold standard of excellence in the healthcare industry. It assures that the healthcare organization meets the highest international benchmarks for accreditation entities.

The UAE continues to invest in the healthcare sector with an aim to establish itself as a specialist medical care provider in the Gulf region, evident from the establishment of Dubai Healthcare City (DHCC).

Exhibit 27: Dubai Healthcare City (DHCC)

Launched	2002
Hospitals (Internationally Accredited)	2
Outpatient Medical Centers and Diagnostic Laboratories	90
Licensed Healthcare Professionals	2,000
Area covered	4.1 million square feet
Excellence Clusters	Cosmetic Treatment, Dermatology & Hair Transplant; Complementary and Alternative Medicine; Endocrinology & Weight Management; Orthopedics & Sports Medicine; Dentistry; Pediatrics & Family Medicine; Eye Care; Special Needs; Women's Health; Psychiatry, Psychology & Neurology; Cardiology
Owner	TECOM Investments (Dubai Holding)

Source: Tecom

Launched in 2002, DHCC is an integrated center of excellence for clinical and wellness services, medical education and research in the Middle East. DHCC consists of two phases— the first phase has a medical cluster of day-care and outpatient clinics, diagnostic, rehabilitation and transplantation centers, hospitals, and pharmaceutical and equipment suppliers, while the second is a dedicated section of wellness and nutrition centers, resorts, spas and sports medicine facilities.

Regulatory issues and developments

The law for compulsory health insurance for expatriates has been the most significant regulatory development in the healthcare market in the MENA. This ruling is currently applicable in Saudi Arabia, Abu Dhabi (UAE) and Kuwait.

Saudi Arabia was the first country to introduce mandatory health insurance for expatriates in 2005. However, Abu Dhabi, which passed the Health Insurance Law in 2007, could be regarded as the major force behind the adoption of health insurance in other parts of the GCC. The new law stated that all expatriates working and residing in Abu Dhabi as well as visitors to the emirate be medically covered under insurance. The Abu Dhabi government established National Health Insurance Company (Daman) to provide compulsory health insurance for foreigners.

Taking cue from Saudi Arabia and Abu Dhabi, Kuwait implemented laws related to health insurance. Other GCC countries also plan to introduce compulsory medical insurance for expatriates.

Introduction of mandatory health insurance for expatriates and the gradual shift by the government to a regulator from a provider of healthcare services are the two notable regulatory developments

Governments are shifting towards becoming a regulator from being a service provider

The gradual shift by the government to a regulator from a provider of healthcare services is another notable regulatory development. This was led by Abu Dhabi, which split General Authority of Health Services (regulator of all public healthcare institutions in the emirate) into Health Authority of Abu Dhabi (HAAD) and Abu Dhabi Health Services Company (SEHA).

HAAD is the regulatory body of healthcare in Abu Dhabi, while SEHA operates public healthcare assets in the emirate.

Since its formation, HAAD has developed a number of policies addressing health service issues such as authorization, licensing and operational regulatory and compliance requirements for facilities, clinicians, health insurance and other health services. SEHA has forged partnerships with John Hopkins Medical, Cleveland Clinic and other international players to manage and operate healthcare facilities in Abu Dhabi.

The government has steadily minimized its role in healthcare service delivery and is focused on regulation. However, in the long term, the establishment of an independent regulatory body is a requisite to generate the interest of private players, improve the state of the public sector and ensure better services for citizens.

Major healthcare projects underway across the GCC region

Healthcare infrastructure projects worth USD14 billion are underway in the GCC. According to Middle East Economic Digest (MEED), there are 109 active healthcare projects in the region. Of this, Saudi Arabia accounts for 56, the UAE 24, Kuwait 17, and Qatar, Oman and Bahrain 12.

Major projects include Sidra Medical and Research Centre, Qatar (USD2.3 bn); Cleveland Clinic, UAE (USD1.9 bn); Mohammed bin Rashid al Maktoum Academic Medical Centre, UAE (USD572.0 mn); King Saud University Medical City, Saudi Arabia (USD400.0 mn); and Jaber Al Ahmed Al Sabah Hospital, Kuwait (USD1.2 bn).

According to MEED, there are 109 active healthcare projects in the region

Exhibit 28: Major healthcare projects in the GCC

Project	Country	Value—USD mn
Sidra Medical and Research Centre	Qatar	2,300.0
Al-Wakra Hospital	Qatar	500.0
Cleveland Clinic Hospital	UAE	1,900.0
Al Mafraq Hospital	UAE	871.0
Mohammed bin Rashid al Maktoum AMC	UAE	572.0
Danat Al Emarat Women & Children's Hospital	UAE	200.0
Jaber Al Ahmed Al Sabah Hospital	Kuwait	1,200.0
Sabah Medical Area in Shuwaikh	Kuwait	270.0
Bahrain Health Oasis	Bahrain	1,000.0
King Hamad General Hospital	Bahrain	130.0
MDC Healthcare City	Oman	800.0
Jalan Bani Bu Hassan Hospital	Oman	NA
Ajyad General Hospital Development	Saudi Arabia	600.0
King Saud University Medical City	Saudi Arabia	400.0

Source: MEED, Zawya

CONCLUSION

We estimate the healthcare market in the MENA to expand to USD125 billion by 2015 from USD65.6 billion currently

Besides hospitals, diagnostic centers and pharmacies could be lucrative for private equity investments

We estimate the healthcare market in the MENA region to expand to USD125 billion by 2015 from USD65.6 billion currently amid an anticipated increase in per capita spending on healthcare. Demand for healthcare in the region is expected to rise due to high population growth, increased life expectancy with lower mortality rates, improved literacy rates, prevalence of lifestyle-related diseases, aspiration for better quality medical services and greater awareness of health insurance.

The existing healthcare infrastructure in the MENA region is not adequate to satisfy the current demand. Our analysis indicates a shortage of about 200,000 hospital beds and 179,000 qualified doctors/physicians in the region. The MENA region has 21.6 hospital beds and 18.3 physicians per 10,000 people compared to 31.0 and 26.7, respectively, in the US.

Efforts to reduce the healthcare burden on the government and increase the role of the private sector through Public Private Partnerships (PPPs) are likely to create tremendous opportunities for private equity players. Private equity firms have invested a total of USD882.1 million (through 13 deals) in the healthcare sector in the MENA since the beginning of 2005. Besides hospitals, diagnostic centers and pharmacies could be lucrative for private equity investments.

COUNTRY PROFILES

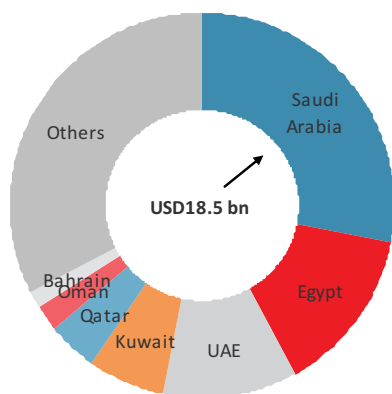
1. Saudi Arabia
2. Egypt
3. United Arab Emirates
4. Kuwait
5. Qatar
6. Oman
7. Bahrain

SAUDI ARABIA

The Kingdom of Saudi Arabia is the largest healthcare market in the MENA region. In 2009, KSA spent an estimated USD18.5 bn, or 5.0% of its GDP, on healthcare. On a per capita basis, its total health spending stood at USD714 during the year.

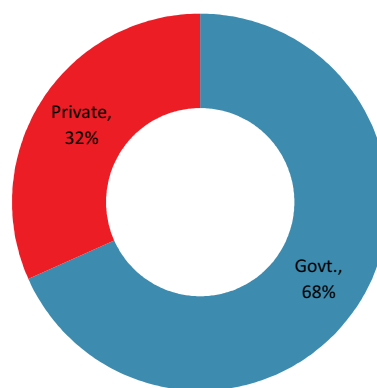
A large part (68%) of the healthcare expenditure in KSA is shouldered by the government through the Ministry of Health. Private spending on healthcare was approximately one-third of the total in 2009.

Exhibit 29: Healthcare market in KSA



Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research

Exhibit 30: Healthcare spending in KSA



Source: WHO, IMF, World Bank, Al Masah Capital Research

Between 1990 and 2009, life expectancy in Saudi Arabia improved to 73.4 years from 67.9, while the rate of infant mortality fell to 18.2 per 1,000 live births from 35.1. On the other hand, KSA lacks the required number of hospital beds and physicians; it had 22.0 hospital beds and 9.4 physicians per 10,000 people in 2009. We estimate the Kingdom to be short of 23,000 hospital beds and 45,000 physicians currently.

Exhibit 31: Data gallery – Saudi Arabia versus the MENA region

Description	Units	Saudi Arabia	MENA
Total population – 2010	Millions	26.1	214.0
Healthcare spending as a % of GDP – 2009	%	5.0	4.3
Healthcare spending per capita – 2009	USD	714	315
GDP per capita – 2010	USD	16,996	8,187
Hospital beds per 10,000 people – 2009	Ratio	22.0	21.6
Physicians per 10,000 people – 2009	Ratio	9.4	18.3
Life expectancy – 2009	Years	73.4	71.4
Infant mortality rate – 2009	Per 1,000 birth	18.2	25.9
Elderly population as a % of total population	%	3.0	4.6

Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research

Budgetary support/targets: Saudi Arabia has a total of 408 hospitals and 2,037 primary healthcare centers (2009). Given the country's existing healthcare facilities shortage, the Ministry of Health intends to construct 2,000 primary healthcare centers and 100 hospitals by 2014. On an average, the Saudi government directs 10–11% of the total annual budget toward healthcare and related activities. In 2011, the government allocated an amount of SAR68.7 bn (up 12.3% from SAR61.2 bn in 2010) for these activities.

Compulsory insurance: There are approximately 34 insurance and reinsurance companies operating in Saudi Arabia. The country's health insurance market's value has risen to SAR8.7 bn in 2010 from SAR2.2 bn in 2006. This growth was led by the introduction of mandatory health insurance for expatriates working in firms employing more than 500 foreigners in 2006. The same was extended to include all non-Saudis legally residing and working in the country in 2008.

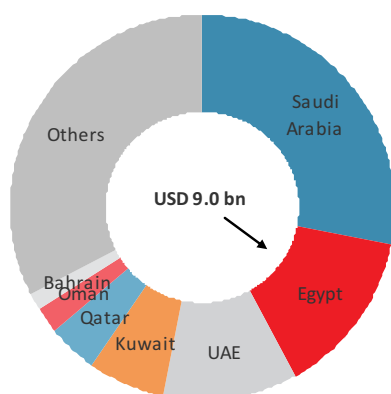
Specialty gaps: Saudi Arabia has a total of 25,832 physicians, 77% of them are non-Saudis or expatriates (2009). Most GCC countries have attracted foreign nationals to cover the shortage and specialty-gaps existing in the local healthcare system. Given the shortage of local physicians and medical consultants, the government is taking initiatives such as increasing the capacity at medical schools, establishing university hospitals and sending nationals abroad for training. The Ministry of Health has already entered into a contract with GE Healthcare to establish a state-of-the art training center that would conduct short-term courses for health officials.

EGYPT

Egypt is the second largest healthcare market in the MENA region. Healthcare expenditure in the country in 2009 was estimated to be USD9.0 bn, or 5.0% of the GDP. Its total health spending on a per capita basis stood at USD112 during the year.

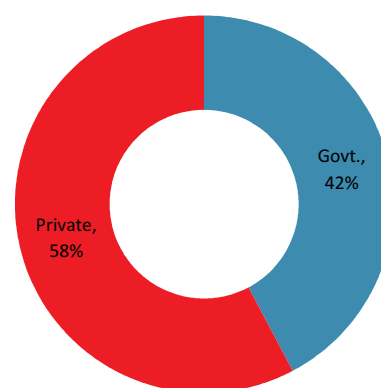
Unlike most GCC countries, a large part (58%) of the healthcare expenses in Egypt is supported by the private sector. The government's share in total healthcare spending was approximately 42% in 2009.

