GCC Healthcare Sector

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ALPEN CAPITAL
Investment Banking

Alpen Capital was awarded the "Best Research House" at the Banker Middle East Industry Awards 2011, 2013 and 2014

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"Moving forward, the healthcare industry as a whole will witness a paradigm shift towards preventive care, cope with challenges to manage the growing burden of healthcare expenditure from non-communicable diseases like diabetes, and see an increased focus on research and development (R&D).

In the UAE, the healthcare sector has the legislative and infrastructural framework for growth. The mandatory health insurance law is but one example. Undoubtedly, the law will transform the healthcare sector on par with international best practice and increase its competitiveness.

On our part as Dubai Healthcare City, we will stay committed to forging strategic partnerships to provide world-class expertise and foster an environment of medical education and research. The latter we believe is integral to sustainable healthcare."

Marwan Abedin

Chief Executive Officer, Dubai Healthcare City

Member of the Boards of Directors, Dubai Healthcare City and Dubai Healthcare City Authority

"The UAE healthcare market is fast growing and we expect this to continue for the foreseeable future. As the largest private hospital group in the UAE, Al Noor is benefitting strongly from this market performance and also from delivery of our organic and acquisition based growth strategy.

In the short and medium term our focus will be on the UAE as we see so much potential here for Al Noor. However, in the longer term, we will seek to identify healthcare growth opportunities across the wider GCC region."

Dr Kassem Alom

Chief Executive Officer,

Al Noor Hospitals Group Plc.

"UAE and all other regional governments consider Healthcare as a high priority area and are encouraging private sector participation to create a robust healthcare infrastructure. HRH Shaikh Mohamed Bin Zayed Al Makhtoum has stressed the importance of healthcare as part of the overall strategy for Dubai. The Kingdom of Saudi Arabia too has been supporting the private healthcare sector by providing land in many cases and long term soft loans.

Healthcare in the region is characterized by a huge demand supply gap and with high entry barriers, thus creating abundant regional opportunities for the private sector to play a responsible role to support the government strategies and vision in healthcare.

Healthcare tourism is a major factor which Dubai is at an advantage to leverage its current strengths in tourism and logistics to position as the regional healthcare hub. Saudi Arabia had seen significant and increasing volume of patients as part of the religious tourism. Obligatory Medical insurance for nationals and expatriates will generate huge volume which the current facility is inadequate to handle.

In the coming years we will also see the emergence of single specialty centers of excellence and other niche players contributing an increasingly critical role in the market. Currently there are many fragmented entities in the healthcare sector consisting of single practicing doctors, polyclinics and other small diagnostic centers. We will see a gradual shift from the fragmented and unorganized sector thus achieving some degree of industry consolidation through the entry of more institutional players"

Mr. Sobhi A. Batterjee

President & CEO

Saudi German Hospitals Group

"Healthcare spending in GCC has witnessed significant growth over the past few years. GCC governments are trying to make significant investments to support healthcare infrastructure and help the industry to grow to international standards. Several GCC nations have announced plans to ramp up infrastructure to cater to rising demand, with major healthcare projects across the region being planned to accommodate the ever-growing demand. We observe good progress in training the local citizens to fill up the skill gap for quality healthcare delivery. Another trend being noticed is a rise in wellness based care and cosmetic care centers. However challenges of complexity and lack of standardization in regulations in recruitment and licenses as well as heavy reliance on government funding do exist.

Nonetheless, we expect the growth in healthcare sector to continue in the future with a higher incidence of lifestyle diseases and an increasing amount of GCC Governments enforcing mandatory medical insurance."

Dr. M I Sahadulla

Chairman & Managing Director

Kerala Institute of Medical Sciences (KIMS Group)

"With the mandatory health insurance in place and the 2020 to look forward to, the healthcare industry is certainly poised for a period of rapid growth. Managing the inherent risk and controlling the cost to the end user – the patient, will be the challenge for all stakeholders in the industry."

Dr. Jamil Ahmed

Director

Prime Healthcare Group LLC

"We are bullish on the prospects of the health care industry in the region. Rising income levels, lifestyle related diseases-the treatment of which is both costlier and lengthier, and increasing insurance penetration will ensure vigorous rise in healthcare spending in the GCC. Further, the government is taking measures to ensure that the infrastructure is equipped to handle the increasing demand. Introduction of PPP models will take the framework of the GCC healthcare sector to the next level in line with developing economies. The sector has also seen increasing M&A activity as well as investments from private equity players. Our outlook on the GCC healthcare industry remains positive and we look forward to witnessing increasing activity across the region."

Rohit Walia

Executive Chairman

Alpen Capital

1. Executive Summary

The GCC region is poised for an unprecedented surge in healthcare consumption driven by robust population growth and rising income levels. Higher income levels and sedentary life styles have led to poor health conditions, a phenomenon that has been witnessed in most developed economies.

Healthcare spending in the GCC region recovered sharply in 2011 after a flattish 2010 to reach US$ 41.6 billion, implying a five year CAGR of 14%. This figure is pegged to grow substantially supported by higher insurance penetration, rising population and lifestyle related diseases. GCC healthcare spend per capita is lower compared to developed peers, further underscoring the potential growth for the industry. Healthcare infrastructure is relatively underdeveloped compared to developed countries with physician density of 1.5 per 1,000 people while hospital beds lag at 21 per 10,000 people. The governments, which play the predominant role in healthcare services, are taking steps to ensure continuous development of infrastructure through nurturing management skills, increasing the share of private sector and utilizing IT skills to spread the reach and range of healthcare services.

1.1. Scope of the report

This report is an update to our 2011 study. We have considered disease prevalence, medical cost inflation and fundamental growth factors (such as expanding population and increasing share of aging population) to assess the current and forward market scenarios in primary, secondary and tertiary healthcare services. In addition, this report includes details on current market trends and challenges faced by the sector. We have also considered initiatives by GCC authorities to address these issues. The report encompasses profiles of each GCC country and highlights the existing market scenario in the healthcare sector. Finally, the study covers profiles of major publicly-listed and private firms (including details about their performance and market position).

1.2. Outlook

As per our estimates, the GCC healthcare market is projected to grow at 12.0% p.a. to US$ 69.4 billion by 2018 from an estimated US$ 39.4 billion in 2013. Outpatient and inpatient markets are expected to account for 79% and 21%, respectively, of the overall market size. Saudi Arabia is projected to remain the largest GCC market. Qatar and UAE are expected to be the fastest growing markets, going forward. The demand for number of hospital beds is expected to be 115,544 in 2018, an addition of 11,241 beds from 2013, which is in line with the expected supply looking at the number of projects in the pipeline.

1.3. Key Growth drivers

- The IMF estimates that the region's population would cross the 50 million mark by 2020, providing impetus to the consumption of healthcare services
- Rising income levels and sedentary lifestyles have led to a higher prevalence of obesity and diabetes leading to a demand for specialized healthcare services
- GCC population in the age group of 65 and above is expected to surge from 1.2 million in 2015 to 14.2 million in 2050, driving demand for healthcare services. Augmented by higher life expectancy, which stood at 76.4 years in 2011 against 69.8 and 69.0 for the Arab and BRIC regions, respectively. Also, infant mortality in the GCC improved from 110 per 10,000 live births in 2000 to 78 in 2012
- While growth in the region's insurance premium outpaces the growth in the global market, the insurance penetration remains one of the lowest in the world

- The region is building large medical cities and complexes, with billions of dollars of investments lined up, to not only raise the supply of medical infrastructure but also raise the quality of healthcare services in the region

1.4. Key Trends

- Employee healthcare benefits cost in the GCC is highest in the EMEA region. Middle Eastern employers spend more on healthcare than their other EMEA counterparts (6.1% compared to 3.9%)
- The GCC countries, especially the UAE and Qatar, have one of the highest growth rates of healthcare costs due to the advent of new medical technologies and longer length of stay, along with better healthcare facilities
- PPP models in the GCC continue to be adopted, but are at an early stage
- UAE's medical tourism sector is growing strongly and reached US$ 1.69 billion in 2013 from US$ 1.58 billion in 2012. Dubai Healthcare City (DHCC) is one of the largest healthcare tourist destinations in the region. According to DHCC, they handled around 500,000 patients in 2011, 20% of which were medical tourists
- New technologies such as e-health services are being increasingly adopted to lower healthcare costs in the region, besides improving the quality of services
- Healthcare IT expenditure in the GCC region is estimated to increase from US$ 444 million in 2011 to US$ 551 million by 2015
- Inbound medical tourism to grow driven by high quality health infrastructure
- Specialist hospitals have been launched, such as the Sidra Medical and Research Center, Al Jalila Children's Specialty Hospital, etc. to stem the outflow of seeking specialist treatments abroad
- Wellness and cosmetic care centres are on the rise
- Upcoming trends in the sector are adoption of an asset light model, smaller hospital set-ups and encouraging usage of quality local medical treatment

1.5. Challenges

- The GCC countries are predominantly dependent on governments for financing healthcare expenditure. With rising healthcare costs, it is imperative for the government to increase private participation
- Quality of healthcare is still not at par with that in the developed countries due to which patients travel abroad, especially for complex treatments
- Due to insufficient medical practitioners present within their countries, the region is reliant on foreign professionals for meeting the rising demand
- Clear guidelines pertaining to minimum quality standards are needed
- The GCC region had a low average insurance penetration level of just 1.1% in 2012, compared to the global average of 6.5%, lagging behind on other key insurance parameters as well

We are bullish on the prospects of the health care industry in the region. On the demand side, rising income levels, lifestyle related diseases, the treatment of which is both costlier and lengthier, and increasing insurance penetration will ensure vigorous rise in healthcare spending in the GCC. On the supply side, the government is taking measures to ensure that the infrastructure is equipped to handle the increasing demand. The government is considering PPP models to bring efficiency while reducing financing burden, along with other measures such as e-health and m-health tools. There is dearth of highly qualified medical practitioners in the region and hence influx of foreign practitioners will continue to remain a trend. Private sector has limited presence in the industry at present but will play an important role in the time to come.

2. GCC market analysis

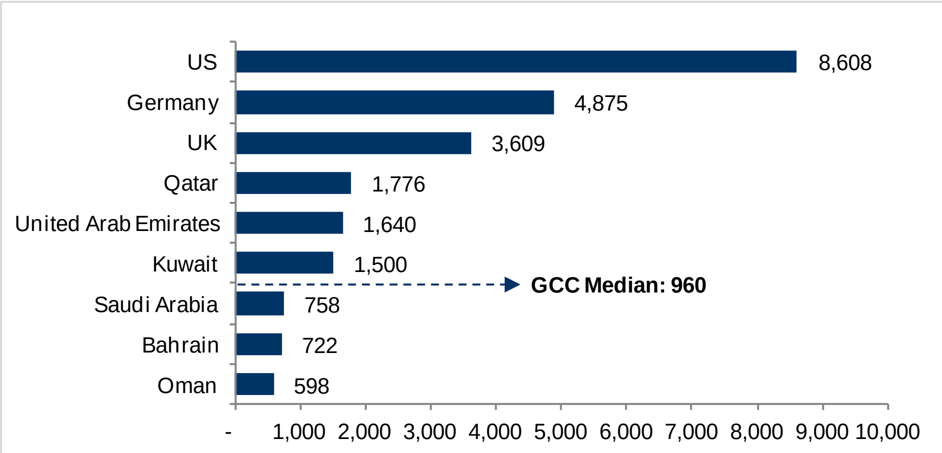
2.1. GCC Healthcare overview

GCC healthcare spend rising, yet lower than developed nations on per capita basis

GCC healthcare expenditure[1] has seen strong growth owing to increase in population, growing incidences of diseases, rising income level and expanding health care infrastructure. In 2011, total healthcare spend in the region stood at US$ 41.6 billion, as per figures available from the WHO and IMF. Going forward, GCC healthcare spending is expected to grow further, driven by greater insurance penetration, higher incidence of lifestyle diseases and growing population.

However, despite the strong growth in healthcare expenditure in GCC, it remains lower than developed countries in terms of per capita spend.

