



# **GCC Pharmaceutical Industry**

**First coordination meeting for the pharmaceutical industry  
in the GCC and Yemen**

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# Global Pharmaceuticals Industry

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- The pharmaceutical industry is worth approximately USD 880 billion
- The industry continues to grow (CAGR of 5-7%)
- Lead by US (35%), Europe (30%) and Asia/Japan (20%)
- Emerging markets are growing quickly (CAGR of 20% of the next 3 years)
- Slower innovation despite increased spending on R&D
- Increased M&A activity in the sector
- Regulators are becoming more stringent in the approval process
- Patent expiry – USD 80 billion of sales will be lost in the next 4 years
- “Lifestyle” diseases such as diabetes and cardiovascular disorders are becoming more prevalent

# GCC Pharmaceuticals Industry

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- GCC represents less than 1% of the global sector
- Pharmaceuticals market to double from USD 5.5 billion within the next 9 years
- Growth of the sector is driven by:
  - population growth;
  - ageing population;
  - increased lifestyle diseases due to smoking and poor diet; and
  - requirement to maintain health insurance
- 80% of drugs used in the region are imported:
  - Represents USD 1 billion
  - 75% patented products
- Between 7-12% of GCC annual budgets are allocated for healthcare spending

# Country Profiles

## Qatar



- **Market Size:** USD 227 million.
- High per capita expenditure on drugs.
- Many government initiatives to strengthen R&D and local pharmaceutical industry.
- Drug expenditure is forecast to increase by a CAGR of 11% to reach USD 400 million by 2014.

## Saudi Arabia



- **Market Size:** USD 2.8 billion.
- Market expected to grow at CAGR of 6% until 2014.
- Leading position in GCC with 27 manufacturers.
- Government allows 100% foreign ownership, low cost loans and low cost power to encourage domestic production.
- Wholesale retailing of products is not allowed for foreign companies.

## UAE



- **Market Size:** USD 1.8 billion.
- The pharmaceuticals market is projected to grow to USD 2.7 billion by 2014 at a CAGR of 13%.
- Per capita drug spending will be USD 493 by 2014.
- 8 domestic manufacturers, producing mostly generic drugs.

## Bahrain



- **Market Size:** USD 118 million.
- Drug expenditure will grow at an average CAGR of 4% until 2019.
- Domestic manufacturing is underdeveloped due to limited investments.
- Bahrain follows a policy of importing drugs directly from a manufacturer with licensed research capabilities in GCC countries.

## Kuwait



- **Market Size:** USD 374 million.
- Only 20% of pharmaceutical products in terms of volume were manufactured locally.
- Market dominated by imported and expensively priced patented drugs.
- Kuwait has a strong pharmaceutical regulatory structure.
- Government taking measures to reduce costs of essential drugs, which are considered the highest in the Middle East.

## Oman



- **Market Size:** USD 152 million.
- Small domestic industry with only two main producers.
- Oman has the lowest per-capita expenditure, overall healthcare expenditure is forecast to increase from USD 0.8 billion in 2009 to USD 1.4 billion by 2014.
- Government is active in trying to attract private participation in the pharmaceuticals sector.

# Challenges

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- Continued dominance of Western countries
- High dependence on imported medical products and medicinal ingredients
- Imported, branded drugs are preferred to locally-made generics
- Growth barriers for OTC medicines due to regulations prohibiting advertising and promotion of drugs
- Medicines are very costly in the GCC by international standards
- Unevenly priced medicines could create opportunities for pricing arbitrage
- Pharmaceutical manufacturing requires high capital expenditure
- R&D investment in the GCC is low compared with developed nations
- Increased number of counterfeit medicines

# GCC – The land of opportunities

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- Spending on healthcare in the GCC is increasing
- Diversification away from oil and gas sectors results in increased focus on education and R&D:
  - Sidra Medical and Research Centre;
  - Dubai Healthcare City; and
  - Qatar Science and Technology Park
- Lack of listed entities results has recently attracted private equity and venture capital interest
- Increased foreign direct investment into the pharmaceutical sector
- GCC governments provide incentives to increase private participation in the local pharmaceutical manufacturing sector

# QNB Capital

## Overview

- QNB Capital is the investment banking arm of the QNB Group and is an established leader in the local investment banking market.
- We are wholly owned by QNB and authorised by the Qatar Financial Centre Regulatory Authority.
- We offer comprehensive corporate advisory services covering all aspects of financial strategy, structuring, debt, equity, and mergers and acquisitions.
- Our team offers, in aggregate, over 120 years of professional experience in the provision of corporate finance advice to clients from all continents of the globe.

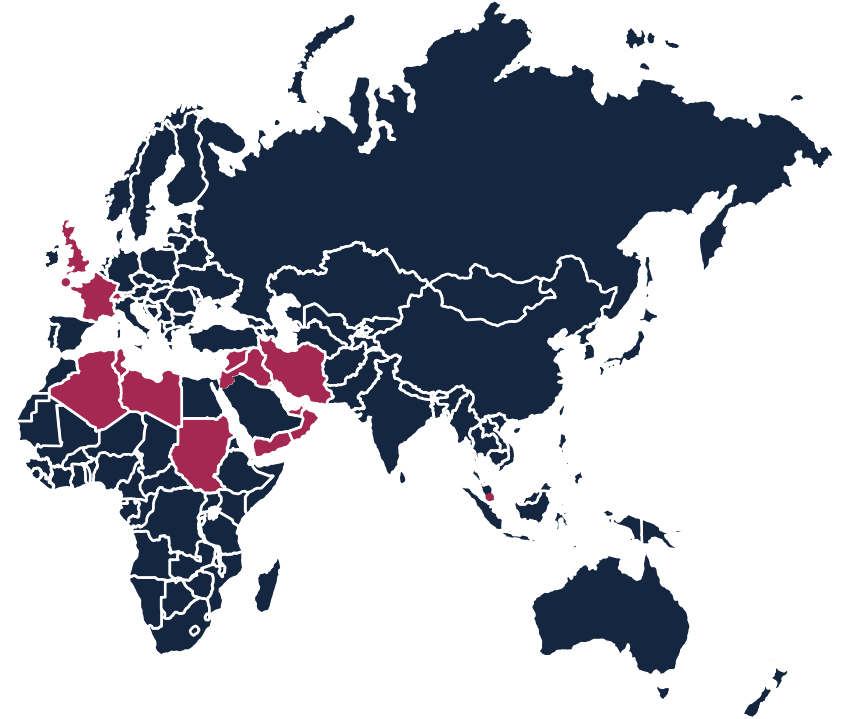
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### Our brands...



### Our global reach...

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Bahrain	Jordan	Palestine	Switzerland	UAE
France	Kuwait	Qatar	Syria	Yemen
Iran	Libya	Singapore	Tunisia	