Exhibit 32: Healthcare market in Egypt



Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research

Exhibit 33: Healthcare spending in Egypt



Source: WHO, IMF, World Bank, Al Masah Capital Research

Life expectancy in Egypt improved to 70.3 years in 2009 from 62.9 years in 1990, while the rate of infant mortality declined sharply to 18.2 per 1,000 live births from 65.5 over the same period. Based on statistics from WHO, Egypt is marginally short of its requirement of hospital beds, but has sufficient number of physicians. The country had 27.0 hospital beds and 28.3 physicians per 10,000 people in 2009. We estimate current shortage at 30,000 hospital beds in Egypt.

Exhibit 34: Data gallery – Egypt versus the MENA region

Description	Units	Egypt	MENA
Total population – 2010	Millions	78.3	214.0
Healthcare spending as a % of GDP – 2009	%	5.0	4.3
Healthcare spending per capita – 2009	USD	112	315
GDP per capita – 2010	USD	2,789	8,187
Hospital beds per 10,000 people – 2009	Ratio	27.0	21.6
Physicians per 10,000 people – 2009	Ratio	28.3	18.3
Life expectancy – 2009	Years	70.3	71.4
Infant mortality rate – 2009	Per 1,000 birth	18.2	25.9
Elderly population as a % of total population	%	7.7	4.6

Source: WHO, IMF, Population Reference Bureau, World Bank, Al Masah Capital Research

Budgetary support/targets: Public healthcare in Egypt is largely managed by the Ministry of Health and Population. According to Business Monitor International (BMI), the Ministry of Health and Population operates approximately 1,300 hospitals and about 4,000 primary health centers. In the last five-year plan, the government allotted USD1.5 bn for the construction of eight hospitals to enhance medical services in urban and remote areas, and broaden the training of healthcare professionals; this was also used to purchase modern equipment. On an average, the Egyptian government directs 4–5% of the total annual budget toward healthcare and related activities. In Egypt's 2011–12 budget, EGP23.8 bn (up 17.2% from EGP20.3 bn in 2010) was allotted for the health sector.

Compulsory insurance: Egypt has a health insurance system covering about more than 50% of the population. Government health insurance covers all public sector workers. Apart from this, a number of private firms (over 80 companies) provide health insurance in the country. In 2007, the Egyptian government announced plans to devise a new healthcare plan to provide citizens with full health insurance coverage. However, no meaningful headway was made in this.

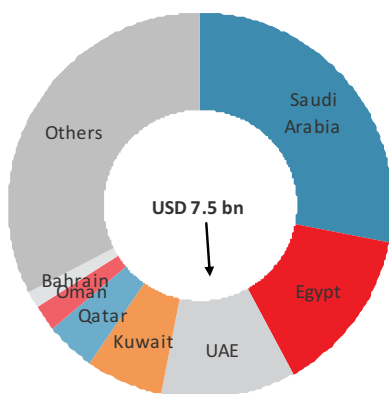
Specialty gaps: Medical schools in Egypt receive nearly 6,000–7,000 new enrolments each year. As a result, the country produces more doctors and pharmacists than other MENA countries. However, Egypt is short of nurses and other support staff.

UNITED ARAB EMIRATES

The UAE is the third largest healthcare market in the MENA region. Healthcare spending in the UAE in 2009 was estimated to be USD7.5 bn, or 2.8% of the GDP. On a per capita basis, total health expenditure in the country stood at USD1,520 in the year.

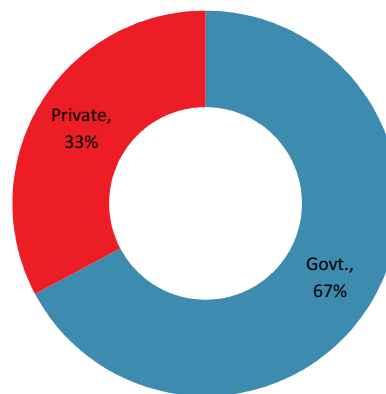
The majority (67%) of the healthcare spending in the UAE is undertaken by the government through the Ministry of Health. Private spending on healthcare was around one-third of the total in 2009.

Exhibit 35: Healthcare market in the UAE



Source: WHO, IMF, PRB, World bank, Al Masah Capital Research

Exhibit 36: Healthcare spending in the UAE



Source: WHO, IMF, World Bank, Al Masah Capital

Life expectancy in the UAE has typically been high—it stood at 73.9 years in 1990 and 77.9 years in 2009. The rate of infant mortality declined to 6.8 per 1,000 live births from 14.9 over 1990–2009. With 19.0 hospital beds and 19.3 physicians per 10,000 people in 2009, the country is short of its requirement. We estimate the UAE to be short of 6,000 hospital beds and 3,700 physicians currently.

Exhibit 37: Data gallery – UAE versus the MENA region

Description	Units	UAE	MENA
Total population – 2010	Millions	5.1	214.0
Healthcare spending as a % of GDP – 2009	%	2.8	4.3
Healthcare spending per capita – 2009	USD	1,520	315
GDP per capita – 2010	USD	59,719	8,187
Hospital beds per 10,000 people – 2009	Ratio	19.0	21.6
Physicians per 10,000 people – 2009	Ratio	19.3	18.3
Life expectancy – 2009	Years	77.9	71.4
Infant mortality rate – 2009	Per 1,000 birth	6.8	25.9
Elderly population as a % of total population	%	3.6	4.6

Source: WHO, IMF, Population Reference Bureau, World Bank, Al Masah Capital Research

Budgetary support/targets: A handful of regulatory agencies, including the Ministry of Health, Federal Health Authority, Dubai Health Authority and Health Authority of Abu Dhabi, oversee the UAE's healthcare system. The country has over 70 hospitals and some 1,000 public and private clinics. The Ministry of Health is taking efforts to expand health facilities such as hospitals, medical centers and trauma centers across the UAE. The ministry plans to open three additional hospitals and a health enhancement clinic, by the end of 2011. On an average, the government directs 7–8% of the country's total annual budget toward healthcare and related activities.

Compulsory insurance: The UAE government is planning to introduce a national health insurance scheme throughout the country. Abu Dhabi already has a comprehensive and compulsory insurance policy for expatriates.

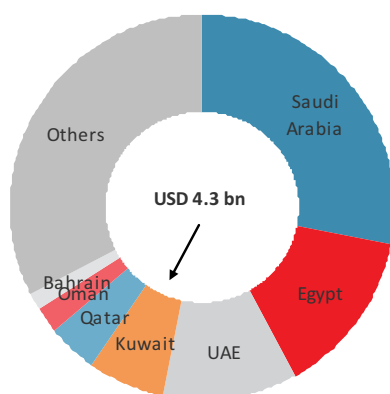
Specialty gaps: The UAE has formed a number of partnerships to adopt the latest technology and inculcate best practices to improve the quality of healthcare in the country; a few examples are Cleveland Clinic Abu Dhabi, Johns Hopkins University Medical School and Dubai Health Care City.

KUWAIT

Kuwait is among the top ten healthcare spenders in the MENA region. In 2009, the country spent an estimated USD4.3 bn, or 3.3% of its GDP, on healthcare. Its total health expenditure on a per capita basis stood at USD1,416 during the year.

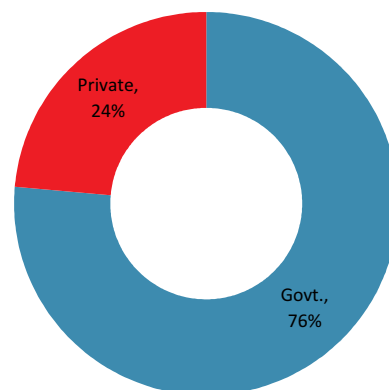
A major portion (76%) of the healthcare spending in Kuwait is supported by the government through the Ministry of Health. Private healthcare expenditure was approximately one-fourth of the total in 2009.

Exhibit 38: Healthcare market in Kuwait



Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research

Exhibit 39: Healthcare spending in Kuwait



Source: WHO, IMF, World Bank, Al Masah Capital Research

Kuwait has the highest life expectancy among MENA countries. It improved to 78.1 years in 2009 from 75.0 in 1990, while the rate of infant mortality slid to 8.2 per 1,000 live births from 13.9 over the same period. In contrast, Kuwait lacks the required number of hospital beds and physicians; it had 18.0 hospital beds and 17.9 physicians per 10,000 people in 2009. We estimate current shortage at 4,500 hospital beds and 3,000 physicians in Kuwait.

Exhibit 40: Data gallery – Kuwait versus the MENA region

Description	Units	Kuwait	MENA
Total population – 2010	Millions	3.6	214.0
Healthcare spending as a % of GDP – 2009	%	3.3	4.3
Healthcare spending per capita – 2009	USD	1,416	315
GDP per capita – 2010	USD	36,416	8,187
Hospital beds per 10,000 people – 2009	Ratio	18.0	21.6
Physicians per 10,000 people – 2009	Ratio	17.9	18.3
Life expectancy – 2009	Years	78.1	71.4
Infant mortality rate – 2009	Per 1,000 birth	8.2	25.9
Elderly population as a % of total population	%	4.1	4.6

Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research

Budgetary support/targets: Kuwait's Ministry of Health began to administrate the country's public healthcare system in 1936. The public healthcare system comprises primary, secondary and specialized health centers. In early 2011, the sector's regulatory oversight was transferred to the National Health Authority from the Ministry of Health. The ministry has allocated KWD272 mn to renovate and expand nine hospitals. Also, the Ministry of Public Works has KWD1.5 bn in its budget to construct five new hospitals in the country. On an average, the Kuwaiti government directs 6–7% of the total annual budget toward healthcare and related activities. In the 2010, the government allocated KWD1.13 bn for these activities.

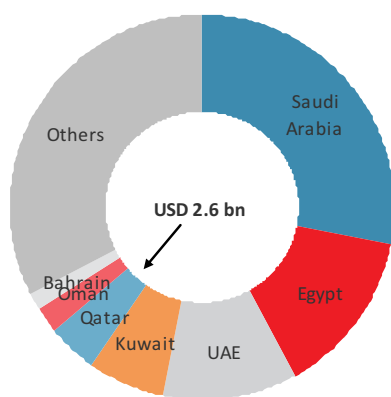
Compulsory insurance: In 2011, Kuwait's government made health insurance a mandatory requirement for expatriates. According to Arab Times, the new health insurance policy for expatriate personnel costs a maximum of KWD130 annually.

QATAR

Qatar is among the top ten healthcare spenders in the MENA region. In 2009, the country spent an estimated USD2.6 bn, or 2.5% of its GDP, on healthcare. Its total health spending on a per capita basis stood at USD1,715 in 2009 – the highest in the MENA region.

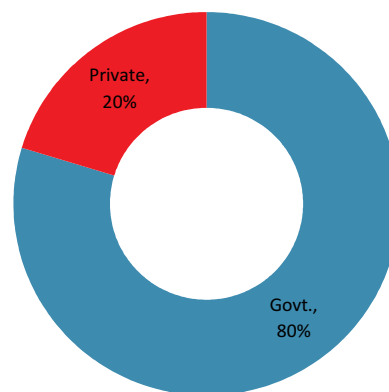
A major portion (80%) of the healthcare expenses in Qatar is undertaken by the government through the Ministry of Health. Private spending on healthcare was about one-fifth of the total in 2009.

Exhibit 41: Healthcare market in Qatar



Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research

Exhibit 42: Healthcare spending in Qatar



Source: WHO, IMF, World Bank, Al Masah Capital Research

Life expectancy in Qatar improved to 76.1 years in 2009 from 69.8 in 1990, while the rate of infant mortality declined to 9.7 per 1,000 live births from 16.5 over the same period. In contrast, the country lacks the required number of hospital beds (14.0 per 10,000 people in 2009). On a positive note, the availability of physicians in Qatar is amongst the best in the MENA region. We estimate the country to be short of 2,800 hospital beds currently.