Exhibit 1: GCC Healthcare Per Capita Spend Vs Developed Countries (US$, 2011)



Source: WHO

The global spending[2] on medicines will grow at a healthy CAGR of 6.3% to reach US$ 1.2 trillion between 2014 and 2017. This growth will be faster than the IMF's upwardly revised global growth outlook of 3.7% for 2014 and 3.9% in 2015. Moreover, the institute expects a divergence in growth rates for developed and developing markets. As developed markets are slowly emerging from an economic slowdown, IMF expects austerity measures to continue playing a role in curbing spending growth in North America, Europe, and Japan. On the other hand, spending on medicine in developing countries is expected to grow rapidly (10–13% annually, vis-à-vis 1–4% in developed markets), driven by faster economic expansion, demographic changes, and greater insurance coverage.

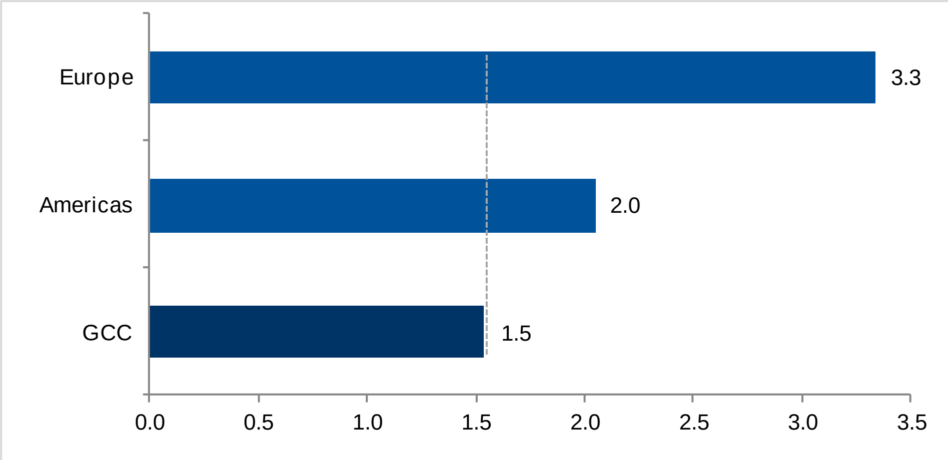
Low per capita spend constrained by less developed infrastructure vis-à-vis developed nations

The physician density in GCC is lower than that in the Americas and Europe

A closer look at the healthcare infrastructure in GCC reveals that it is not as developed as the infrastructure in developed countries. The availability of medical doctors to cater to the existing population is below the levels in developed nations. The physician density[3] in GCC is lower than that in the Americas and far lower than that in Europe. Many industry observers cite the lack of a sufficient number of medical graduates to serve the ever growing needs of a rising population. Also, with more hospitals being opened in the region, the shortage of medical talent could further increase.

[1] Expenditure on medical care and materials and subtracting benefits, expenditure on medical research and training, and adding investment by the healthcare sector - OECD, WHO and Eurostat
[2] IMS Institute for Healthcare Informatics
[3] WHO Health Statistics 2013

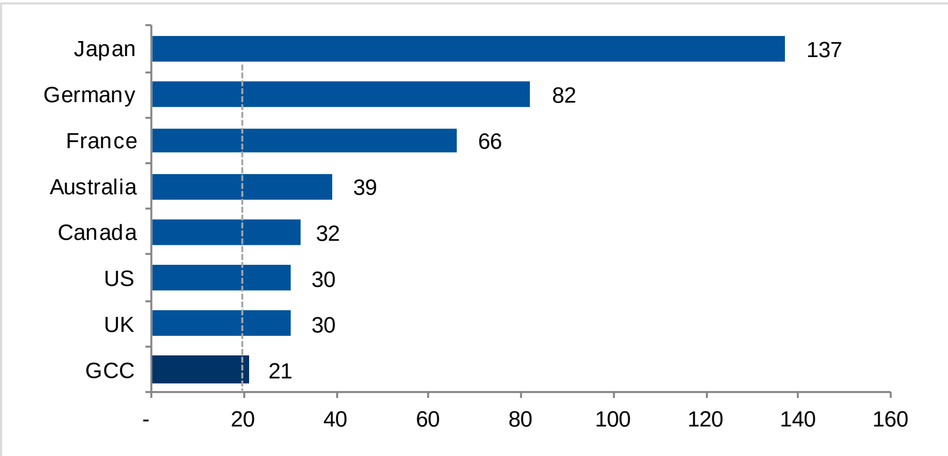
Exhibit 2: Physician Density (per 1,000 persons)



Source: WHO – World Health Statistics 2013; IMF

Similarly, the region also trails in terms of hospital bed availability. The number of hospital beds[4] available per 10,000 population in the region is about 70% of that in some of the developed nations such as the US and UK, while it is only 28% of that in European countries such as France and Germany.

Exhibit 3: GCC vs Developed Countries - Hospital Beds/10,000 population (2011)



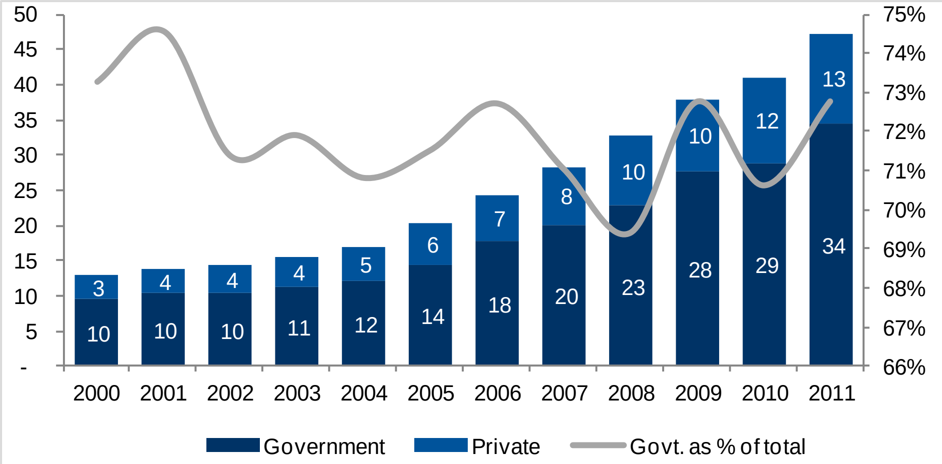
Source: WHO – World Health Statistics 2013; IMF

Governments concerned about sustainable healthcare investments amid rising demand and soaring costs

GCC countries are heavily reliant on their governments for healthcare investments. The governments' share in GCC healthcare spending[5] is on an average 73%. On the other hand, in major developing nations, the private sector is the dominant investor in this industry.

[4] WHO and IMF
[5] WHO Health Statistics

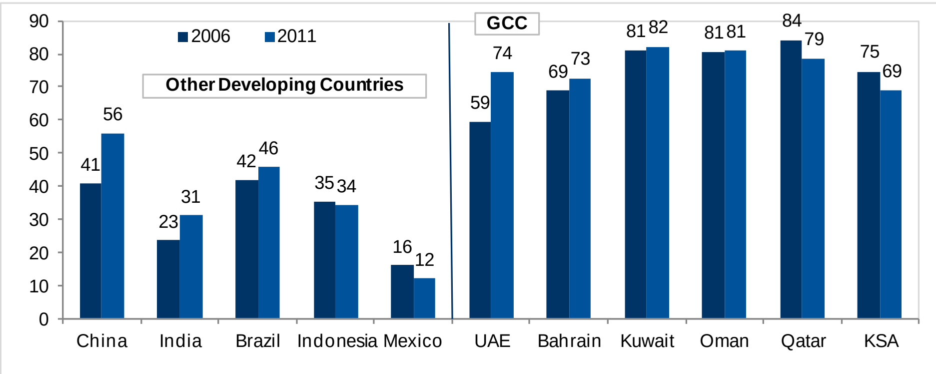
Exhibit 4: Share in Healthcare Expenditure by Source in GCC (US$ Bn)



Source: WHO – World Health Statistics 2013; IMF

Public health authorities in the GCC are focusing on ways to save and control costs[6]. High oil prices have played an important role in the government's ability to fund healthcare spend. However, fluctuating oil prices can impact government finances adversely. Hence, to mitigate this risk, the GCC governments may have been inclined to diversify the sources of healthcare financing. Apart from purely financial considerations, quality of state provided health care is also one of the major concerns. Many healthcare consumers are not fully satisfied with the availability and services at government-run hospitals[7]. Hence, greater involvement of the private sector is gaining importance.

Exhibit 5: GCC Governments' share in Healthcare Expenditure vs Developing Countries (2011)



Source: WHO – World Health Statistics 2013; IMF

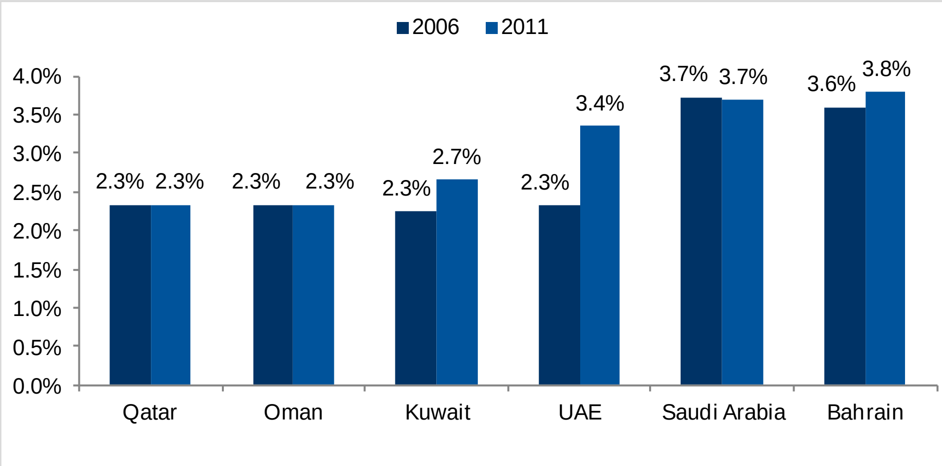
2.2. GCC Country Markets

1. Healthcare Expenditure Trend Indicates Strong Growth Across GCC Countries

The Kingdom of Saudi Arabia is, by far, the largest healthcare market in the GCC. At about US$ 24.7 billion[8] in 2011, it accounted for more than half (52.3%) the region's market. Driven by growing population and the government spending, the healthcare expenditure grew at 12% CAGR between 2006 and 2011. The UAE is the second largest healthcare market in the GCC, with around US$ 11.7 billion spent on health care in 2011. Between 2006 and 2011, it rose at a CAGR of 17.7%, driven by high government expenditure post the 2008 global credit crisis.

[6] According to WHO, IMF data
[7] McKinsey GCC Healthcare report
[8] WHO, IMF data

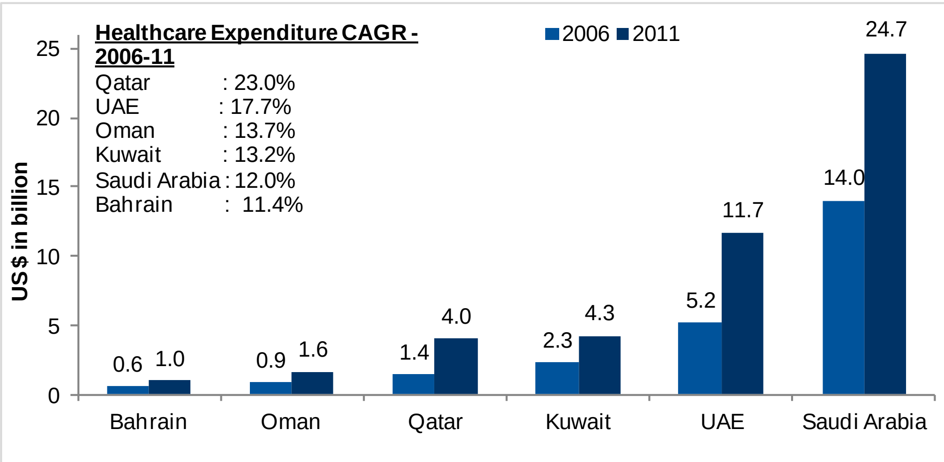
Exhibit 6: GCC Healthcare (as a % of GDP)



Source: WHO, IMF

Qatar, on the other hand, has been the fastest growing market in the region and expanded at a CAGR of 23% between 2006 and 2011. With a population of only 1.1 million in 2011, Bahrain has the smallest healthcare market in the GCC region, constituting 2.1% of GCC's healthcare market in value terms. Bahrain's healthcare market was estimated at US$ 728 million in 2011[9]. Having expanded at a CAGR of 11.4% between 2006 and 2011, the market in Bahrain has grown at the slowest pace in GCC.

Exhibit 7: GCC Countries Healthcare Expenditure



Source: WHO, IMF

2. Rising Per Capita Healthcare Spend Amid Higher Income and Medical Needs

Despite the overall smaller size of Qatar's market, it commands the highest per capita spend in the region. The per capita healthcare spend in Qatar is US$ 1,776[10] for 2011, driven by one of the highest per capita income countries in the world.

In the UAE, not only has the healthcare spending grown rapidly but also the per capita spending is amongst the highest in the region. The per capita healthcare spends stood at US$ 1,640 in 2011, marking the second highest among GCC countries. This is more than twice of Saudi Arabia's spends. With the growing incidence of lifestyle diseases and rising income level, the per capita spend in the nation, which rose at a CAGR of 8.1% between 2006 and 2011, is expected to expand further.

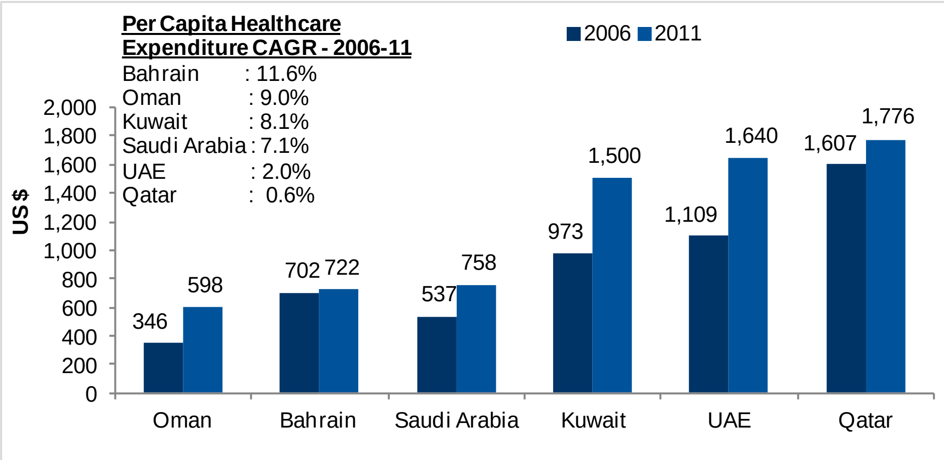
[9] World Healthcare Outlook, Economist Intelligence Unit, August 14, 2013
[10] According to WHO

In Kuwait, rapid growth in the healthcare market can be credited to a robust increase in per capita spending, which jumped from US$ 849 in 2002 to US$ 1,500 by 2011, registering a CAGR of 6.5%.

On the other hand, while Saudi Arabia witnessed strong growth in total healthcare expenditure, it lags behind most GCC peers in terms of per capita spending (US$ 758 in 2011). Going forward, with rising income level and growing healthcare needs, the per capita spend in all GCC nations is expected to rise.

With a small population base, Bahrain has witnessed lack of large-scale healthcare investment due to lesser investor attractiveness. Healthcare spending on per capita basis grew at a low rate of 0.6% during 2006–11.

Exhibit 8: GCC Countries Per Capita Healthcare Spends (per annum)



Source: WHO

3. Government's Share in National Healthcare is High in GCC

The government is a major financer of healthcare services in Kuwait. In fact, at 82% in 2011, Kuwait had the highest government share in total healthcare spending. With an ambitious US$ 110 billion, five-year developmental plan for 2010–14, the government's share could rise further.

In Qatar, on the other hand, the per capita spend has expanded rapidly due to the growth in the private sector. The government's spending stagnated in 2009 as the allocation of expenditure towards health care declined from 8.3% in 2008 to 5.1% in 2009[11]. As a result, government's share in Qatar's healthcare spends declined from 84% in 2006 to 78.5% in 2011. However, since 2011, there has been an uptick in the government's share.

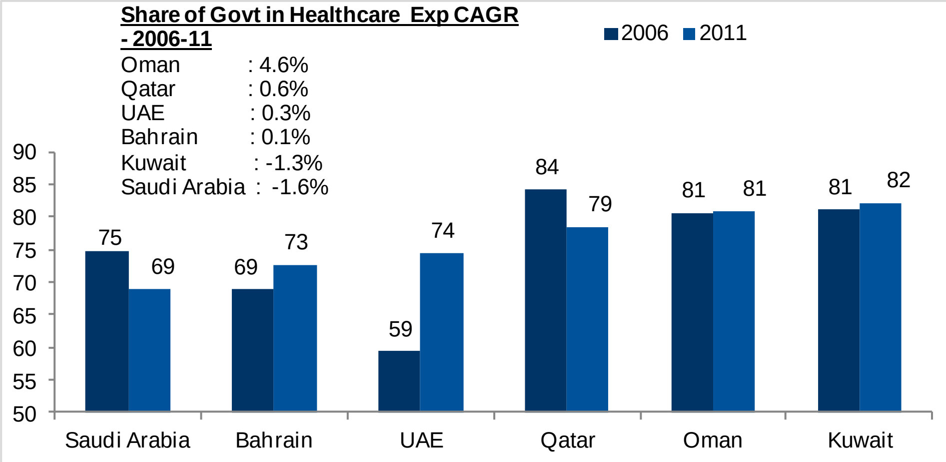
In the UAE, surge in government spending since 2008 supported growth in healthcare expenditure. Total government spending in 2008 jumped 38% to AED 203 billion, and further by 27%, to AED 258 billion in 2009[12], as part of the government's efforts to boost a sagging economy. This led to a spurt in the government's share in the nation's healthcare spending and it rose from 60% in 2007 to 77% by 2009 while still remaining at a high level of 74% in 2011.

Among GCC countries, Saudi Arabia has the lowest government share in total healthcare spending. However, to improve the country's healthcare profile, the government substantially raised the healthcare budget after the 2009 economic slowdown. In 2010, budget allocation to health care jumped 51% to SAR 61.2 billion, and again by 26%, to SAR 86.5 billion in 2012. Between 2009 and 2011, total healthcare budgetary allocation surged 70%. Subsequently, the government's healthcare expenditure, as a proportion of total expenditure, started rising from 2009.

[11] Qatar Statistics Authority
[12] According to IMF

In Bahrain, with no major investments from private sectors, the share of government spending has steadily increased over the years, from 68% of the country's healthcare expenditure in 2002 to 73% by 2011.

Exhibit 9: Share of Government Expenditure in GCC Countries (%).



Source: WHO

4. Trends in Hospital Bed Infrastructure Availability on Per Capita Basis

Kuwait reversed the decline in per capita hospital bed availability by 2011, with the implementation of a five-year development plan. Projects are underway to expand the capacity of existing hospitals and build new ones. With the aim to further improve the ratio, five new hospitals – Al-Jahra, Maternity, Al-Razi, Ibn Sina, and Kuwait Children's hospital – are planned to be constructed. Under the five-year plan, the country plans to add 3,334 hospital beds in the public sector by 2016.

In the UAE, infrastructure, in terms of hospital beds available to serve the population, declined between 2002 and 2006. However, following the jump in government spending on health care, bed availability increased from 18 per 10,000 population in 2006 to 19 in 2011.

The hospital bed availability in Bahrain has fallen from 28 in 2002 to 18 in 2011

On the other hand, Qatar's hospital infrastructure is under enormous strain due to large inflow of expats. This inflow resulted in a 70% surge in population within five years till 2011. Hence, despite having the highest per capita healthcare spend in GCC, Qatar lags behind in terms of hospital beds infrastructure. In fact, the country has the lowest hospital beds to population ratio among GCC countries (12 beds per 10,000 population in 2011), down from 25 in 2006.

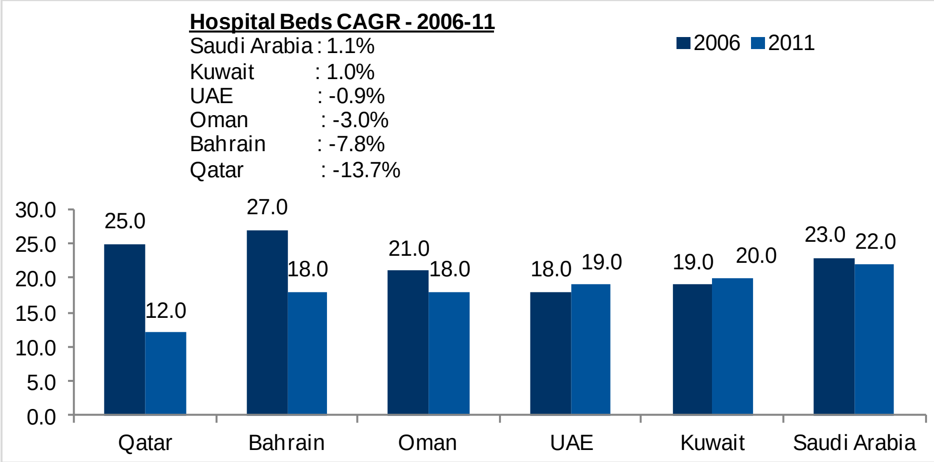
Saudi Arabia has the highest level of hospital bed availability among GCC countries, but lacks in terms of radiotherapy units (0.1 radiotherapy units per million population, lowest in the region).

In Oman, the hospital bed capacity has been dismal, increasing from 4,534 beds in 2000 to 4,690 by 2011[13], at a CAGR of just 0.3%. Hence, by 2011, hospital beds available per 10,000 population declined from 21 in 2006 to just 18 in 2011.

Similarly, lack of major healthcare investments in Bahrain's healthcare sector has taken its toll on the hospital infrastructure capacity. The hospital bed availability in the country has fallen from 28 in 2002 to 18 in 2011.

[13] According to the statistics from the Ministry of Health, Oman

Exhibit 10: Hospital Beds (per 10,000 population)



Source: WHO

5. GCC countries Face Shortage of Physicians and Medical Staff

A number of countries in the Middle East face a significant shortage of local skilled staff

A number of countries in the Middle East face a significant shortage of local skilled staff, and there is a dominance of the expat communities in both the nursing and physician fields. For instance, the availability of medical personnel in Saudi Arabia is not in line with its growing population. Physicians, and nurses and midwives per 10,000 persons in the country declined[14] in 2011 and is among the lowest in the GCC region. Most physicians in the nation are expatriates[15]with local Saudi doctors constituting only 23.8% of the total Saudi physician workforce in 2012. To counter the shortage of physicians in the country, the government is establishing medical colleges/hospitals in 24 universities across the nations. The ministry of health is focusing on increasing the number of indigenous doctors in the country. As per the targets, the number of Saudi doctors in local hospitals is set at 25,858 by 2020 (nearly 50% of the total doctors available then). Setting up medical colleges would be a key initiative to help achieve the targets. Furthermore, to address the current shortage of medical staff, the ministry is also recruiting doctors from India, Pakistan, and Egypt.

Similarly, recruitment of medical workforce in Qatar has been growing at a robust pace. The number of physicians in government medical institutions, which provide majority of the healthcare services, expanded at a CAGR of 7.3% between 2002 and 2011 to 2,027. Accordingly, the availability of physicians rose from 24 per 10,000 population in 2002 to 28 by 2011, the highest in GCC.

The Emirate alone would need additional 3,100 doctors by 2020

The UAE has one of the fastest growing populations in the region. Between 2002 and 2012, its population swelled at a CAGR of 5.7%, rising from 3.2 million to 5.5 million. The availability of medical personnel per 10,000 population has risen over the years. Physicians, and nurses and midwives per 10,000 persons in the country rose[16] from 17 to 19 and from 35 to 41, respectively, from 2002 to 2011. Despite this, the country is facing shortage of skilled medical workforce. For instance, in Abu Dhabi, due to the shortage and growing demand, the Emirate alone would need additional 3,100 doctors by 2020[17].