Exhibit 43: Data gallery – Qatar versus the MENA region

Description	Units	Qatar	MENA
Total population – 2010	Millions	1.7	214.0
Healthcare spending as a % of GDP – 2009	%	2.5	4.3
Healthcare spending per capita – 2009	USD	1,715	315
GDP per capita – 2010	USD	76,168	8,187
Hospital beds per 10,000 people – 2009	Ratio	14.0	21.6
Physicians per 10,000 people – 2009	Ratio	27.6	18.3
Life expectancy – 2009	Years	76.1	71.4
Infant mortality rate – 2009	Per 1,000 birth	9.7	25.9
Elderly population as a % of total population	%	2.5	4.6

Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research

Budgetary support/targets: Qatar has a total of 9 hospitals and 22 primary healthcare centers. The country's government has allocated large sums for expansion and improvement within the sector. It has also liberalized investment laws and permitted public-private partnerships to administer new hospitals/healthcare centers to further develop the sector. On an average, the Qatari government directs 9–10% of the total annual budget toward healthcare and related activities. In 2010, the government allocated QAR8.6 bn for healthcare.

Compulsory insurance: Qatar is working on the implementation of a national health insurance scheme. The country plans to introduce a full-fledged national health insurance scheme by 2015; it is likely to establish a statutory body to oversee a compulsory health insurance scheme within the next 6–8 months.

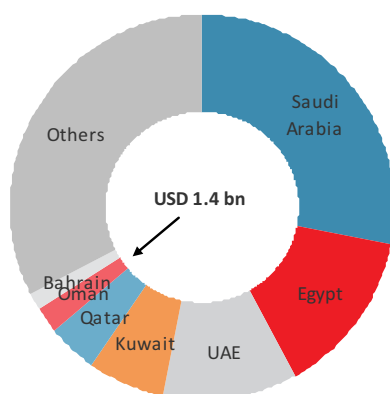
Specialty gaps: The availability of physicians in Qatar is at a respectable level; however, the country faces a shortage of nurses (there were 7,410 nurses in 2009). The country has partnered with foreign establishments to improve the supply and quality of nurses and other medical professionals. Two such partnerships that have reached fruition are the University of Calgary and the Weill Cornell Medical College in Qatar.

OMAN

The Sultanate of Oman is among the smaller healthcare markets in the MENA region. Healthcare expenditure in Oman in 2009 was estimated to be USD1.4 bn, or 3.0% of the GDP. On a per capita basis, its total health spending stood at USD497 in the year.

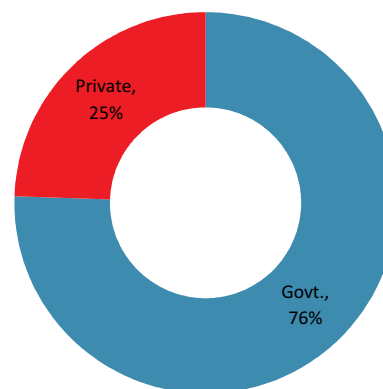
The majority (76%) of the healthcare expenses in Oman is shouldered by the government through the Ministry of Health. Private spending was about one-fourth of total healthcare spending in 2009.

Exhibit 44: Healthcare market in Oman



Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research

Exhibit 45: Healthcare spending in Oman



Source: WHO, IMF, World Bank, Al Masah Capital Research

During 1990–2009, life expectancy in Oman increased to 76.1 years from 69.9, while the rate of infant mortality fell sharply to 9.1 per 1,000 live births from 36.8. With 19.0 hospital beds and 19.0 physicians per 10,000 people in 2009, the country lacks the required number.

We estimate current shortage at 3,500 hospital beds and 2,300 physicians in Oman.

Exhibit 46: Data gallery – Oman versus the MENA region

Description	Units	Oman	MENA
Total population – 2010	Millions	3.0	214.0
Healthcare spending as a % of GDP – 2009	%	3.0	4.3
Healthcare spending per capita – 2009	USD	497	315
GDP per capita – 2010	USD	18,658	8,187
Hospital beds per 10,000 people – 2009	Ratio	19.0	21.6
Physicians per 10,000 people – 2009	Ratio	19.0	18.3
Life expectancy – 2009	Years	76.1	71.4
Infant mortality rate – 2009	Per 1,000 birth	9.1	25.9
Elderly population as a % of total population	%	6.2	4.6

Source: WHO, IMF, PRB, World bank, Al Masah Capital Research

Budgetary support/targets: Oman has a total of 65 hospitals and 242 primary healthcare centers. The Ministry of Health has announced several projects worth around OMR73 mn to improve the quality of its healthcare facilities. The ministry has also partnered with the private sector for oncology wards, day care centers, a diabetes center, a national cardiology center, a heart disease center and others. On an average, the Omani government directs 4–5% of the total annual budget toward healthcare and related activities. In the 2010, the government allocated OMR295 mn for these activities.

Compulsory insurance: Oman is still toying with the idea of making health insurance mandatory.

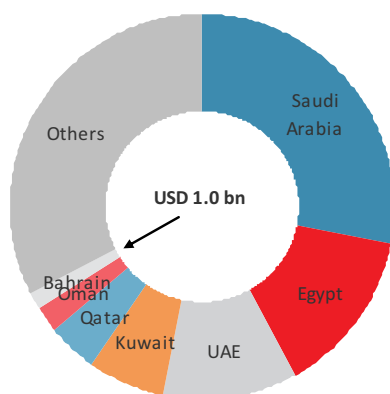
Specialty gaps: The country has as many as 5,563 doctors; 77% of these are expatriates. Each year, 150 Omani students pass medical courses – a very low number compared to the rising need for healthcare professionals in Oman.

BAHRAIN

Bahrain is among the smaller healthcare markets in the MENA region. In 2009, Bahrain spent an estimated USD1.0 bn, or 4.5% of its GDP, on healthcare. On a per capita basis, its total health expenditure stood at USD1,108 during the year. A large part (70%) of the healthcare expenses in Bahrain is shouldered by the government through the Ministry of Health.

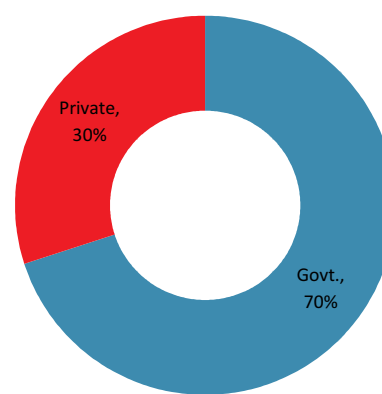
Private spending on healthcare was approximately 30% of the total in 2009.

Exhibit 47: Healthcare market in Bahrain



Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research

Exhibit 48: Healthcare spending in Bahrain



Source: WHO, IMF, World Bank, Al Masah Capital Research

Between 1990 and 2009, life expectancy in Bahrain improved to 76.1 years from 72.0 years, while the rate of infant mortality fell to 9.5 per 1,000 live births from 13.7. With 19.0 hospital beds and 14.4 physicians per 10,000 people in 2009, the country is short of its requirement. We estimate Bahrain to be short of 1,250 hospital beds and 1,300 physicians currently.

Exhibit 49: Data gallery – Bahrain versus the MENA region

Description	Units	Bahrain	MENA
Total population – 2010	Millions	1.1	214.0
Healthcare spending as a % of GDP – 2009	%	4.5	4.3
Healthcare spending per capita – 2009	USD	1,108	315
GDP per capita – 2010	USD	20,466	8,187
Hospital beds per 10,000 people – 2009	Ratio	19.0	21.6
Physicians per 10,000 people – 2009	Ratio	14.4	18.3
Life expectancy – 2009	Years	76.1	71.4
Infant mortality rate – 2009	Per 1,000 birth	9.5	25.9
Elderly population as a % of total population	%	6.2	4.6

Source: WHO, IMF, PRB, World Bank, Al Masah Capital Research

Budgetary support/targets: Bahrain has a total of 23 hospitals and 24 primary healthcare centers (2009). Last year, the country's Ministry of Health announced plans to launch 23 healthcare and medical centers, apart from a cancer center and a new hospital. The government also plans to attract international hospitals to promote health tourism. On an average, Bahrain's government directs 7–8% of the total annual budget toward healthcare and related activities. The country's 2011–12 budget includes funding for the construction of a genetic disease research center, hospital and additional clinics in highly populated areas.

Compulsory insurance: The Government of Bahrain is expected to implement compulsory health insurance for all expatriate workers from 2013 onward. According to The Telegraph (UK), initially companies employing 500 or more on the payroll would be asked to comply with the rule.

Specialty gaps: Bahrain has a total of 2,481 physicians and 4,918 nurses (2009). Given the country's existing shortage of healthcare staff, initiatives such as the one taken by Tamkeen (Bahrain's labor fund) could prove to be useful. In 2011, Tamkeen launched a major initiative to train more than 580 nursing professionals over the next eight years. The Tamkeen Healthcare Programme has so far trained over 1,400 healthcare workers.

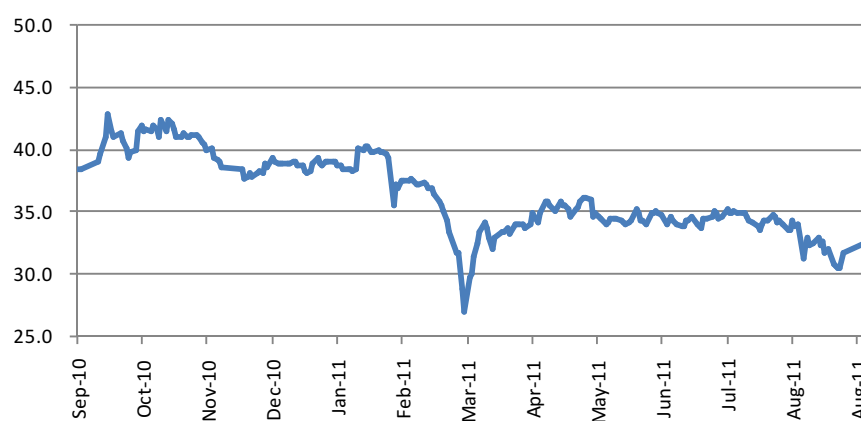
COMPANY PROFILES

1. Astra Industrial Group
2. YIACO Medical Company
3. Al Mouwasat Medical Services Co.
4. Safwan Trading and Contracting Co.
5. Medicare Group
6. Al Mowasat Healthcare Co.
7. Al Maidan Clinic for Oral Health Services Co.
8. Al Borg Laboratories
9. Oman Medical Projects Co.
10. Kuwait Medical Services Co.
11. Qatari German Company for Medical Devices
12. NMC Healthcare LLC

ASTRA INDUSTRIAL GROUP

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	74.12
Country	Saudi Arabia	Arab Supply and Trading Corp.	43.8%
Established	1988	Sukhtian family	9.9%
Price – 5 Sep 2011 (SAR)	33.4	Mohammed Nejr Al Utaibi	8.1%
Market Cap (SAR mn)	2,475.5	Jana Holding Co.	2.8%
No. of Employees	1,804		

Exhibit 50: Share Price Chart – 1 year (in SAR)



Source: Zawya

Business Description

Astra Industrial Group (AIG) is an industrial conglomerate engaged in the business of pharmaceuticals, colored additives, fertilizers and agrochemicals, masterbatches, bonded fibers, pre-engineered industrial buildings, structural steel, and thermoplastic compounds, among others.

AIG got listed on the Saudi Stock Exchange in August 2008.

Segments/Services

AIG conducts business through five subsidiaries: Tabuk Pharmaceutical Manufacturing Co., International Building Systems Factory Co., Astra Industrial Complex Co., Astra Polymer Compounding Co., and Al Tanmiya Co.

Exhibit 51: Segments/Services

Company	Business
Tabuk Pharmaceutical Manufacturing Co.	Established in 1994, the company develops, produces and markets a variety of branded generic pharmaceutical products.
International Building Systems Factory Co.	Established in 1993, the company specializes in the design and fabrication of pre-engineered buildings and steel structures.
Astra Industrial Complex Co.	The company specializes in developing and producing agrochemicals, compounded fertilizers and pesticides.
Astra Polymer Compounding Co.	Established in 1993, the company produces color masterbatch, additives and thermoplastic compounds for the plastics industry.
Al Tanmiya Co.	The company is engaged in the manufacture of steel billets and rebars.