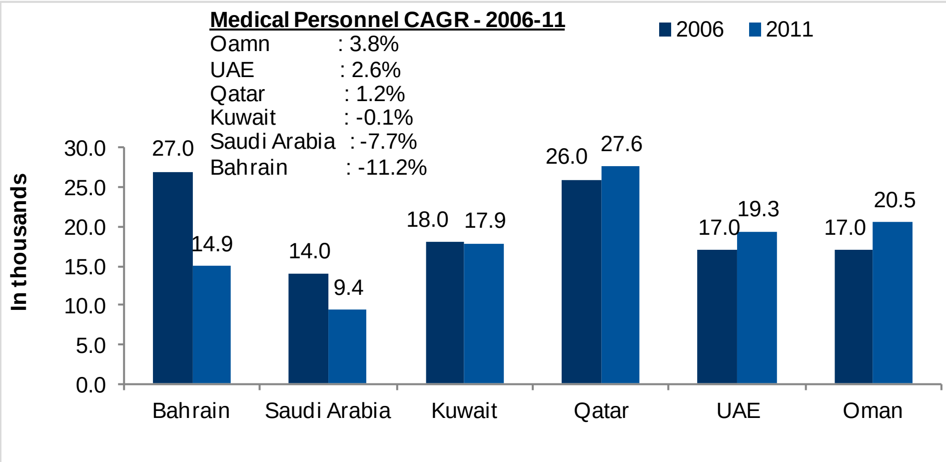
While Bahrain witnessed a rise in medical personnel per 10,000 population between 2002 and 2009, the ratio of medical personnel to population started declining in 2011. At about 15 physicians per 10,000 population, the availability of physicians in Bahrain is among the lowest in the GCC region. On the other hand, in Oman, the indicators on availability of medical personnel have improved. Strong trends in recruitment of medical staff resulted in increase in the availability of physicians[18]. Between 2000 and 2011, physician staff

[14] According to WHO
[15] According to Ministry of Health, Saudi Arabia
[16] According to WHO
[17] According to Abu Dhabi's Health Authority
[18] According to the Ministry of Health, Oman

increased at a CAGR of 6.2% to 6,328 by 2011, resulting in strong growth in physicians per 10,000 population. As a result, the country has the second highest doctor availability per 10,000 population in the GCC region, following Qatar.

With major expansion in Kuwait's hospital infrastructure, the demand for medical personnel is expected to rise. It is estimated that 4,000 doctors and 10,000 nurses would be needed to staff new hospitals by 2016.

Exhibit 11: Medical Personnel (per 10,000 population)



Source: WHO

3. GCC Healthcare Industry Outlook

3.1. Forecasting Methodology

To assess the size of the healthcare sector, we estimated outpatient and inpatient markets across government- and privately-owned health establishments. We have used socio-economic variables such as population, inflation rate and GDP along with healthcare indicators such as number of beds, average length of stay, number of outpatients and inpatients, and health inflation to arrive at the total outpatient and inpatient market sizes.

- Inflation and GDP estimates of GCC countries as per the International Monetary Fund (IMF)
- Population estimates of GCC countries as per the United Nations Conference on Trade and Development (UNCTAD)
- Health indicators, updated until 2011, wherever available from the respective Ministries of Health

Prevalence rate of diseases and net health inflation considered to assess healthcare market

Alpen Capital has projected additional bed requirement and market size across outpatient and inpatient categories for GCC countries up to 2020. Prevalence rate of diseases and net health inflation (inflation in health costs over and above the normal inflation) are major parameters directly affecting the market size. With improvement in living standards and healthcare awareness in GCC, prevalence of communicable diseases is expected to decline. However, lifestyle-related diseases such as diabetes and obesity are likely to increase due to growth in per capita income and a sedentary lifestyle. Given the anticipated trends of communicable and non-communicable diseases, it remains to be seen whether the overall disease prevalence would rise, fall or remain constant.

Health inflation in MENA rose to 4.4% in 2011 from 3.7% in 2009[19]. Health costs are expected to continue to soar over the next few years; this would significantly impact the overall market size.

Market size is estimated using the following formula:

Market size = Outpatient market size + Inpatient market size

Where, Outpatient market size = Prevalence rate x Population estimate x Number of visits per disease x Cost per visit

Inpatient market size = Prevalence rate x Population estimate x Average length of stay x Cost per inpatient day

Demand for hospital beds is estimated using the following formula:

Number of beds required = Number of in-patient days / (365 x Bed occupancy rate)

Where, Number of in-patient days = Prevalence rate x Population estimate x Average length of stay

Bed occupancy rate has been calculated using historic inpatient days and bed numbers, taken from our previous report

[19] Towers Watson

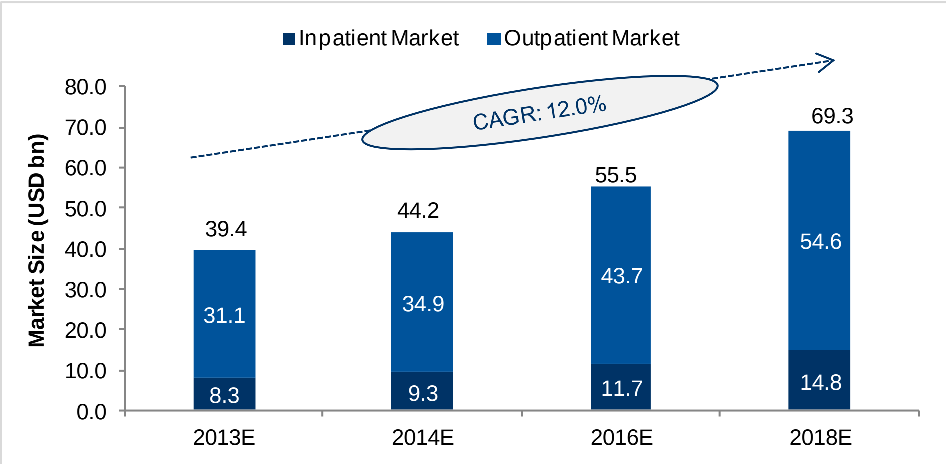
3.2. Market size forecast

Healthcare market to expand at a CAGR of 12.0% over 2013–18

The healthcare services market in GCC expanded at a CAGR of 16.7% since 2007 and reached around US$ 34.7 billion in 2012. It is projected to grow at an annual rate of 12.0% to US$ 69.4 billion by 2018 from an estimated US$ 39.4 billion in 2013. The outpatient market in GCC is projected to be about US$ 54.6 billion or 78.7% of the overall market, while inpatients would contribute 21.3% by 2018.

In our 2011 report, we had estimated the overall market to grow at a CAGR of 11.4% to US$ 43.9 billion by 2015. We have revised our market size estimate to US$ 49.6 billion by 2015 in this release. Fresh data released by WHO on key healthcare indicators lead us to believe that medical inflation has risen higher than expected; consequently our new 2015 market size estimate is higher.

Exhibit 12: Projection of healthcare services market



Source: Alpen Capital; numbers rounded-off to one decimal

Qatar and the UAE to record maximum growth during 2013–18

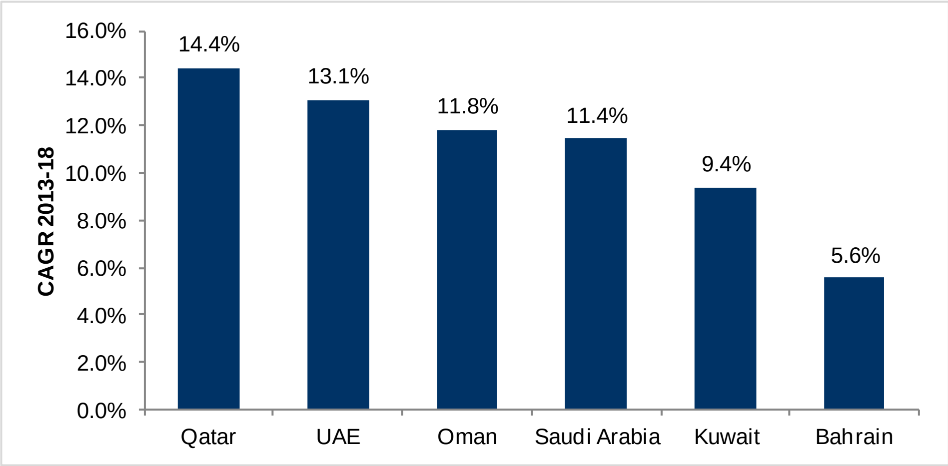
Healthcare market is expected to expand across the GCC region, albeit at a varied rate. This is mainly ascribed to disparity in disease prevalence rates, health inflation and government spending. Saudi Arabia would continue to be the largest market, accounting for 45.4% of the total in 2018, followed by the UAE (26.8%). In addition, Qatar and the UAE are expected to be the fastest growing markets in GCC over 2013–18.

Exhibit 13: Country-wise healthcare market within GCC (%)

Country	2013E	2014E	2016E	2018E
Saudi Arabia	46.5%	46.3%	45.8%	45.4%
UAE	25.5%	25.5%	25.9%	26.8%
Qatar	11.7%	12.0%	12.6%	13.0%
Oman	5.5%	5.6%	5.7%	5.4%
Kuwait	8.8%	8.6%	8.2%	7.8%
Bahrain	2.1%	2.0%	1.7%	1.6%
GCC Total	**100%**	**100%**	**100%**	**100%**

Source: Alpen Capital

Exhibit 14: Country-wise healthcare market growth over 2013-18



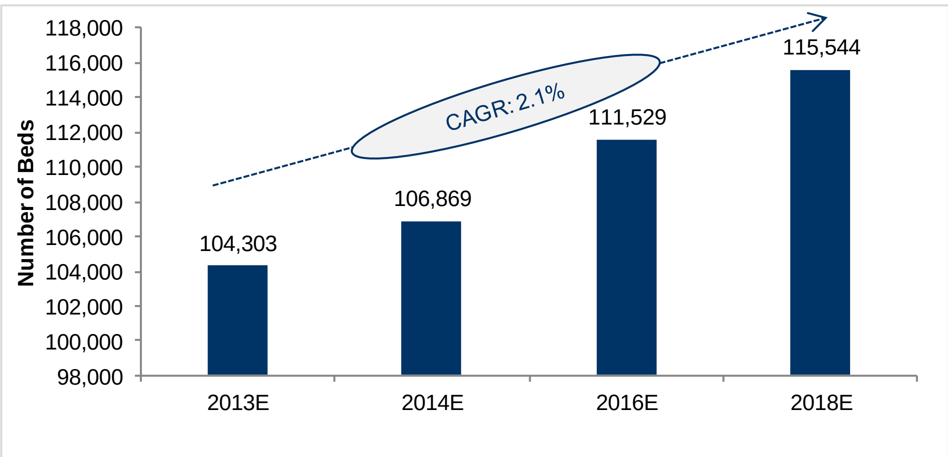
Source: Alpen Capital

Demand for number of hospital beds to expand at a CAGR of 2.1% over 2013–18

Demand for the number of hospital beds in the region is likely to expand at a CAGR of 2.1% to 115,544 in 2018 from an estimated 104,303 in 2013. The additional number of beds in Saudi Arabia, the largest market in the region, is expected to increase by 5,491 during the five-year period. The number of beds in Kuwait would increase at a CAGR of 3.0%, while in Saudi Arabia and the UAE number of beds would grow at a CAGR of 1.7%.

The number of beds remains in line with the current GCC average and below the US and European averages. The forecasted demand for beds is based on the current level of inpatient treatments, given the standards of healthcare services, insurance penetration and healthcare infrastructure in the GCC. The GCC region also has a high percentage of expatriate population and also sees a large import of medical treatment, which lowers the number of local inpatient treatments. The gradual improvement of healthcare infrastructure and standards in the GCC along with increasing insurance penetration should see an increase in number of patients opting for treatments locally, thus seeing an increase in demand for hospital beds.

Exhibit 15: Projection of demand for hospital beds



Source: Alpen Capital; numbers rounded-off to one decimal

There is a strong pipeline of healthcare projects announced or in the progress phase in the GCC, which is in line with the demand for hospital beds. Strengthening of healthcare infrastructure through such projects is gradually expected to improve the GCC ratio of number of hospital beds to population

3.3. Country level detailed forecasts

Exhibit 16: Saudi Arabia healthcare market

Category	2013E	2014E	2016E	2018E
Total Market (US$ bn)	18.3	20.5	25.4	31.5
Inpatient Market (US$ bn)	2.6	2.9	3.6	4.5
Outpatient Market (US$ bn)	15.7	17.6	21.8	27.0
Number of beds	61,144	62,290	64,507	66,635

Source: Alpen Capital; numbers rounded-off to one decimal

Healthcare market in Saudi Arabia to grow 11.4% over 2013–18

The healthcare market in Saudi Arabia is expected to expand at a CAGR of 11.4% to US$ 31.5 billion in 2018 from an estimated US$ 18.3 billion in 2013. The growth would be mainly driven by population explosion—population in the largest of six GCC countries is likely to increase by 2.6 million over the next five years—and improving life expectancy. Life expectancy at birth levels in Saudi Arabia increased nearly 30 years from 45.7 years in 1960 to 75.3 years in 2011. The outpatient market is estimated at US$ 27.0 billion by 2018, while the remaining would be contributed by the inpatient market.