Source: Company

Recent Events

In January 2011, AIG announced the completion of legal formalities for the sale of its 100% subsidiary, Arabian Company for Comforters and Pillows. The sale was completed in October 2010 for a value of SAR99 mn.

In September 2010, AIG signed an agreement to acquire a 51% stake in Aganova, a Turkish agrochemical producer.

In June 2010, AIG's subsidiary Tabuk Pharmaceutical Manufacturing Co. acquired an 80% stake in Sigma-Tau (a Sudanese pharmaceutical company) for a consideration of SAR17 mn. The acquisition is expected to provide the company better access to the Sub-Saharan Africa markets.

In May 2010, AIG's subsidiary Astra Polymers Compounding Co. acquired Constab Middle East Polimer in Turkey for SAR26.9 mn. The move was intended to expand the company's product line and market.

In January 2010, International Building Systems Factory Company, a subsidiary of AIG, signed a contract with ArcelorMittal and Bin Jarallah for the supply of 15,000 tons of steel for structural work. The contract value ranges between SAR120–SAR150 mn.

Key Financials

Exhibit 52: Income Statement (in SAR mn)

	2006	2007	2008	2009	2010
Total Revenue	703.53	850.22	991.01	1,041.56	1,120.77
Cost of Sales	371.74	455.56	571.70	580.14	607.79
Gross Profit	331.79	394.66	419.31	461.42	512.97
Operating Profit	158.55	193.41	178.54	179.88	177.24
Net Income	156.06	196.88	185.79	204.04	258.63

Source: Zawya

SWOT Analysis

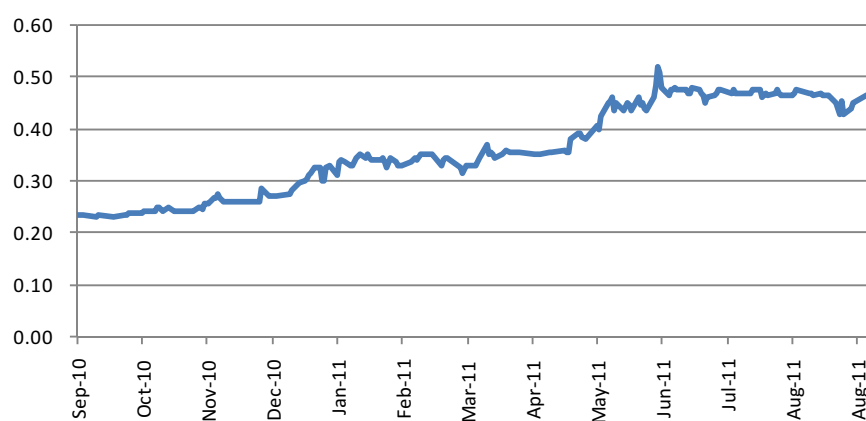
Exhibit 53: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> AIG has a diverse portfolio of businesses including pharmaceuticals, fertilizers and agrochemicals, master-batches, bonded fibers, pre-engineered industrial buildings, structural steel, and thermoplastic compounds. The company has been able to deliver profits even during difficult times (global economic crisis). 	Weaknesses	<ul style="list-style-type: none"> AIG is highly dependent on Saudi Arabia – nearly 70% of its revenues come from the Kingdom
Opportunities	<ul style="list-style-type: none"> AIG is mainly concentrated in Saudi Arabia, the largest healthcare market in the MENA region. Many countries in the MENA region (other than the GCC) offer attractive growth opportunities. AIG recently acquired a pharmaceutical company in Sudan, and two specialty chemicals companies in Turkey to benefit from the opportunities in that market. 	Threats	<ul style="list-style-type: none"> AIG has added debt to its balance sheet; murabaha and tawaroq loans of more than SAR600 mn in FY2010. The company was debt-free till FY2009. The slowdown in the construction industry could hurt its pre-engineered industrial buildings segment of AIG.

Source: Al Masah Capital Research

YIACO MEDICAL CO.

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	165.0
Country	Kuwait	Development Projects Holding Co.	20.8%
Established	1953	Kuwait Finance House	8.5%
Price – 5 Sep 2011 (KWD)	0.465		
Market Cap (KWD mn)	76.7		
No. of Employees	750		

Exhibit 54: Share Price Chart – 1 year (in KWD)



Source: Zawya

Business Description

YIACO Medical Co. (earlier known as Yusuf Ibrahim Alghanim & Co.) was started in 1953 as a marketing agent for multinational pharmaceutical companies. However, the company has expanded its business activities over the years to include sales, marketing and distribution of healthcare products, including pharmaceuticals, skin care, veterinary, medical and dental equipment; travel agency services; as well as ownership and operations of laboratories, pharmacies and general hospitals.

YIACO markets products of more than 80 top diversified multinational companies such as Sanofi-Aventis, GSK, Schering, Pfizer, Merck, Abbott, Bayer, Roche, Philips, and Johnson & Johnson. The company also owns and operates a chain of 31 pharmacies across Kuwait.

Segments/Services

YIACO conducts business under three divisions: Pharma & Business Development Division; Medical, Scientific, Dental Division; and Medical Centers Division.

Exhibit 55: Segments/Services		
Pharma & Business Development Division	Medical, Scientific, Dental Division	Medical Centers Division
Pharma	Medical	Radiology Nuclear Medicine Laboratory center
Animal Health	Projects Section	YIACO Apollo Medical Center
Biotech	Scientific Section	AL-Raya Home Care Services
Skin Care	Dental Section	
Retail Pharmacies	Imaging Section	
	Physiotherapy	
	Rehabilitation and Home Health-care Section	
	Medical Furniture Section	

Source: Company

Recent Events

In August 2011, YIACO signed a contract worth KWD5.55 mn with the Ministry of Health. YIACO submitted the lowest bid for the tender to provide medical support services for three years. The company is a regular supplier of medical services to the Ministry of Health and Ministry of Defense.

The company opened the largest pharmacy in the Middle East in January 2008. The multi-storey pharmacy comprises three floors. On the ground floor, all types of medicines are sold. The first floor comprises a special department for hair and skin care. The basement caters to selling medical equipment and home care items.

Key Financials

Exhibit 56: Income Statement (in KWD mn)					
	2006	2007	2008	2009	2010
Total Revenue	46.08	48.25	54.08	69.74	81.99
Cost of Sales	34.50	36.22	39.35	52.06	65.29
Gross Profit	11.58	12.03	14.73	17.68	16.71
Operating Profit	2.35	2.32	3.02	2.48	5.09
Net Income	2.43	2.28	0.78	1.39	4.49

Source: Zawya

SWOT Analysis

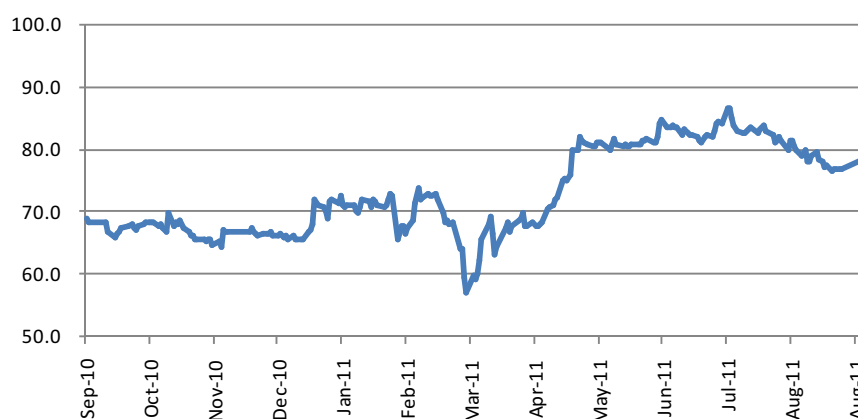
Exhibit 57: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Strong product portfolio - YIACO sells products of more than 80 multinationals. High share of Kuwaiti pharma market. YIACO improved its share to 36% in 2010 from 27% in 2007 . 	Weaknesses	<ul style="list-style-type: none"> YIACO is highly dependent on Kuwait. In FY2010, more than 90% of its revenues came from Kuwait.
Opportunities	<ul style="list-style-type: none"> Besides Kuwait, YIACO has expanded to Egypt and the UAE which are amongst the top three healthcare markets in the MENA region. Universal Industrial Medical, its Egypt subsidiary, is engaged in the manufacture of laboratory chemicals, medical supplies, pharmaceuticals and children's food and packing. Al Bayt Medical, the UAE subsidiary, is into pharmaceuticals trading. 	Threats	<ul style="list-style-type: none"> Rising competition to win large-scale government contracts is hurting the profitability of YIACO. The gross profit margins of the company have declined to 20% in FY2010 from 25% in FY2009 and 27% in FY2008.

Source: Al Masah Capital Research

AI MOUWASAT MEDICAL SERVICES CO.

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	25.0
Country	Saudi Arabia	Mohammad Sultan Al-Subaie	17.5%
Established	1974	Suliman Mohammad Al-Saleem	17.5%
Price – 5 Sep 2011 (SAR)	77.25	Nasser Sultan Al-Subaie	17.5%
Market Cap (SAR mn)	1,931.2	HSBC Saudi Arabia	9.9%
No. of Employees	2,438		

Exhibit 58: Share Price Chart – 1 year (in SAR)



Source: Zawya

Business Description

Al Mouwasat Medical Services Co (Mouwasat) is a Saudi-based healthcare provider engaged in the ownership, management and operation of five hospitals, two dispensaries, and a few skin care centers and pharmacies. The company commenced business with the establishment of Mouwasat Dispensary in Dammam, way back in 1975. However, Mouwasat took a big leap with the opening of Mouwasat Hospital (Dammam) in 1988 worth SAR130 mn.

Segments/Services

Mouwasat owns/operates five hospitals (754 beds) in Saudi Arabia. The hospitals provide a complete line of medical services through outpatient clinics, including internal medicine, obstetrics and gynecology, pediatrics, orthopedics, dermatology, venereology, general surgery, ophthalmology, ENT, cardiology, vascular, psychiatry, neurology, dentistry, plastic surgery, and physiotherapy.

The company also operates two dispensaries that offer radiology and laboratory, and pharmaceutical services.

Exhibit 59: Segments/Services

Mouwasat Hospitals	Mouwasat Dispensaries
Mouwasat Hospital in Dammam	Mouwasat Dispensary in Dammam
Mouwasat Hospital in Jubail	Mouwasat Dispensary in Al-Ahsa
Mouwasat Hospital in Riyadh	
Mouwasat Hospital in Madinah	
Mouwasat Hospital in Qatif	

Source: Company

Recent Events

In May 2011, the company announced a plan to build a hospital at Dhahran (Saudi Arabia). The construction of this SAR275 mn hospital is expected to begin by the second quarter of 2012. Mouwasat is expected to finance 25% of the new hospital through internal accruals, and the rest through banks (40%), and the Ministry of Finance (35%).

In 2010, the company bought land in Riyadh for SAR30 mn. According to a press release, the 11,600 square meters plot would be used for the hospital's future expansion.

Mouwasat listed its shares on the Saudi Stock Exchange in September 2009. The company's SAR330 mn public offering was oversubscribed 4.70 times.