Given the strong demand for healthcare services, we believe the number of beds in Saudi Arabia is expected to expand at a CAGR of 1.7% to 66,635 in 2018 from an estimated 61,144 in 2013. The government has been aggressively implementing policies to build infrastructure and enhance private sector participation due to rising demand for healthcare services. The government considers investment in health care infrastructure as a priority, and included funding for 19 new hospitals in the 2013 budget, besides the 102 currently under construction[20]. Furthermore, the 2014 budget allocated SAR 106 billion for healthcare sector, an increase of 8% YoY from 2013.

Exhibit 17: The UAE healthcare market

Category	2013E	2014E	2016E	2018E
Total Market (US$ bn)	10.0	11.3	14.4	18.6
Inpatient Market (US$ bn)	3.1	3.5	4.5	5.8
Outpatient Market (US$ bn)	6.9	7.8	9.9	12.8
Number of beds	19,602	19,811	20,463	21,357

Source: Alpen Capital; numbers rounded-off to one decimal

Healthcare market in the UAE to expand 13.1% over 2013–18

The UAE is one of the most organized and fastest growing healthcare markets in GCC. Improved healthcare infrastructure and rising income over the years have increased life expectancy at birth from 52.2 years in 1960 to 76.8 years in 2011 in the country. It is the medical tourism hub in the region, attracting patients from other GCC as well as Arab nations. The government now seeks to compete with established medical tourism destinations such as India. Over 2013–2018, the market is expected to expand at a CAGR of 13.1% to US$ 18.6 billion from an estimated US$ 10.0 billion. The outpatient market is likely to be worth US$12.8 billion and inpatient US$ 5.8 billion. The number of hospital beds is estimated to increase at a CAGR of 1.7% to 21,357 in 2018 from an estimated 19,602 in 2013.

[20] Deloitte

Exhibit 18: Kuwait healthcare market

Category	2013E	2014E	2016E	2018E
Total Market (US$ bn)	3.5	3.8	4.6	5.4
Inpatient Market (US$ bn)	1.0	1.1	1.3	1.5
Outpatient Market (US$ bn)	2.5	2.7	3.3	3.9
Number of beds	8,301	8,641	9,211	9,642

Source: Alpen Capital; numbers rounded-off to one decimal

Healthcare market in Kuwait to grow 9.4% during 2013–18

Kuwait's healthcare sector is in the developing stage and has been growing rapidly over the past few years. Population growth coupled with increased life expectancy is likely to exert tremendous pressure on the country's healthcare sector. Life expectancy at birth in Kuwait increased 24 years to 74.3 in 2011 from 60.3 in 1960. The healthcare market in Kuwait is expected to expand at a CAGR of 9.4% to US$5.4 billion in 2018 from an estimated US$ 3.5 billion in 2013. The outpatient market would represent US$ 3.9 billion and inpatient US$ 1.5 billion. The number of hospital beds is likely to expand at a CAGR of 3.0% to 9,642 from an estimated 8,301 during the same period.

Exhibit 19: Qatar healthcare market

Category	2013E	2014E	2016E	2018E
Total Market (US$ bn)	4.6	5.3	7.0	9.0
Inpatient Market (US$ bn)	1.2	1.4	1.9	2.5
Outpatient Market (US$ bn)	3.4	3.9	5.1	6.6
Number of beds	4,980	5,208	5,546	5,725

Source: Alpen Capital; numbers rounded-off to one decimal

Healthcare market in Qatar to grow 14.4% over 2013–18

Healthcare services in Qatar have improved over the years, thereby increasing life expectancy at birth levels by 17 years from 61.2 in 1960 to 78.3 years in 2011. The country has the highest per capita healthcare spending among GCC nations. Its healthcare market is expected to expand at a CAGR of 14.4% over 2013–18 to US$ 9.0 billion from an estimated US$ 4.6 billion. The outpatient market is estimated to be worth US$ 6.6 billion, while inpatient would contribute the rest. The number of hospital beds is likely to increase at a CAGR of 2.8% to 5,725 in 2018 from an estimated 4,980 in 2013.

Exhibit 20: Oman healthcare market

Category	2013E	2014E	2016E	2018E
Total Market (US$ bn)	2.1	2.5	3.2	3.8
Inpatient Market (US$ bn)	0.2	0.2	0.3	0.4
Outpatient Market (US$ bn)	1.9	2.2	2.8	3.4
Number of beds	7,645	8,263	9,076	9,359

Source: Alpen Capital; numbers rounded-off to one decimal

Healthcare market in Oman to increase 11.8% during 2013–18

The healthcare services market in Oman is in the developing stage, the country's life expectancy levels were the lowest in the region at 42.7 years in 1960, but have improved over the years to reach 76.3 years in 2011. Oman witnessed increasing private sector participation over the past few years. Between 2013 and 2018, Oman's healthcare market is expected to expand at a CAGR of 11.8% to US$3.8 billion from an estimated US$ 2.1 billion. The outpatient category would account for US$ 3.4 billion, while inpatients would contribute the rest. The number of hospital beds required is estimated to increase at a CAGR of 4.1% to 9,359 from an estimated 7,645 during the same period.

Exhibit 21: Bahrain healthcare market

Category	2013E	2014E	2016E	2018E
Total Market (US$ bn)	0.8	0.9	1.0	1.1
Inpatient Market (US$ bn)	0.1	0.2	0.2	0.2
Outpatient Market (US$ bn)	0.7	0.7	0.8	0.9
Number of beds	2,631	2,655	2,727	2,827

Source: Alpen Capital; numbers rounded-off to one decimal

Healthcare market in Bahrain to grow 5.6% over 2013–18

The healthcare services market in Bahrain has been witnessing robust growth over the past few years. The growth can be attributed to rising population and improved life expectancy at birth levels, which rose to 76.4 years in 2011 from 52.1 years in 1960. Ithmaar Development Company is constructing a one-of-its-kind health island in Bahrain; this is likely to boost medical tourism in the country. Healthcare services in Bahrain are expected to expand at a CAGR of 5.6% to US$1.1 billion in 2018 from an estimated US$ 0.8 billion in 2013. The inpatient market is projected to be worth US$ 0.2 billion and outpatient US$ 0.9 billion in 2018. During 2013-18, the demand for number of hospital beds is expected to expand at a CAGR of 1.4% to 2,827 from an estimated 2,631.

4. Key GCC Healthcare Growth Drivers

4.1. Rapidly growing population and growing per-capita income

GCC markets are witnessing a population boom. The region's oil wealth and governments' efforts to diversify the economies are expected to aid economic growth and prosperity. This, in turn, would help maintain a steady inflow of expatriates and population growth. The region's population is expected to cross the 50-million mark by 2020[21], at a growth of 12% between 2013 and 2018. A rapid rise in population is expected to create additional demand pressures on the region's healthcare market.

In addition to a fast growing population, the region also enjoys high per capita income, which is growing at a healthy pace. Growing purchasing power increases demand for healthcare. GCC's per capita income is expected to rise by 9% from 2013 level, to reach US$ 37,925 by 2018[22].

4.2. Rising incidence of lifestyle-related ailments

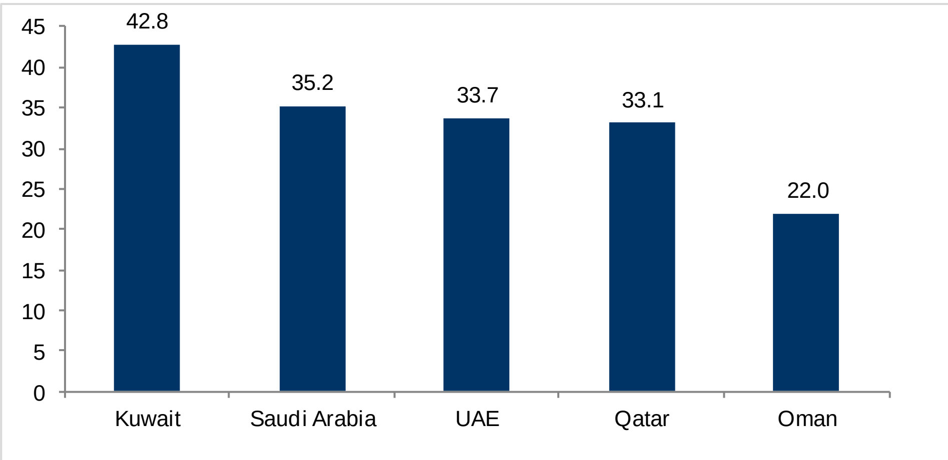
Rising income levels, unhealthy diet, and sedentary lifestyles lead to an increasing incidence of lifestyle-related diseases globally. This has led to a greater prevalence of obesity, diabetes, cardiovascular diseases, and higher risk of certain types of cancer.

The number of overweight and obese adults in the developing world has quadrupled from 250 million in 1980 to 1 billion in 2008[23]. The WHO estimates that every year, 2.8 million people die as a result of being overweight or obese. The organization estimates that by 2015, the global overweight and obese population will rise to 2.3 billion and 700 million adults, respectively. Consequently, the anti-obesity drug market, which was valued at US$ 1.4 billion in 2009, will more than double to US$ 3.1 billion by 2016.

The GCC region has sharply higher level of prevalence of obesity than the global average

Also, the growing incidences of non-communicable diseases such as diabetes and heart disorders due to obesity is expected to take a global economic toll of US$ 47 trillion over the next two decades, due to lower labor productivity and higher medical costs[24]. The GCC region has sharply higher level of prevalence of obesity than the global average. As a result, International Diabetes Federation has identified the GCC countries among the top countries having high incidence of diabetes.

Exhibit 22: Prevalence of Obesity Among Adults in GCC (% population)



Source: Food and Agriculture Organization (FAO)

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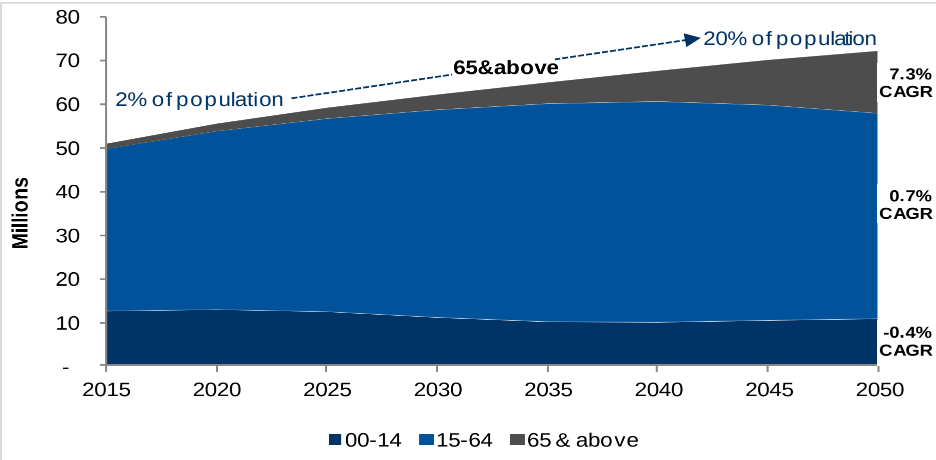
[21] According to IMF
[22] According to IMF
[23] According to the UK-based Overseas Development Institute (ODI)
[24] According to Food & Agriculture Organization (FAO)

4.3. Drop in mortality and increase in life expectancy

As the GCC population growth rates gradually slow, the population mix will change. As a result, the older age population will rise faster than the younger peers. Further impetus to the ageing phenomena is expected to come from advancement in medical technologies, in the form of increased life expectancy. The GCC population of 65 years and above is expected to surge from 1.2 million in 2015 to 14.2 million in 2050[25].

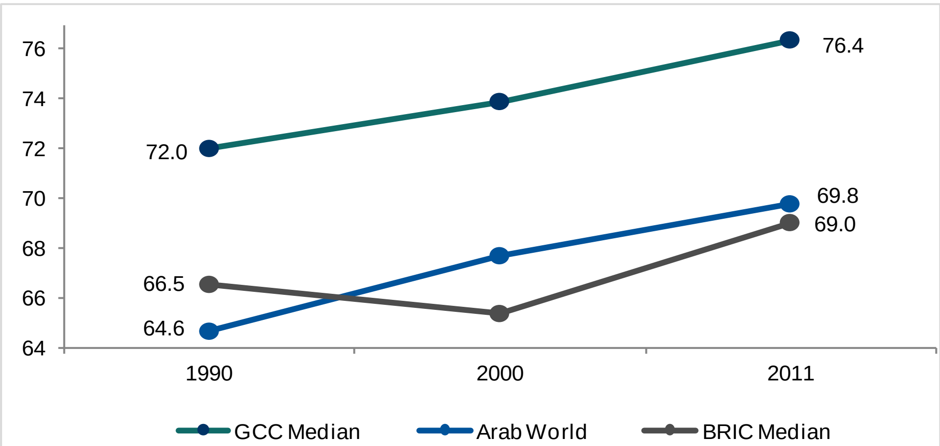
Exhibit 23: GCC Population Pyramid Projection



Source: World Bank

With a higher life expectancy, the demand for healthcare services has risen on two counts – a longer period over which an average GCC resident requires such services, and a higher proportion of elderly population that typically requires intensive healthcare services. Healthcare requirements of elderly population are much higher than the younger population, as the body tends to become frail and prone to diseases. About 80% of a person's health care demands typically arise after the age of 50 years[26]. Hence a huge population of elderly persons will raise the demand for healthcare services many folds, going forward.

Exhibit 24: Life Expectancy of GCC Compared to Other Developing Regions



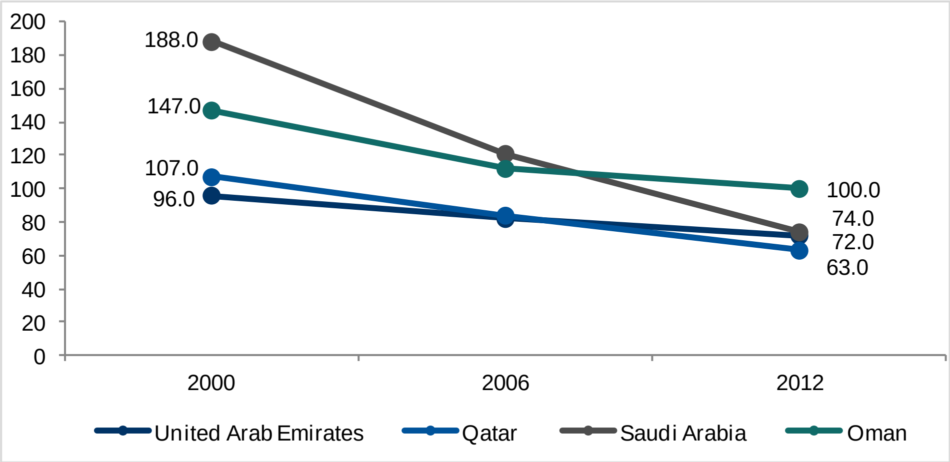
Source: World Bank

Furthermore, the region's residents are benefitting from improvements in the availability of quality healthcare infrastructure and services, rising income levels and advancement in medical technology. As a result, infant mortality rates in the region are dropping in all the GCC countries. The median infant mortality rate in the region has fallen from 110 per

[25] According to the World Bank estimates
[26] According to Colliers International

10,000 live births in 2000 to 97 by 2006 and to 78 by 2012. In fact, infant mortality rates in the GCC are much lower than in the wider Arab world, which stood at 302 in 2012, and is superior to the median figure of 125 for the developing BRIC nations.

Exhibit 25: Infant Mortality Rate Trend in Some GCC Countries (per 10,000 population)



Source: World Bank

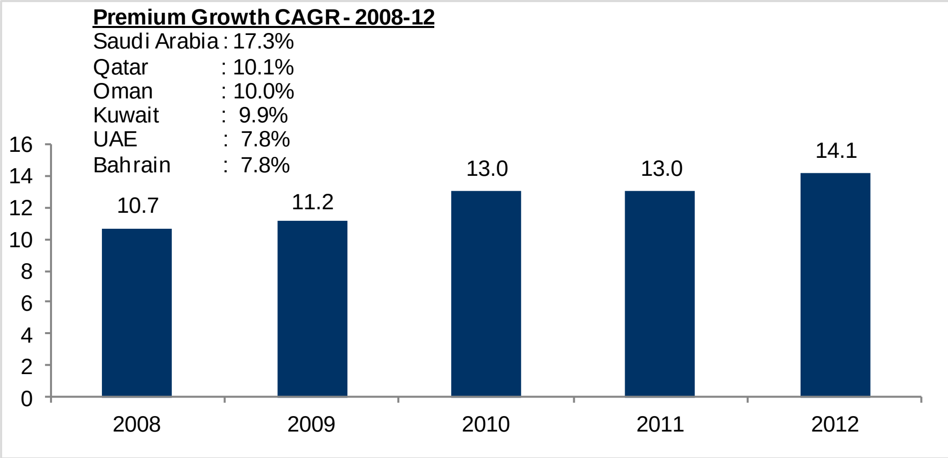
4.4. Changing Regulations to Raise Insurance Penetration in GCC

Despite the economic slowdown since 2009, GCC non-life insurance premium grew between 2008 and 2012. It grew from US$ 9.2 billion in 2008 to US$14.1 billion by 2012, a growth of CAGR 7.3%. The share of GCC in global non-life premium rose from 0.6% in 2008 to 0.71% in 2012. In the non-life insurance segment, motor and health insurance expanded at an accelerating pace in GCC, and are now commanding a significant share in the segment. As per Alpen Capital's 'GCC Insurance Industry Report 2013', motor and health insurance accounted for 39% and 46% (includes Property and miscellaneous accidents), respectively, of the total non-life segment in 2010. The key factor attributed to their growth is the introduction of regulations in various GCC countries that make motor and health insurance covers mandatory for residents.

Furthermore, GCC insurance industry is expected to expand at a CAGR of 18.1% between 2012 and 2017 to reach a size of US$ 37.5 billion[27], with non-life insurance segment outperforming the life segment during the forecast period. The non-life segment is forecasted to expand at a CAGR of 20.0% during the same period to reach US$ 35.1 billion.

[27] Alpen 'GCC Insurance Report 2013'

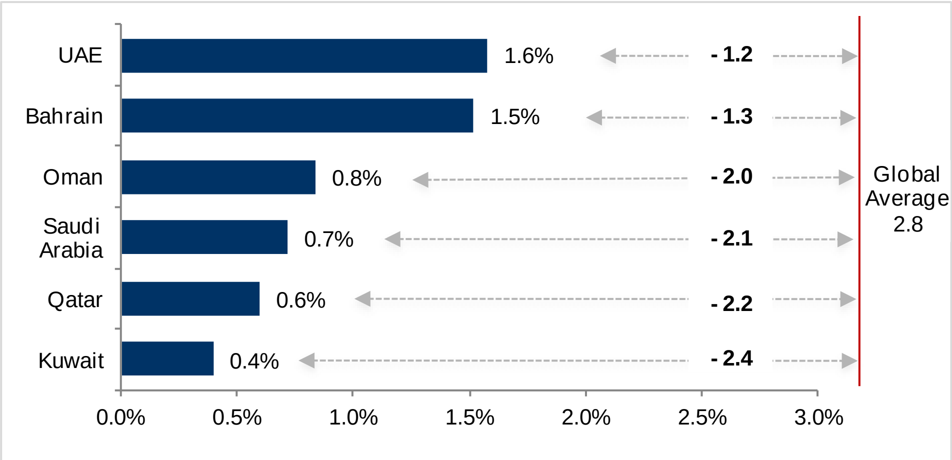
Exhibit 26: GCC Insurance Premiums – Non Life (US$ billion)



Source: Swiss RE, IMF

The 2009 global economic crisis led to a decline in global non-life premium worldwide. The global non-life premium declined 2.2% to US$ 1.74 billion in that year[28]. In the GCC, non-life premium growth was slower in 2010 and 2011. As a result, insurance penetration in the region declined from 1.17% in 2009 to 1.14% in 2010 and further to 0.9% in 2011. However, it stabilized at 0.9% in 2012, and is expected to surge to 1.9% by 2017[29]. While growth in the region's insurance premium outpaces the growth in the global market, the insurance penetration remains one of the lowest in the world.

Exhibit 27: GCC Insurance Penetration – Non Life (% GDP, 2012)



Source: Swiss RE

With an aim to reduce the healthcare cost burden on their governments, GCC countries are gradually moving away from a 'welfare state' healthcare model (where they were the major contributors of healthcare costs) to a market-based model. In this approach, the countries are increasingly making health insurance mandatory.

In November 2013, Dubai approved a new health insurance law, making it compulsory for citizens, residents, and visitors to have health insurance. Under the law, employers are required to take health insurance coverage for all their expatriate employees. The Dubai Health Authority (DHA) is expected to roll out the compulsory coverage in phases till 2016. On 2 April 2014, the DHA approved 43 insurance companies to provide health cover for Dubai residents, and expects the completion of first phase by October 2014. In this phase, about 200 companies would be covered, which have 1,000 or more employees. Only one

[28] According to the figures available from Swiss RE
[29] Alpen Capital's 'GCC Insurance Report 2013'

million Dubai residents enjoy health cover, while with the implementation of the new scheme, more than three million residents are expected to have coverage.

Health cover for the spouses and children of expatriates in UAE have also been made mandatory, and residence visas for family members will not be re-issued without health cover. Residents with health insurance would pay only 20% of the cost of doctor's consultation fees, treatment and medicine cost, while the premium is expected to cost between AED 500-700 per year.

Similarly, in 2013 Qatar enacted a mandatory health insurance law to bring both citizens and expats under its coverage. The new law will be implemented in phases, and implemented for expats from 2015.

Saudi was the first one to initiate mandatory health insurance in 2006 in the region, while a mandatory health insurance cover for expats in Bahrain is also under consideration. With Bahrain being home to a large population of non-nationals, the new ruling can strongly boost demand for health insurance products. These regulatory changes are likely to further drive insurance penetration rates in GCC, providing a boost to the healthcare market in the region.

4.5. Strong GCC Healthcare Project Pipeline

The Saudi Arabian Ministry for Health, is currently executing five major healthcare projects

Supported by larger healthcare budgets, the GCC countries have embarked on ambitious healthcare infrastructure building programmes. The Saudi Arabian Ministry for Health, for instance, is currently executing five major (more than US$ 500 million in value) healthcare projects. These projects are essentially medical cities. The largest of them all, the King Fahad Medical City, encompasses four hospitals with a total of more than thousand beds and other primary care clinics. Once completed, it is expected to treat 2 million outpatients and 50,000 inpatients, annually. Similarly the new Sheikh Khalifa Medical City will comprise three hospitals with a total of 838 beds, spread over 300,000 square meters. Such large medical cities and complexes, with billions of dollars of investments lined up, is expected to not only raise the supply of medical infrastructure but also raise the quality of healthcare services in the region.