Key Financials

Exhibit 60: Income Statement (in SAR mn)

	2007	2008	2009	2010
Total Revenue	400.67	454.55	517.60	587.49
Cost of Sales	205.84	231.77	265.84	310.44
Gross Profit	194.83	222.78	251.76	277.05
Operating Profit	96.18	110.34	121.19	171.46
Net Income	88.76	97.07	107.04	118.57

Source: Zawya

SWOT Analysis

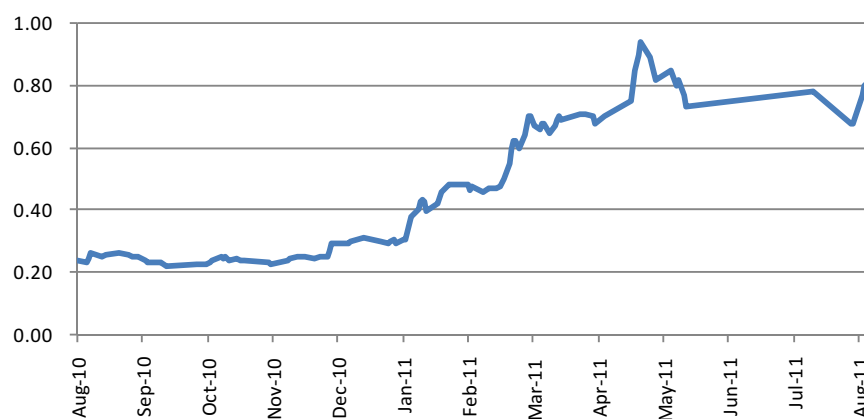
Exhibit 61: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Mouwasat has an excellent client base, which includes Saudi Aramco, SABIC, General Organization of Social Insurance, Tawuniya, Saudi Electricity Co., and many others. Saudi Aramco has been Mouwasat's client since 1996. 	Weaknesses	<ul style="list-style-type: none"> Mouwasat is focusing on growing the hospital business, which requires large capital expenditure and a longer gestation period before delivering returns. The new hospital at Dhahran could add another SAR200 mn to the existing SAR167 mn debt of the company.
Opportunities	<ul style="list-style-type: none"> Mouwasat has built a strong name for itself in medical services. In the future, it can cash on this through expansions. With an estimated annual spend of USD18.5 bn, Saudi Arabia (where the company operates) is the largest healthcare market in the MENA region. 	Threats	<ul style="list-style-type: none"> Competition - Mouwasat has been slow in expanding business. Competitors may enjoy the first mover advantage by entering territories left unexplored by the company.

Source: Al Masah Capital Research

SAFWAN TRADING AND CONTRACTING CO.

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	50.0
Country	Kuwait	Ali Abdulwahab Sons and Co.	63.2%
Established	1963	Investment Dar Co.	19.7%
Price – 25 Aug 2011 (KWD)	0.81	Kuwait Finance House	8.5%
Market Cap (KWD mn)	40.5	Gulf Bank	NA
No. of Employees	320		

Exhibit 62: Share Price Chart – 1 year (in KWD)



Source: Zawya

Business Description

Safwan Trading and Contracting Company (SAFWAN) was established in 1963 by late Hani J. AL-Qaddumi. SAFWAN imports and distributes pharmaceuticals, medical equipment, medical care products and general foodstuffs. The company owns and operates nearly 12 large pharmacies in different strategically situated locations in Kuwait.

SAFWAN's private pharmaceutical business is carried out through a fully-owned subsidiary, Arab Group for Pharmaceutical and Medical Equipment Company.

SAFWAN was listed on the Kuwait Stock Exchange in 2005.

Segments/Services

SAFWAN operates through three business units: Pharma, Medical Equipment and Logistics & Warehouse.

Exhibit 63: Segments/Services

Pharma	Medical Equipment	Logistics & Warehouse
Registration	Homecare	Tendering & Ordering
Pharma Sales	Sterilization & Waste	Import and Export Services
Dermo Cosmetic	Hospital Equipment	Warehouse Services
Retail Pharmacies	Radiology	Order Desk Service
Consumer Food	Ophthalmic	
	Orthopaedic	
	Medical Supplies	
	Laboratory	
	Dental	

Source: Company

Recent Events

In January 2011, SAFWAN signed an agreement with the Ministry of Health (Kuwait) for supplying medicines worth USD5.8 mn. It had signed two similar contracts in November 2010 to provide medicines worth USD25.5 mn to the country's health ministry. According to a press release, SAFWAN expects to generate a profit of USD2.8 mn on these two contracts.

In August 2010, Ali Abdulwahab Sons and Co. increased its stake in SAFWAN by 17.29% through purchase of 8.65 mn shares at KWD0.305 per share from Kuwait's Gulf Bank.

Key Financials

Exhibit 64: Income Statement (in KWD mn)

	2006	2007	2008	2009	2010
Total Revenue	17.10	21.67	24.23	27.63	28.29
Cost of Sales	13.49	17.21	18.78	22.08	24.45
Gross Profit	3.61	4.45	5.46	5.54	3.84
Operating Profit	1.36	1.46	2.08	1.89	2.07
Net Income	1.42	1.64	1.89	1.66	1.83

Source: Zawya

SWOT Analysis

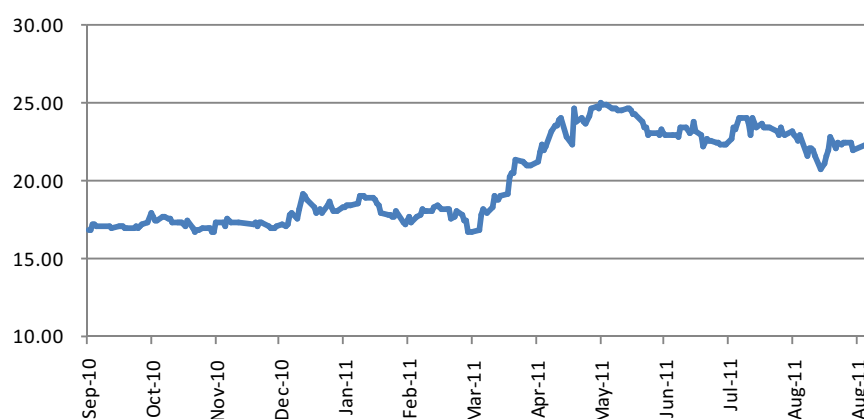
Exhibit 65: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> SAFWAN is among the largest suppliers of pharmaceuticals to the Ministry of Health (MOH). Government contracts are usually huge. A major portion of the healthcare spending in Kuwait is supported by the MOH. SAFWAN is the second largest pharmaceutical distributor in Kuwait, after YIACO. 	Weaknesses	<ul style="list-style-type: none"> Primary focus on government contracts leading to longer collection period. SAFWAN needs to block large sums of money in working capital because its products are sold on a credit period of 120 days.
Opportunities	<ul style="list-style-type: none"> The MENA region lacks in-house medical equipment production; which increases opportunities for companies like SAFWAN to import and sell products in the region. Companies like SAFWAN could earn higher commission from rising competition among medical equipment suppliers, who are trying to establish their foothold in the GCC region. In fact, SAFWAN managed a commission income of 6.7% (of revenues) in FY2010 compared to 5.8% in FY2009. 	Threats	<ul style="list-style-type: none"> Margin pressure due to government contracts - SAFWAN is winning drug supply contracts from Kuwait's Health Ministry, but at the cost of lower profit margins. The November 2010 contracts for supplying medicines worth USD25.5 mn to the Ministry of Health were expected to generate a profit of just about USD2.8 mn for the company. SAFWAN's gross profit margins have fallen to 14% in FY 2010 from 20% in FY2009 and 23% in FY2008.

Source: Al Masah Capital Research

MEDICARE GROUP

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	28.14
Country	Qatar	Ain Jalout Trading Co	NA
Established	1996	Al Eqleem Real Estate	NA
Price – 5 Sep 2011 (QAR)	22.5	Al Manara Medical Equipment Co	NA
Market Cap (QAR mn)	633.2	Al Namaa for Maintenance Works	NA
No. of Employees	900		

Exhibit 66: Share Price Chart – 1 year (in QAR)



Source: Zawya

Business Description

Medicare Group, formerly known as Al Ahli Specialized Hospital Company owns and operates general hospitals and clinics. Medicare Group is the owner of the first major private hospital of Qatar, the Al Ahli Hospital, which was established in November 2004. The state-of-the-art hospital is managed by Aus Health International (AHI), an Australian company specializing in health management and planning. AHI is a subsidiary of NSW Health, the largest healthcare provider in Australia.

Segments/Services

Spread over an area of 43,000 sq m, Al Ahli Hospital has 250 guest rooms, including Royal Suites and VIP rooms, 16 rooms for day surgery, eight beds in the Neonatal Intensive Care Unit, five beds in the Intensive Care Unit and five beds in the Coronary Care Unit. The hospital also has accommodation facilities for staff.

The maternity unit of Al Ahli Hospital is the largest among private healthcare providers in Qatar.

According to Dr. Abdul Azim A W Hussain, Medical Director of Medicare Group, Al Ahli Hospital is aiming to expand the existing bed count by another 100 beds by 2014. The hospital is also looking to tie up with foreign hospitals and engage top doctors and surgeons.

Recent Events

In February 2010, Medicare Group and Virgin Health Bank signed an agreement to explore the opportunity of cord blood stem cell banking in Qatar. Cord blood stem cell banking provides an opportunity to store stem cells of newborn babies for the treatment of diseases such as blood cancer, thalassemia and sickle cell anemia in future.

In 2009, the Al Ahli Hospital introduced capsule endoscopy. With this, it became the first hospital in Qatar to offer such a service. Capsule endoscopy is a less invasive procedure used by gastroenterologists to detect diseases such as Crohn's disease, gastric ulcers and colon cancer. It is the most accurate patient-friendly diagnostic tool that allows visualization of the entire system. Capsule endoscopy is cost-effective and is believed to be 97% accurate.

Medicare Group, through Al Ahli Hospital, has always been at the forefront when it comes to technology adoption. In 2009, the hospital launched SOMATOM Definition AS+ (a high performance CT scan unit from Siemens). This was the first such service to be offered by any hospital in the region. The CT scanner adapts to virtually any patient and clinical need and is capable of all routine diagnostic work as well as advanced examinations in cardiology, neurology and oncology.

Medicare Group had raised QAR169 mn through a rights issue in 2005—according to a press release, the company decided to increase its capital based on the suggestions by Deloitte and Touche.

Key Financials

Exhibit 67: Income Statement (in QAR mn)					
	2006	2007	2008	2009	2010
Total Revenue	30.73	64.27	138.97	189.90	246.09
Cost of Sales	23.39	44.37	91.59	124.35	143.54
Gross Profit	7.33	19.91	47.37	65.54	102.55
Operating Profit	(23.12)	(18.11)	(6.62)	(9.76)	38.85
Net Income	(47.83)	(24.23)	19.24	0.09	45.57

Source: Zawya

SWOT Analysis

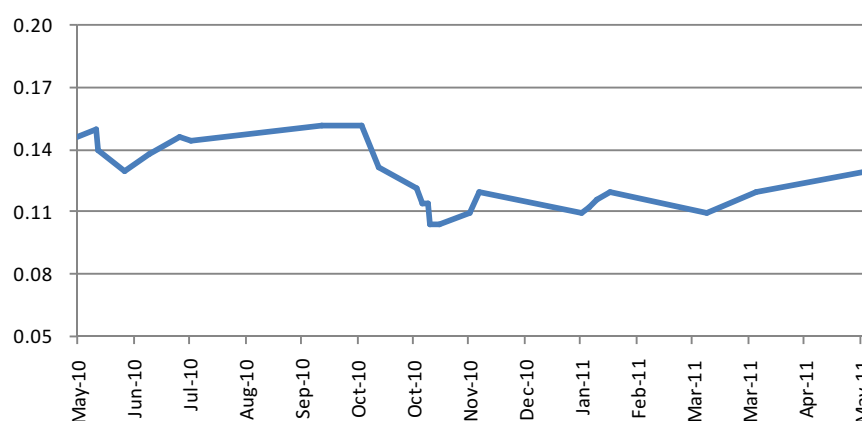
Exhibit 68: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Medicare Group is the owner of the 250-bed Al Ahli Hospital in Qatar. Being the first major private hospital of Qatar, the company has built a strong reputation for itself and enjoys the first mover advantage. 	Weaknesses	<ul style="list-style-type: none"> Medicare Group does not have in-house expertise to run a hospital. Its Al Ahli Hospital is managed by Aus Health International (AHI), an Australian company.
Opportunities	<ul style="list-style-type: none"> Operating in Qatar, one of the richest counties in the region. Rising per capita income of the people is encouraging them to spend on superior healthcare services. Al Ahli Hospital boasts of one of the most modern medical facilities in Qatar. Al Ahli Hospital is aiming to expand the existing bed count by another 100 beds by 2014. 	Threats	<ul style="list-style-type: none"> Qatar has a large portion of expatriate population, which prefers to take treatment in their home country or at low-cost medical destinations. This means that in spite of providing the best medical facilities in Qatar, Medicare Group may not be able to attract such patients.