Exhibit 28: Major Ongoing Healthcare Projects in GCC (more than US$ 100 m)

Project	Country	Value (US$ m)	Type	Stage
Sheikh Khalifa Medical City	UAE	4,000	Standalone	Bid Evaluation
Dilmunia Health Island	Bahrain	1,600	Master Project	Tendering & Bidding
King Fahad Medical City Expansion	KSA	1,300	Master Project	Execution
King Khalid Medical City	KSA	1,200	Standalone	Prequalification
KHAC Hospitals Project	Kuwait	1,150	Standalone	Planning
Al Farwaniyah Hospital Expansion	Kuwait	1,000	Standalone	Bid Submission
King Faisal Medical City	KSA	1,000	Master Project	Execution
Al Jahraa Hospital Expansion	Kuwait	996	Standalone	Bid Submission
Sabah Al Salem Cancer Center	Kuwait	800	Standalone	Execution
Al Ain Hospital	UAE	708	Standalone	Execution
New Al Sabah Hospital	Kuwait	706	Standalone	Bid Evaluation
New Mafraq Hospital	UAE	599	Standalone	Execution
Prince Mohammad Bin Abdulaziz Medical City	KSA	533	Master Project	Execution
King Abdullah Medical City	KSA	533	Standalone	Bid Submission
Hail Specialized Hospitals	KSA	340	Standalone	Execution
Damam University Hospital	KSA	133	Standalone	Execution

Source: Zawya Projects

5. Key GCC Healthcare Trends

5.1. Employee healthcare benefits cost in GCC are among the highest in Europe, Middle East and Africa

Employers in the Middle East spend more on healthcare than those in other EMEA regions

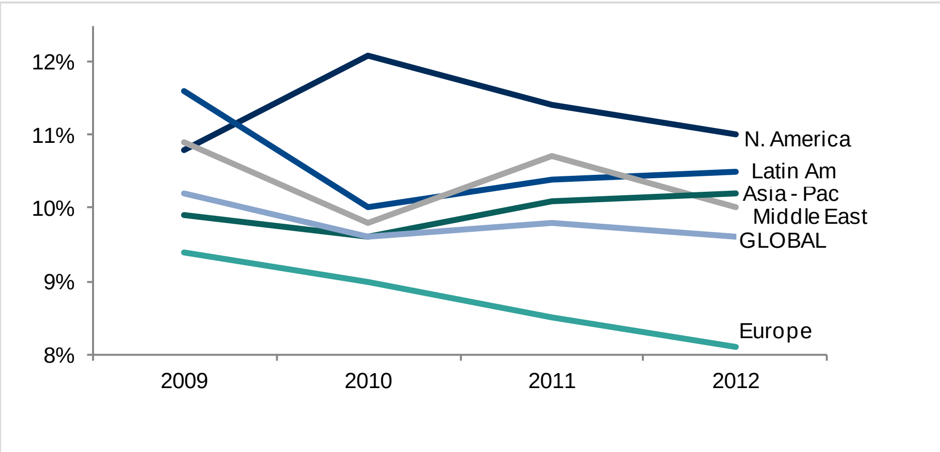
The employee healthcare benefits cost in GCC is highest in the Europe, Middle East, and Africa (EMEA) region[30]. According to reports, employers in the Middle East (survey from the top two largest markets of Saudi Arabia and UAE) spend more (6.1% of payroll) on healthcare than those in other EMEA regions (3.9%) and Western Europe (3.3%). Higher healthcare costs in the region results from a more comprehensive insurance coverage. Yet, despite rising healthcare costs, employers are expected to continue investing in healthcare benefits, as this is considered one of the important elements in attracting and retaining talent.

According to Mercer Marsh Benefits' EMEA Health Care Survey 2013, Gulf employers are also increasingly adopting innovative approaches to manage costs using data analytics to focus on disease prevention and early detection for employees through onsite clinics, employee assistance programs and online health education. Given the fact that the healthcare costs are relatively high in the region, we expect this trend to be adopted by more and more employers, to keep a check on their healthcare benefit costs.

5.2. GCC medical cost trends indicate soaring healthcare costs in UAE and Qatar

Rising healthcare costs is an international phenomenon. Medical costs are rising at a fast pace globally. The world saw a 9.8% average rise in costs in 2011, compared to a 9.6% rise in 2010[31]. The top three significant factors contributing to rising medical costs are – the advent of new medical technologies, overuse of care resulting from practitioners recommending too many services and healthcare providers' profit motives.

Exhibit 29: Global Medical Cost Trend

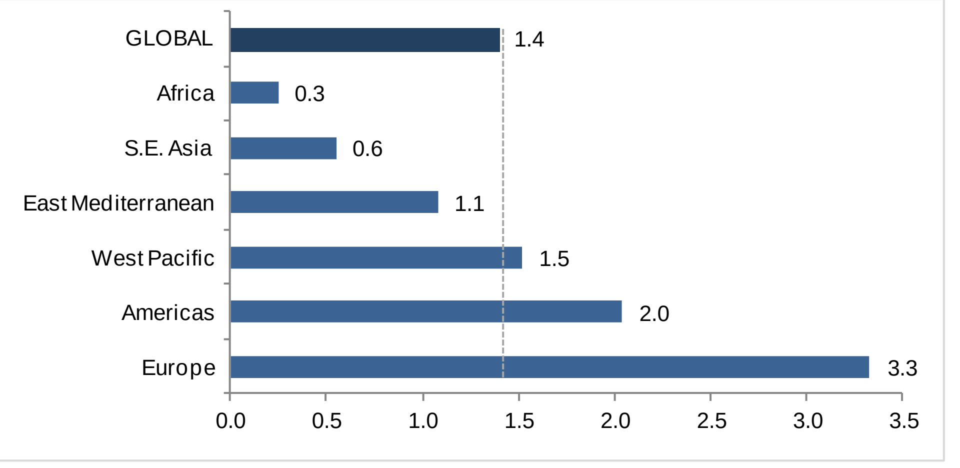


Source: Towers Watson

The GCC countries, especially the UAE and Qatar, have one of the highest rates of growth in healthcare costs. The major reasons attributed to the rise in healthcare costs include the advent of new medical technologies and higher length of stay driven by better healthcare facilities.

[30] Tower Watson, 2012 Global Medical Trends
[31] According to the findings of survey by Mercer Marsh Benefit

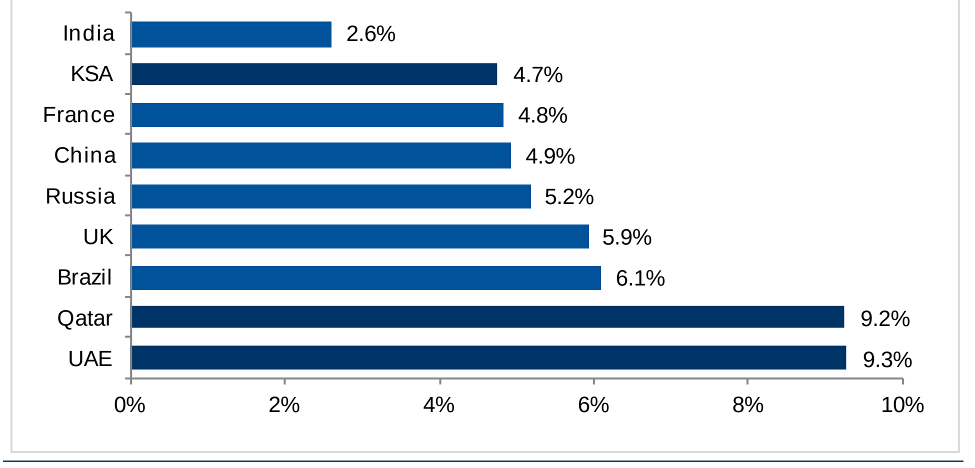
Exhibit 30: Healthcare Personnel – Physicians per 1,000 population (2005-2012) [32]



Source: World Health Organisation (WHO); Note: Based on latest available data with WHO since 2005

Recently, the Saudi Arabia government reduced the working hours from 45 to 40 hours per week and increased the nationalization quotas from 25% to 30% in the sector. Subsequently, private healthcare providers are expected to charge more by upto 30%, according to the Saudi Chamber of Commerce and Industry.

Exhibit 31: Medical Cost Trends 2010-2012 (CAGR)



Source: Towers Watson

Note: Medical cost trends are net of general inflation

Albeit rising insurance penetration has led to higher usage of healthcare facilities, it has also led to over consumption in some cases as out of pocket costs are low. In addition, private hospitals have raised rates due to costlier licensing processes, higher cost of medical equipment and cost inflation on account of higher competition to attract medical professionals. Another factor that is driving healthcare costs in the GCC is growing incidences of lifestyle related ailments such as diabetes and cardiovascular diseases, primarily resulting from obesity which lead to more complex and hence expensive treatments.

[32] According to WHO, East Mediterranean includes GCC region, other Middle Eastern and neighboring countries

Exhibit 32: Top Cost Drivers of Managed Healthcare

Rank	Cost Drivers
1	Higher Costs due to New Medical Technology
2	Overuse of Care - Practitioner Recommended
3	Providers' Profit Motives
4	Limited or Poor Networks to Control Costs
5	Plan Design Without Cost Sharing
6	High Cost Catastrophic Cases & End of Life Care
7	Underuse of Preventive Services
8	Overuse of Care - Employees Seeking Inappropriate Care
9	Employees' Poor Health Habits
10	Economic Environment

Source: Towers Watson

5.3. Governments looking at PPP models to attract private sector investments and lower burden on state budgets

GCC governments realize the limitation of their role in providing finance to the healthcare sector. Rising healthcare cost, growing incidences of chronic lifestyle diseases, growing population, and rising expectations of improved quality of care are likely to make governments in the region continuing as the key financers of the healthcare sector unsustainable.

This trend is akin to the dominant role played by governments in the developed world, with the key distinction being that developed economies are tackling this burden by reducing consumption.

The better economic situation in the GCC has led to the continuous rise in usage of healthcare services, thereby increasing the burden on the State. This has led the GCC to consider inviting public private partnerships in the healthcare sector. PPP models in the GCC are in a relatively nascent stage of evolution, compared to the developed countries.

PPP models can help the government not just in terms of reducing the financial burden but also can enhance the quality and range of services as well as spur innovation. Such partnerships can be established at any or all stages of the value chain - from clinical research to administrative and support services. By deploying PPP models in the healthcare sector, governments have saved 25% of healthcare costs[33].

At present, the UAE and Saudi Arabia are among the frontrunners in healthcare PPP deals in the region with Build, Operate & Transfer (BOT) as the major PPP model used. The benefits of BOT model allow governments to avoid large initial capital costs. One good example of such a model being implemented in the GCC region is Kuwait. Kuwait has a more advanced system of implementing PPP projects, through its Partnerships Technical Bureau (PTB). As part of its aim to expand the hospital capacity, PTB is setting up a 500-bed Physical Medicine and Rehabilitation Hospital via the PPP route. The private partner is expected to design, build, finance, maintain and operate the facilities. Another PPP project, Kuwait Health Assurance Company (KHAC) was launched in 2011 by the ministry of health, with 24% government ownership. KHAC aims to privatize expatriate health insurance and associated medical care. The project involves building and operating three hospitals and 15 health clinics by 2015.

An example of the PPP model put into practice in the UAE is the association of SEHA in early 2012 with John Hopkins, a leading US hospital for management of Al Rahba Hospital. SEHA, (Abu Dhabi Health Services Company PJSC) launched in December 2007, is an independent public joint stock company established to manage all healthcare activities public hospitals and clinics in the UAE.

[33] According to Frost & Sullivan

In September 2006, Cleveland Clinic, which is among the top hospitals in the USA signed an agreement with Mubadala Development, a public joint stock company, established by the Government of the UAE, to set up a new hospital 'Cleveland Clinic Abu Dhabi', in a PPP set-up. Cleveland Clinic would set up and operate the new clinic, using their systems and procedures, for 15 years.

Similarly, Sheikh Khalifa General Hospital, is managed by NMC Health on behalf of the UAE Ministry of Presidential Affairs, and was awarded a five year contract to run the hospital in 2012. Lastly, Dubai Health Authority (DHA) has handed over the management of Rashid Hospital Trauma Center to InterHealth Canada - while DHA looks after capital and operating costs, InterHealth takes care of daily operations.

DHCC is home to 120 outpatient medical centers and diagnostic laboratories with over 4000 licensed professionals

Dubai has set up healthcare free zone, Dubai Healthcare City (DHCC), to lure international medical service providers within a 100% ownership structure. DHCC was set up in 2002 to meet the demand for high-quality, patient-centered healthcare. Today, DHCC is home to two hospitals, over 120 outpatient medical centers and diagnostic laboratories with over 4000 licensed professionals occupying 4.1 million square feet in the heart of Dubai. DHCC combines the leading expertise of medical institutions and pre-eminent healthcare providers to deliver the A-Z of medical services.

Mohammed Bin Rashid Academic Medical Center (MBR-AMC) is the education and research arm of Dubai Healthcare City and aims to establish an integrated academic and clinical environment for excellent healthcare, education and research, all aligned to advance the healthcare industry in the Middle East. DHCC is investing heavily in its education offering with an ultimate goal to provide medical education and CPD programs across the spectrum of healthcare professions.