Source: Al Masah Capital Research

AI MOWASAT HEALTHCARE CO.

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	96.80
Country	Kuwait	Al Mazoon Real Estate Co.	44.4%
Established	1998	Athman Investment Co.	20.0%
Price – 18 May 2011 (KWD)	0.13	AREF Investment Group Co.	15.3%
Market Cap (KWD mn)	12.58	Awqaf Public Foundation	10.0%
No. of Employees	600		

Exhibit 69: Share Price Chart – 1 year (in KWD)



Source: Zawya

Business Description

Al Mowasat Healthcare Co. (Al Mowasat) is engaged in the business of operating hospitals and providing related medical services. The company is also involved in the pharmacies business. Besides this, Al Mowasat trades in shares and properties as well as manages properties for others.

Last year, Al Mowasat made amendments in its Articles of Association (AOA) to include activities such as constructing, managing and owning hospitals; owning real estate for constructing and managing hospitals; providing in-house medical services; utilizing services from doctors, nurses and technicians; providing medical services to government officials and other institutions; creating medical and technical workshops; and investing excess funds in shares through a portfolio manager.

The company owns and operates New Mowasat Hospital in Kuwait. Spread over an area of 17,000 sq m, the hospital encompasses 96 beds and offers various medical services, including 24-hour emergency department, laboratory, radiology and pharmacy.

Segments/Services

Al Mowasat derives revenues through two segments: Medical Services and Lending & Investment Activities. Medical Services cover medical care, operating pharmacies and related services. Lending & Investing Activities cover income from other financial activities undertaken by the company.

Exhibit 70: Segments/Services	
Subsidiary	% owned
Al Mowasat Real Estate Co.	100
New Al Mowasat Co.	100
Al Mowasat Healthcare Co.	100
Al Mowasat Middle East Healthcare Co.	100
Al Mowasat Lebanon Healthcare Co.	100
Life Holding Co.	74

Source: Company

Recent Events

In January 2011, Al Mouzon Real Estate Co. sold 20% of the company's shares (19.36 million shares at KWD 0.35 each) to Athman Investment Co for a total value of KWD 6.78 mn. The transaction was executed through an auction. As a result, Al Mowasat is no longer a subsidiary of Al Mouzon Real Estate Co. Al Mouzon Real Estate Co. is owned by Nafais Holding Co., which is a holding company of the Al Wazzan family.

In January 2010, the Ministry of Commerce and Industry granted an approval to change the name of the company to Al Mowasat Healthcare Co. from Al Mowasat Holding Co. The company obtained shareholders' consent for name change in an Extraordinary General Assembly held in October 2009.

Al Mowasat listed its shares on the Kuwait Stock Exchange in October 2006.

Key Financials

Exhibit 71: Income Statement (in KWD mn)					
	2006	2007	2008	2009	2010
Total Revenue	12.35	11.73	11.87	15.46	18.92
Cost of Sales	1.61	1.55	1.79	2.28	4.07
Gross Profit	10.73	10.18	10.07	13.18	14.85
Operating Profit	1.85	1.87	0.72	1.55	2.15
Net Income	1.06	1.09	(0.27)	0.29	1.30

Source: Zawya

SWOT Analysis

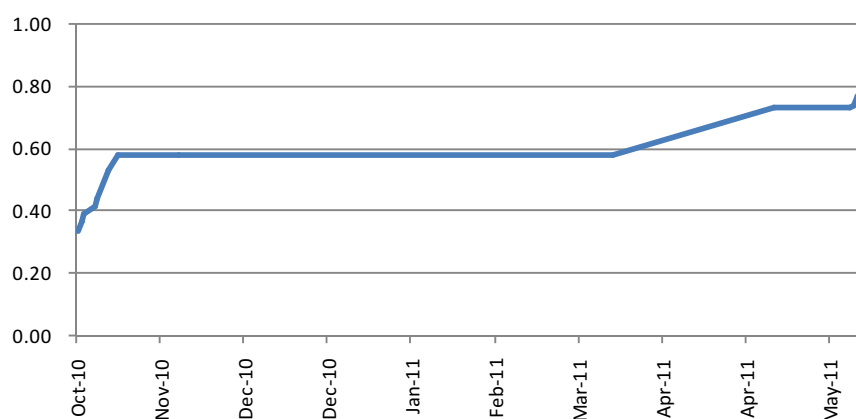
Exhibit 72: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Al Mowasat is a part of the Al Wazzan family, which has interests in education, real estate, banking, printing & publishing, and healthcare services in Kuwait, Egypt and Sudan. 	Weaknesses	<ul style="list-style-type: none"> Pharmacy sales of Al Mowasat are growing at a slow pace. In FY2010, Pharmacy sales were up 16% YoY compared to 30% growth in service income.
Opportunities	<ul style="list-style-type: none"> Under supplied market - We estimate a shortage of 4,500 hospital beds and 3,000 physicians in Kuwait. Expansion opportunities - Al Mowasat, which owns and operates the New Mowasat Hospital, is planning to open six preventative centers offering family medicine, dermatology, pediatrics, diagnostic services and pathology. 	Threats	<ul style="list-style-type: none"> Kuwait plans to build eight new hospitals. The Ministry of Public Works is already building Jaber Al Ahmed Al Sabah Hospital, an ultra-modern, 1,168-bed facility scheduled to open in 2013. Given the number of new hospitals coming up in Kuwait and the existing shortage of doctors, it could be difficult for Al Mowasat to keep staff costs down in the future. Staff costs for the company were KWD8.67 mn (45% of the revenues) in 2010 versus KWD6.55 mn (42%) in 2009.

Source: Al Masah Capital Research

AI MAIDAN CLINIC FOR ORAL HEALTH SERVICES CO.

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	150.0
Country	Kuwait	United Medical Services Co	56.8%
Established	1987	Mohammed Jawad Behbehani	11.1%
Price – 5 June 2011 (KWD)	0.79		
Market Cap (KWD mn)	118.50		
No. of Employees	350		

Exhibit 69: Share Price Chart – 1 year (in KWD)



Source: Zawya

Business Description

Established in 1987, Al Maidan Clinic for Oral Health Services Co. (Al Maidan Clinic) is the first and most reputed specialized private dental clinic in Kuwait providing comprehensive oral health services. The clinic owns and operates six branches across Kuwait (Sharq, Fahaheel, Farwaniya, Jahara, Hawalli and Sabah Al Salem). Al Maidan Clinic employs more than 60 specialized doctors who are supported by a distinguished group of nurses and technicians.

Al Maidan Clinic is a subsidiary of the United Medical Services Company, a member of KIPCO Group. The KIPCO Group is one of the biggest diversified holding companies in the MENA region, with assets totaling USD21 bn under management or control. United Medical Services Co. was established by Zumorrdah Holding Company and KIPCO to invest in the Kuwaiti healthcare sector.

Segments/Services

Al Maidan Clinic offers a host of medical services such as Periodontics, Implant Consultation, Crowns and Bridges, Restorative Dentistry, Cosmetic Dentistry, Prophylactics, State of the Art

(Bright Smile) and Preventive Dentistry. The company reports its revenue under two heads: Clinics and Hospitals.

Exhibit 74: Segments/Services	
Clinics	Hospitals
Provides services relating to oral healthcare, diagnosis, consultation and treatment to outpatients (specialty in dental treatment)	Provides services relating to medical diagnosis, health-care, consultation, surgical and treatment to both outpatients and inpatients (various specialties)

Source: Company

Recent Events

In 2010, Al Maidan Clinic raised KWD10 mn through a 200% rights issue. The company offered 100 million rights shares at KWD 0.1 each. Consequently, the clinic's total outstanding shares increased to 150 million from 50 million. Proceeds from the issue were utilized to pay off a large portion of the term loan.

In 2009, Al Maidan Clinic signed a deal with United Medical Services Co. to sell its 30% stake in United Laboratories Company for KWD 531,975 and 10% stake in United Food and Nutrition Company for KWD 52,500. The company also sold its 10% stake in United Pharmaceutical Company to International Health Services for KWD 140,000.

Al Maidan Clinic listed on the Kuwait Stock Exchange in October 2008.

Key Financials

Exhibit 75: Income Statement (in KWD mn)				
	2007	2008	2009	2010
Total Revenue	4.92	5.52	6.17	12.14
Cost of Sales	0.89	0.94	4.63	10.05
Gross Profit	4.02	4.58	1.54	2.09
Operating Profit	1.44	1.62	0.29	(4.79)
Net Income	0.64	0.53	0.39	(6.37)

Source: Zawya

SWOT Analysis

Exhibit 76: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Al Maidan is backed by the KIPCO Group, which holds a 57% stake in the company. The existing shareholders of the company are supportive and have always chipped-in whenever funding was required. 	Weaknesses	<ul style="list-style-type: none"> Al Maidan has entered the business of medical hospitals through Al Seef Hospital. It has no prior experience in running of hospitals, which usually have a longer gestation period than dental clinics.
Opportunities	<ul style="list-style-type: none"> Al Maidan is likely to benefit from the recent addition of its 120-bed Al Seef Hospital, which started in 2009. Once fully operational, the hospital will contribute more than 50% to Al Maidan's top-line. We estimate current shortage of 4,500 hospital beds in Kuwait. 	Threats	<ul style="list-style-type: none"> Al Maidan is financially strained. Its current liabilities are more than 7x the current assets. In addition, the company reported a loss of KWD6.37 mn in FY2010. This could lead to liquidity constraints.

Source: Al Masah Capital Research

AI BORG LABORATORIES

Key statistics		Shareholding	
Ownership	Private	Shares Outstanding (mn)	25.0
Country	Egypt	Abraaj Capital	90.0%
Established	1990	Dr. Ahmed Fathi Al Saifi	NA
Price – 5 Sep 2011 (EGP)	NA	Marei Bin Mahfouz Group	NA
Market Cap (EGP mn)	NA		
No. of Employees	1,400		

Business Description

Al-Borg Laboratories was established in 1991 by Dr. Ahmed Fathi Al Saifi, MD in clinical pathology from Cairo University; it is engaged in the medical testing business. In a short span of time, Al Borg has grown to become one of the largest private medical laboratory chains in the MENA region. It employs over 1,400 professionals, including specialized laboratory physicians, experienced technologists and managerial staff, at its ~100 branches spanning Egypt.

Al-Borg has expanded operations to the UAE, Saudi Arabia, Qatar and Sudan. The company is also evaluating acquisition opportunities in high-growth countries such as Saudi Arabia, India and Pakistan, aiming to create the first pan-regional, fully integrated laboratory testing group in the MENA region.

Segments/Services

Al-Borg Laboratories offers an extensive portfolio of more than 2,000 tests, covering the entire spectrum of conventional and non-conventional medical testing. It is the market leader in hepatitis, molecular and genetic diagnosis.

Al Borg is the first and only accredited (ISO 15189) and certified (ISO 9001-2008) laboratory in Egypt. Accreditations from the Swedish Board for Accreditation and Conformity Assessment, an endorsement of quality, confirm that tests at Al Borg are conducted according to the highest international standards.

Recent Events

Al Borg has made quite a few acquisitions. In July 2011, the company acquired majority stake in Biolab, a Jordan-based laboratory group. Biolab is engaged in prostate cancer antigen gene testing, anti-Müllerian hormone testing and offers several other tests such as AmnioPCR and Y chromosome microdeletions tests.

In March 2011, Al Borg entered into an agreement to acquire 51% of the share capital of Medical Genetics Center (MGC), Egypt's largest private cytogenetics testing laboratory with an estimated 70% share in the Egyptian private market. Dr. Ezzat Al Sobky, founder and Managing Director of MGC, is the only US-accredited geneticist in Egypt.

Al-Borg Laboratories opted for voluntary delisting from the Egyptian Stock Exchange in December 2010. It happened because Abraaj Capital (through Infrastructure and Growth Capital Fund) owned 84.9% stake in the company, which resulted in just 15.1% public float. Abraaj Capital offered EGP149.44 per share to buy back shares from minority shareholders. It had bought 76.9% interest in Al-Borg Laboratories for EGP778 mn in 2008. Due to subsequent buybacks in 2009, Abraaj Capital's stake increased to 84.9%.

Key Financials

Exhibit 77: Income Statement (in EGP mn)		
	2008	2009
Total Revenue	151.20	172.02
Cost of Sales	75.07	76.57
Gross Profit	76.13	95.45
Operating Profit	61.19	77.32
Net Income	51.86	72.97

Source: Zawya

SWOT Analysis

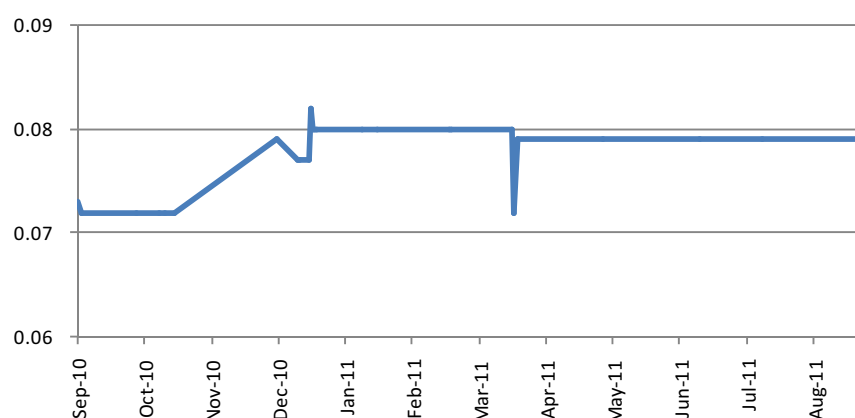
Exhibit 78: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Al Borg has the largest private medical laboratory chain in the MENA region. Al Borg is highly profitable; gross profit margins of 55% and net profit margins of 42% in FY2009. 	Weaknesses	<ul style="list-style-type: none"> Al Borg draws a major chunk of its business from Egypt. However, since January 2011, the Egyptian economy (and many parts of the Middle East) has been hit severely due to the civil unrest. Though, situation is returning to normal, it has possibly resulted in loss of revenue for Al Borg.
Opportunities	<ul style="list-style-type: none"> The MENA region is an attractive market. The number of laboratory tests per capita in Egypt and Saudi Arabia, stand at 2.5 and 6.0, compared to 16.0 in Europe and 22.0 in the US. Al Borg is backed by Abraaj Capital, which took the company private in December 2010. Abraaj has deep pockets to fund the future expansions of the company. 	Threats	<ul style="list-style-type: none"> Al Borg is pursuing aggressive acquisition strategy. In the last six months, it acquired two companies in Egypt and Jordan. Jordan is a new market for Al Borg and it may not find success there.

Source: Al Masah Capital Research

OMAN MEDICAL PROJECTS CO.

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	83.2
Country	Oman	Saudi Medicare Company	50.1%
Established	1996	Oman & Emirates Investment Co	41.0%
Price – 28 Aug 2011 (OMR)	0.079		
Market Cap (OMR mn)	6.57		
No. of Employees	318		

Exhibit 79: Share Price Chart – 1 year (in OMR)



Source: Zawya

Business Description

Oman Medical Projects Company is an investment company specializing in the establishment of hospitals and clinics. The company owns Muscat Private Hospital (MPH), a 72-bed general hospital with first-class outpatient and in-patient facilities covering most specialties.

Saudi Medicare Company (SMC) holds a 50% stake and Oman & Emirates Investment Holding owns another 41% share in Oman Medical Projects Co.

Segments/Services

Established in October 2000, MPH has 66 private rooms with large en-suite bathrooms, six delivery suites, a neo-natal intensive care suite and four adult intensive care beds. MPH offers anesthesia, dentistry and oral surgery, pediatrics, obstetrics and gynecology, and general surgery services. The hospital has nearly 200 employees, of which 30% are doctors.

MPH is managed by Allied Medical (part of the UME Group), an international hospital management group with more than 27 years of experience in the Middle East. According to management

agreement terms, Allied Medical is entitled to a 3% revenue share.

Recent Events

MPH is expanding its in-patient and outpatient facilities. The hospital plans to open seven new departments, including a sports injury clinic, an expanded heart centre, a breast centre, and a center for weight loss services. MPH is also working toward securing accreditation from the Joint Commission International (JCI), an international symbol of quality and high performance standards in hospitals in the US.

In January 2011, Oman Medical Projects Co. raised OMR2.27 mn through a rights issue. The company issued 22.3 million shares at OMR 0.102 each. As a result, the total number of shares outstanding now stands at 83.2 million from 61.0 million earlier. Shareholders approved the increment of the company's issued capital at the Extraordinary General Meeting held in March 2010.

The number of private hospitals in Muscat has been rising. In 2009, two new hospitals – Al Raffah Hospital (OMR5 mn) and KIMS Oman Hospital (OMR8 mn) – commenced operations, bringing the total number of private hospitals in Muscat to five. An increase in the number of hospitals would fuel competition against MPH.

The management agreement terms with Allied Medical continue, though it was set to expire in October 2010; it was extended until October 2015.

Key Financials

Exhibit 80: Income Statement (in OMR mn)					
	2006	2007	2008	2009	2010
Total Revenue	3.43	4.37	6.44	7.73	7.87
Cost of Sales	2.94	3.42	4.91	6.07	6.11
Gross Profit	0.48	0.95	1.54	1.66	1.75
Operating Profit	(0.61)	(0.28)	0.01	0.05	0.19
Net Income	(0.85)	(0.51)	(0.21)	(0.15)	(0.16)

Source: Zawya

SWOT Analysis

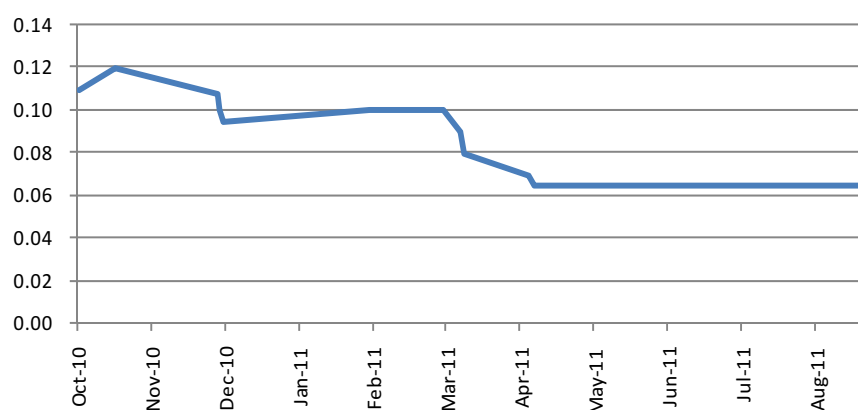
Exhibit 81: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Oman Medical Projects owns the 72-bed Muscat Private Hospital (MPH), with facilities for dentistry, pediatrics, obstetrics and gynecology, and general surgery. The company enjoys full support from two of its largest shareholders, who fully subscribed to its OMR2.27 mn rights issue. 	Weaknesses	<ul style="list-style-type: none"> Oman Medical Projects continues to be in the red. Accumulated losses for the company stood at OMR7.61 mn in FY2010. MPH is managed by Allied Medical, which takes 3% of revenue as fee. Had Oman Medical Projects managed the hospital on its own, it could have made a profit in FY2010.
Opportunities	<ul style="list-style-type: none"> Attractive market – Health spending on a per capita basis in Oman stood at USD497 in 2009. MPH is likely to add seven new departments. It is also working to secure accreditation from the JCI. Both these initiatives could result in an increase in revenue per patient for the hospital. 	Threats	<ul style="list-style-type: none"> A number of private hospitals have come up in Muscat; Al Raffah Hospital and KIMS Oman Hospital being the recent entrants. This is intensifying the competition.

Source: Al Masah Capital Research

KUWAIT MEDICAL SERVICES CO.

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	76.23
Country	Kuwait	United Medical Services Co.	77.7%
Established	1988		
Price – 4 Sep 2011 (KWD)	0.065		
Market Cap (KWD mn)	4.96		
No. of Employees	258		

Exhibit 82: Share Price Chart – 1 year (in KWD)



Source: Zawya

Business Description

Kuwait Medical Services Co. was incorporated in 1988 to provide inpatient and outpatient medical care services; trade in medicines; and establish, invest and/or operate health centers, hospitals clinics, sanitariums, rehabilitation centers, pharmacies, laboratories and medical facilities.

Kuwait Medical Services Co. was a co-owner (58.3% stake) in International Health Services Co. However, the company sold-off this stake in October 2010 for a consideration of KWD5.50 mn.

Until January 2011, Kuwait Medical Services Co. was a 50% partner in United Boubyan Hospital Company, the owner of Boubyan United Hospital. The KWD36 mn Boubyan Hospital is an initiative toward supporting the needs of middle and lower income groups.

United Medical Services Company, a specialized healthcare company with operations across the GCC region, owns 78% of Kuwait Medical Services Co's total outstanding shares.

Segments/Services

Kuwait Medical Services Co. generates revenues from just one segment: Clinic. The revenues are derived through services such as medical diagnosis, healthcare, consultations, and treatment to outpatients with various specialties.

Following the sale of International Health Services Co., the company lost its pharmacy sales stream.

Recent Events

In January 2011, Kuwait Medical Services Co. announced it has offloaded equity in United Boubyan Hospital Company for KWD 779,125. The company informed it sold 6,775,000 shares at KWD 0.115 each.

In October 2010, Kuwait Medical Services Co. sold its 58.3% stake (or 38 million shares) in International Health Services Company at KWD 0.145 per share, realizing a profit of KWD 155,897. As of December 31, 2009, Kuwait Medical Services Co. owned a 75.8% stake in International Health Services Company. However, since the company did not subscribe to the rights issue in 2010, its effective shareholding fell to 58.3%.

In April 2010, the shareholders of Kuwait Medical Services Co. granted their consent for a 52.47% rights issue. The company planned to raise KWD4 mn by selling 40 million shares at KWD 0.10 per share. However, it deferred this move due to poor market conditions.

Kuwait Medical Services Co. listed on the Kuwait Stock Exchange on September 1, 2009.

Key Financials

Exhibit 83: Income Statement (in KWD mn)				
	2006	2007	2008	2010
Total Revenue	4.62	4.35	4.88	1.26
Cost of Sales	0.93	0.32	2.93	0.86
Gross Profit	3.69	4.04	1.95	0.39
Operating Profit	1.52	1.32	0.97	0.05
Net Income	1.06	1.12	1.22	0.36

Source: Zawya

SWOT Analysis

Exhibit 84: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Strong shareholder support - Majority of Kuwait Medical Services' stake is owned by United Medical Services Co, (part of the KIPCO Group). The KIPCO Group has assets totaling USD21 bn under management or control. 	Weaknesses	<ul style="list-style-type: none"> Liquidity crunch - At the end of FY2010, the company had cash and short-term investments of just KWD47,000 against a debt of KWD1.90 mn. In January 2011, Kuwait Medical Services sold-off its 50% equity in United Boubyan Hospital Co. to raise an amount of KWD 779,125. It had sold stake in another venture - International Health Services Co. for KWD5.50 mn last year.
Opportunities	<ul style="list-style-type: none"> Kuwait Medical Services is present in a high growth market. In 2009, Kuwait spent an estimated USD4.3 bn, or 3.3% of its GDP, on healthcare. With aging population and prevalence of lifestyle related diseases, the demand for healthcare is likely to grow in the future. 	Threats	<ul style="list-style-type: none"> Bleak outlook - The Company has sold off most of its businesses. Its revenues fell 75% YoY in FY2010 due to sale of International Health Services Co. Again in January 2011, the Company sold United Boubyan Hospital Co. The size of the Company has shrunk with these recent sales.

Source: Al Masah Capital Research

QATARI GERMAN COMPANY FOR MEDICAL DEVICES

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	11.55
Country	Qatar	Qatar Development Bank	10.0%
Established	2000	Qatar National Bank	10.0%
Price – 5 Sep 2011 (QAR)	8.0	Siekmann (Germany)	6.0%
Market Cap (QAR mn)	92.40	Qatar Foundation	1.9%
No. of Employees	58		

Exhibit 85: Share Price Chart – 1 year (in QAR)



Source: Zawya

Business Description

Qatari German Company for Medical devices (QG) manufactures medical equipment such as safety syringes, intravenous catheters and obturators. The company has a state-of-the-art production facility at Abu Hamour. The facility is designed by reputable innovative technology providers from Germany, Switzerland and Italy.

QG has presence in 20 different countries, including the US, Germany, Brazil, Egypt, Russia, South Africa and other MENA countries.

QG was listed on the Qatar Stock Exchange in 2001.

Segments/Services

QG's product range is currently categorized into four product lines: Q Safe®, Q Ject®, Q Need® and Q Flow®.

Exhibit 86: Segments/Services			
Q Safe®	Q Ject®	Q Need®	Q Flow®
Q Safe® is a safety single-use syringe, which is going to eventually replace traditional single-use syringes due to its safety features and other benefits.	Q Ject® is a single-use syringe developed with top specifications and considerations for high product quality and patient comfort.	Q Need® is a disposable hypodermic needle used to enhance total patient care by featuring ultra sharp stainless steel needle that reduces penetration force required during administration.	Q Flow® is a single-use intravenous cannula designed to accommodate all types of IV therapy. It is built with features and functionality to meet patient and healthcare providers' need and safety.

Source: Company

Recent Events

In March 2009, QG signed agreements worth QAR33 mn with three European companies to expand and develop its factory as well as to introduce more products. The three companies were ONOSTAMPI, a manufacturer of products, including cosmetics, medical, electrics and electronics, and telecommunication; Kahle, a manufacturer of assembly machines for medical devices; and Schottli, a manufacturer of high performance injection moulds. The agreements were in line with the company's strategic plans to meet growing demand in the market and increase its production capacity.

QG successfully closed its 100% rights issue in July 2008. The company raised QAR86.6 mn by issuing 5.78 million shares at QAR15 per share.

Key Financials

Exhibit 87: Income Statement (in QAR mn)					
	2006	2007	2008	2009	2010
Total Revenue	0.05	1.29	3.36	6.90	7.87
Cost of Sales	0.05	0.87	2.65	6.19	7.13
Gross Profit	(0.00)	0.42	0.71	0.71	0.74
Operating Profit	(1.95)	(1.37)	(2.59)	(3.03)	(3.35)
Net Income	(4.43)	(1.11)	6.78	1.77	(3.35)

Source: Zawya

SWOT Analysis

Exhibit 88: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Unique market position - QG is primarily engaged in the manufacture and sale of single use disposable syringes in Qatar. QG could be termed as the first and only manufacturer of such products in the GCC. 	Weaknesses	<ul style="list-style-type: none"> QG was formed in 2000. However, despite 10 years of establishment, the company is yet to make operational profit. QG is financially strained. In FY2010, it made a loss of QAR3.4 mn and was carrying a debt of QAR18 mn on its books.
Opportunities	<ul style="list-style-type: none"> QG is expanding production capacity as well as increasing the product portfolio. In 2009, QG signed agreements worth QAR33 mn with three European companies in order to achieve this. Introduction of new products and higher capacity could drive revenue growth, going forward. 	Threats	<ul style="list-style-type: none"> A large portion of the QAR86.6 mn, raised via rights issue in July 2008, has been exhausted. The company could face liquidity constraints going forward. Bankruptcy of technology partner Siekmann GmbH resulted in delay of commencement of operations by QG. Any such events in the future with other technology partners could result in a loss for the company.

Source: Al Masah Capital Research

NMC HEALTHCARE LLC

Key statistics		Shareholding	
Ownership	Private	Shares Outstanding (mn)	NA
Country	UAE	Dr. B R Shetty and family	30.05
Established	1975	Abdullah Mazroui and family	30.0%
Price – 5 Sep 2011 (AED)	NA	Centurion Investment Co.	40.0%
Market Cap (AED mn)	NA		
No. of Employees	15,000		

Business Description

NMC Healthcare LLC (NMC) is a conglomerate engaged in the business of healthcare, financial services, hospitality, real estate, trading and media. The company was established in 1975 as New Medical Center in a small one-room clinic in Abu Dhabi. Since then, it has evolved into an integrated healthcare company with a wide network of hospitals, medical centers and pharmacies across the UAE.

NMC has five healthcare facilities (including three specialty hospitals), two medical centers and one family clinic in the UAE; one hospital (Alexandria New Medical Centre) in Egypt; and medical suites in Dubai Healthcare City. The company is developing a multi-specialty hospital in Fujairah. NMC is also engaged in the trading of pharmaceuticals and medical equipment. It owns a pharmaceutical manufacturing plant, Neopharma.

NMC owns UAEXCHANGE, a leading global remittance and foreign exchange company that was established in 1980 to provide affordable and efficient fund transfer facilities to expatriate population in the UAE. UAEXCHANGE now boasts of more than 250 offices across the world and settles outward remittances of about USD 8mn per day.

Besides this, NMC is engaged in businesses such as hotels and restaurants, distribution of jewelry, general food and consumer products, development and maintenance of software, information technology networking, and telecommunication solutions.

Segments/Services

Exhibit 89: Segments/Services		
Specialty Hospitals	Medical Centres	Others
NMC Specialty Hospital, Abu Dhabi	New Medical Centre Hospital, Dubai	BR Medical Suites, Dubai
NMC Specialty Hospital, Dubai	New Medical Centre, Sharjah	Bait Al Shifa Pharmacy, Dubai
NMC Specialty Hospital, Al Ain		New Pharmacy, Abu Dhabi
		Neopharma

Source: Company

Recent Events

In June 2011, NMC announced plans to develop two specialty healthcare projects (100-bed specialty centre at the Al Jazeera Tower offering paediatrics, maternity and IVF services as well as a 300-bed specialty hospital in Khalifa) in Abu Dhabi.

In April 2011, NMC sold 100% equity stake in National Hospital and New National Medical Center to Al Aseel Investments LLC, a healthcare investment company managed by Al Masah Capital.

In March 2011, NMC launched BR Medical Suites at Dubai Healthcare City. BR Medical Suites comprises 21 clinics that encompass examination rooms, diagnostic centre and four operating theatres with 10 recovery beds.

In January 2011, Abu Dhabi-based Centurion Investment acquired a 40% stake in NMC. Centurion is owned by Mr. Saeed Bin Butti Alqubaisi. Financial details of the deal were not disclosed.

SWOT Analysis

Exhibit 90: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Enjoys early mover advantage - NMC is the pioneer in private healthcare business in Abu Dhabi (UAE). 	Weaknesses	<ul style="list-style-type: none"> NMC is mainly concentrated to the UAE, which was the first country to feel the tremors of the credit crunch in the GCC.
Opportunities	<ul style="list-style-type: none"> NMC raised a large sum of money by selling a 40% stake in the company, recently. This is likely to offer expansion opportunities. NMC recently bought a hospital, marking its presence in Egypt. Egypt is the second largest healthcare market in the MENA region; it spent 5.0% of GDP on healthcare in 2009. 	Threats	<ul style="list-style-type: none"> NMC, which started as a healthcare company, has got its hands in a lot of businesses ranging from hospitality, to financial services, to jewelry, and information technology. Managing a diverse set of businesses usually results in decreased focus on core strengths.

Source: Al Masah Capital Research

APPENDIX 1: Number of hospitals beds in the MENA

Exhibit 91: Hospital beds per 10,000 people - Latest available	
Country	No. of beds per 10,000 people
Libya	37.0
Lebanon	35.0
Egypt	27.0
Saudi Arabia	22.0
Tunisia	21.0
UAE	19.0
Bahrain	19.0
Oman	19.0
Kuwait	18.0
Jordan	18.0
Algeria	17.0
Qatar	14.0
Morocco	11.0

Source: World Bank, WHO, EIU

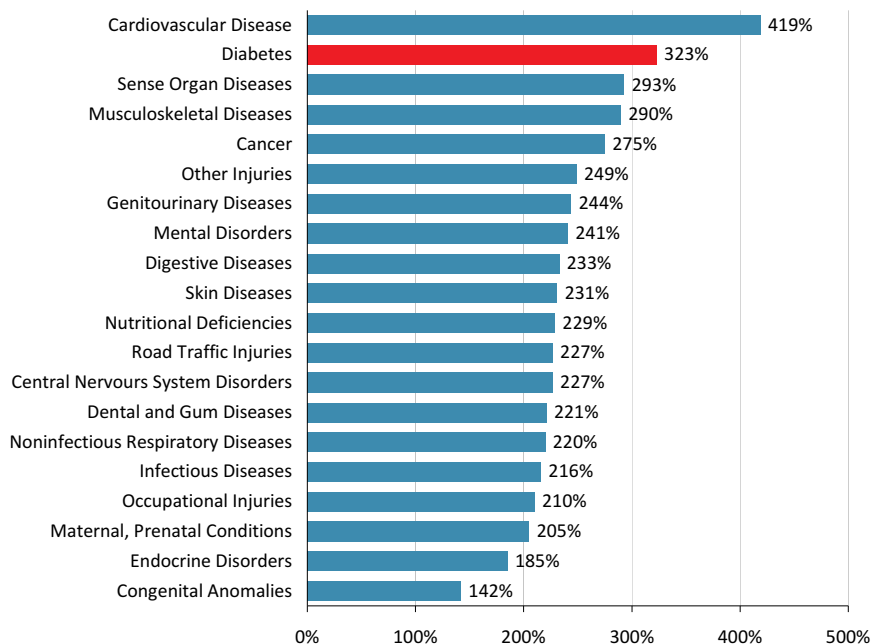
APPENDIX 2: Number of physicians in the MENA

Exhibit 92: Physicians per 10,000 people - Latest available	
Country	No. of physicians per 10,000 people
Lebanon	35.4
Egypt	28.3
Qatar	27.6
Jordan	24.5
UAE	19.3
Oman	19.0
Libya	19.0
Kuwait	17.9
Bahrain	14.4
Algeria	12.1
Tunisia	11.9
Saudi Arabia	9.4
Morocco	6.2

Source: World Bank, WHO, EIU

APPENDIX 3: McKinsey study findings

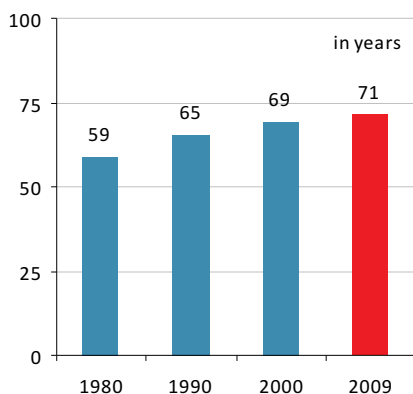
Exhibit 93: Demand for various ailments in the GCC by 2025 – McKinsey Study



Source: The McKinsey Quarterly – Private Solutions for Healthcare in Gulf

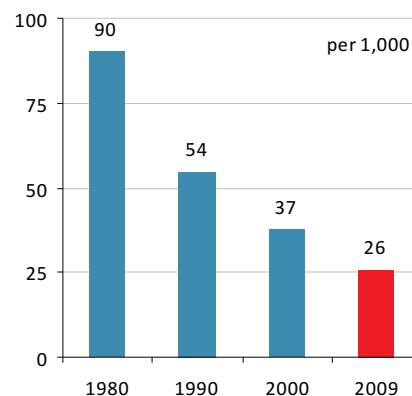
APPENDIX 4: Life expectancy and infant mortality rates in the MENA

Exhibit 94: Life expectancy in the MENA region has increased



Source: World Bank

Exhibit 95: Infant mortality rate in the region has declined



Source: World Bank



MENA: Healthcare Sector Report

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