In Qatar, the Weill Cornell Medical College is a PPP venture involving Cornell University and the Qatar Foundation to cater to the shortage of local skilled healthcare professionals.

5.4. Newer approaches to manage rising healthcare cost

With current digital healthcare technologies and new technologies under development, the GCC governments are increasingly realizing the advantage of this approach in reducing healthcare cost and improving quality of services. Online medical consultation and self-diagnosis are some of the other benefits of digital technologies. Moreover, online pharmacy services reduce the time taken to deliver medicines. The market for the e-health services, which is growing at a CAGR of 12-16%, is expected to reach US$ 160 billion by 2015[34].

The DHA distributed more than 3,000 Android tablets to all health centers in the region

Smartphone applications allow for self-diagnosis, monitoring, and medical record keeping. Many such technological applications help accelerate diagnosis, enhance patient monitoring, and reduce physical visits to hospitals. These applications can also go a long way in enhancing preventive healthcare and reducing healthcare costs. Other devices used by medical personnel range from portable databases for drugs and diseases to sophisticated monitors. Furthermore, advancements in broadband internet technology and robotics are gradually enabling greater adoption of remote surgery.

Within the GCC region, in August 2013, the DHA distributed more than 3,000 Android tablets to all health centers in the region in an effort to reinforce its plans to build smart healthcare environment, thereby improving patient experiences and facilitating self-care option.

The government is also supporting reduction in healthcare costs with KSA's health minister Dr. Abdullah Al-Rabeeah restricting private healthcare institutions from charging patients for solely opening medical files.

[34] According to GSM Association (GSMA)

Another trend in the management of rising healthcare cost is the start of an accountable care model. Under this system, greater financial responsibility lies with the healthcare provider to limit unnecessary expenditures and provide greater freedom to patients to select medical services. The trend of accountable care model is more advanced in developed markets such as the US, which has enacted legislation on the same; moreover, such models are being tested in GCC to help reduce healthcare costs. For instance, certain clinical centers in Saudi Arabia are piloting a project, whereby physicians are apprised of the cost associated with the proposed procedure and prescriptions before actually prescribing the same, with the objective to reduce unnecessary tests/prescriptions and help patients understand the value of free healthcare services provided by the government.

5.5. Healthcare IT spending on a rise, driven by need to create integrated electronic healthcare information systems

Digital solutions in healthcare market are called e-health, or electronic health. They include the use of electronic health records, telemedicine, health informatics, e-prescription, etc.

Healthcare IT expenditure in the GCC region is estimated to rise to US$ 551 million by 2015

One of the most prominent emerging e-health solutions is Mobile Health or m-health. The global m-health revenues will surge six times to US$ 23 billion by 2017[35]. The largest markets are expected to be Asia-Pacific and Europe, with 30% market share each. Among the various applications of m-health, monitoring services are expected to garner 65% of the market share of this platform, followed by diagnostic services (15%) and treatment (10%).Healthcare IT expenditure in the GCC region is estimated to rise to US$ 551 million by 2015[36], driven by efforts of various healthcare providers to adopt innovative technologies.

The Government in Saudi Arabia has instituted a national e-health program as a strategic objective with an aim to achieve interoperable electronic health record (iEHR)[37] for all patients and make patient health information available to clinicians in all health facilities. Under the program, a national electronic records system would be set up along with business intelligence solutions to support the Kingdom's healthcare expansion, besides aiding in controlling the costs. Qatar too is joining the fray, in establishing an e-health program across its hospitals and clinics nationwide, along with the introduction of an electronic health records system.

In the UAE, the government, under its electronic system called, WAREED, aimed to create an electronic health information system linking all health establishments, build a health information database, and implement a new medical records system. This project has linked 14 hospitals and 25 clinics in the nation. In February 2014, DHA held a discussion with Gulf Data regarding integrated infrastructure and storage solutions in the healthcare sector, as part of the 'Dubai Smart Healthcare Model'. As other GCC countries embark on creating and strengthening electronic health care information systems, it would entail large investments by the government.

5.6. Inbound medical tourism in GCC to grow, driven by availability of high quality healthcare facilities and rising medical standards

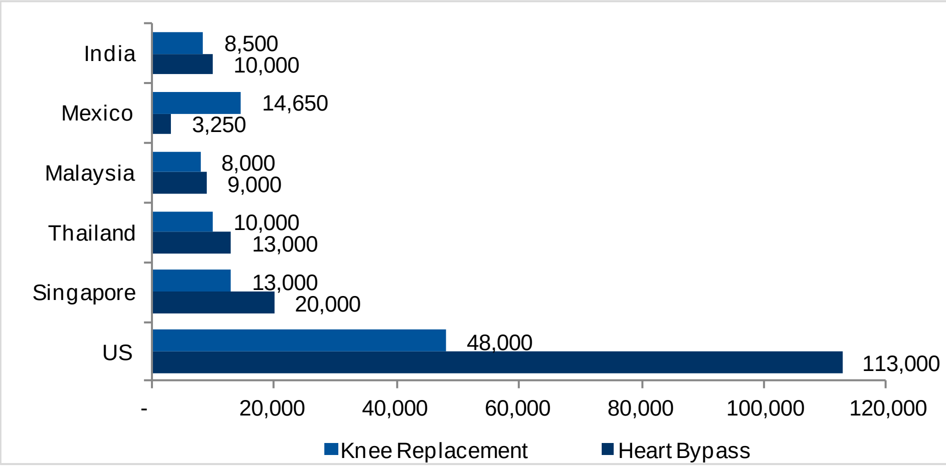
The most common treatments patients consider for medical tourism include dental care, cosmetic surgery, elective surgery and fertility treatment. Both quick recovery surgeries and more sophisticated surgeries such as cardiovascular procedures are gaining traction. Thailand, Mexico, the US, Singapore, India, Brazil and Turkey are among the top destinations of medical tourists.

Annually eight million people travel internationally for medical tourism[38] at an annual growth rate of 15-25%, generating ~US$ 40 billion per annum. The outbound medical

[35] According to Price Waterhouse Coopers (PwC)
[36] According to Frost & Sullivan
[37] iEHR helps enable exchange of medical information between healthcare professionals and providers
[38] Patients Beyond Borders. As per major publications, it is a leading guidebook for medical tourism

tourism trend is gaining popularity in many industrialized nations due to dramatically lower costs and better quality of healthcare services, tourists enjoy in destination countries.

Exhibit 33: Cost of Certain Medical Procedures in US$ – in 2011



Source: OECD

Long waiting times and rising healthcare costs in the US and Europe are the primary drivers of the global medical tourism market. While many medical tourism destinations are emerging, especially in Asia, the UAE and now Oman are among the frontrunners in tapping the growing potential of medical tourism. Even though treatment cost in UAE is higher than other destinations such as Malaysia and India, the country is still attracting medical tourists due to its high quality healthcare and cost savings of 20-40% compared to the US and Europe[39].

The UAE medical tourism is expected to grow to US$ 1.69 billion in 2013

The UAE medical tourism market was worth US$ 1.58 billion in 2012 and is expected to grow to US$ 1.69 billion in 2013[40]. Dubai Health Authority pegged the growth in inbound medical tourists in the Emirate at 10–15% in 2012. DHCC is one of the largest healthcare tourist destinations in the region. DHCC managed around 500,000 patients in 2011, 20% of which were medical tourists.

In order to further boost the attractiveness of the UAE as a medical tourism destination, the country has extended the visa period to three months, with the eligibility to extend the stay twice, for a total of up to nine consecutive months. Furthermore, the country is taking initiatives to seek international accreditation and focus on improving hospital safety and quality. As a result, it has 54 accredited[41] healthcare providers, the highest in the world. This is expected to go a long way in promoting the nation as a medical destination, globally.

The DHA expects the number of medical tourists to increase 15% in 2016 to 170,000

Furthermore, Dubai recently set out its strategy to attract medical tourists from Russia, South Asia and GCC countries, to achieve its goal of being the top medical tourism destination in the world. The DHA expects the number of medical tourists to increase 15% in 2016 to 170,000 from 107,000 in 2012, translating into increase in revenues from US$ 177.8 million in 2012, to US$ 330.0 million by 2016 and US$ 710.0 million by 2020 (~500,000 tourists). For the same, DHA is taking initiatives such as launch of a new portal to promote medical tourism and special medical packages introduced for target markets, which will include the cost of treatment, visa costs, flight fares, and even leisure activities for the patient's family members.

Oman is planning a large healthcare facility at International Medical City (IMC) in Salalah to attract medical tourists. The IMC will include a 250-bed multi-specialty tertiary care hospital in the first phase due to complete in 2016; in the second phase, it will build a

[39] Patients Beyond Borders. As per major publications, it is a leading guidebook for medical tourism
[40] According to Euromonitor International
[41] Accreditation given by Joint Commission international (JCI)

healthcare resort, among other facilities. The initiative is expected to position Oman on the global map for medical tourism.

5.7. Greater focus on specialized care and centers of excellence as a differentiation

The GCC region has one of the highest incidences of obesity and diabetes

Since healthcare consumers seek better quality of care, the demand for specialized care and centers of excellence is on the rise. One of the major drivers for the need for specialized care is the rise in lifestyle-related ailments. The WHO has identified the GCC region as having one of the highest incidences of obesity and diabetes. Due to lack of sufficient specialized care capacity, many consumers seek medical treatment abroad, giving rise to outbound medical tourism; this results in a 'lost opportunity' to serve domestic healthcare consumers. To tap this growing domestic market need, many institutions are setting up specialized centers to differentiate themselves in the competition and improve profitability.

Among major specialty projects, the ongoing development of the Oman-based IMC will comprise multispecialty tertiary care hospital and three medical centers of excellence for organ transplant, rehabilitation, and diagnostics. The resort (part of the second phase) is expected to offer alternative medicine and will comprise a wellness center, a four-star hotel, a conference hall, and serviced apartments for patients' families.

- In Qatar, the Sidra Medical and Research Center would specialize in women and child healthcare, with an initial capacity of 400 beds. The institution is expected to be a fully digital facility, incorporating advanced IT applications in clinical research and business functions.
- Abu Dhabi-based Burjeel Hospital, which commenced in 2012, has centers of excellence for heart, diabetes, and in vitro fertilization (IVF). The institution emphasizes on healing, and accordingly, it has been designed with seven-star accommodation, fine dining restaurants, and concierge services.
- Al Noor Hospitals Group, the largest private healthcare provider in Abu Dhabi, bought Gulf International Cancer Center (GICC) at a cost of AED 98 million. Abu-Dhabi based GICC is a leading cancer specialist medical care center, following US standards, and provides services in cancer diagnosis and advanced cancer treatments. With Al Noor's financial support, GICC would be in a position to cater to the required cancer care, which is expected to grow at 10-14% annually in the region.
- Al Jalila Children's Specialty Hospital, the first dedicated children's hospital in the UAE, is expected to be completed by early 2014. The DHA would operate and manage the hospital, being built under the ruler of Dubai's patronage at a cost of AED 1 billion.

5.8. Wellness and cosmetic care centers on the rise

GCC has recently witnessed the launch of several wellness centers

There has been a growing interest in holistic approaches to treat new-age lifestyle diseases globally. Wellness centers aim to provide alternate treatments, through meditation, dance, physiology, aromatherapy and other traditional techniques, which not only focus on the physical wellness but also cater to mental well-being. One such example is the evolution of Medi-spas, which are a convenient option to treat a variety of conditions by specialized doctors, while focusing on patients' rejuvenation and overall wellbeing. The global health and wellness tourism segment is currently a US$100 billion industry, projected to grow to US$1 trillion[42] within the next decade. GCC has also picked up this trend, and has recently witnessed the launch of several wellness centers.

In 2013, the DNA Centre for Integrative Medicine and Wellness was opened in Abu Dhabi, to provide state-of-the-art conventional medical treatment along with the Eastern healing techniques of Ayurvedic and Chinese medicine. Spread over 10,000 square feet, the center offers four dimensions of wellness — clinical, preventive, alternative and bio-aesthetics to treat chronic diseases, and provides lifestyle management and healthy

[42] According to Abu Dhabi Tourism and Culture Authority

ageing techniques. It aims to attract its clients from the UAE and the GCC, as well as, Russia, Europe, the Far East, India and Pakistan.

In March 2014, launch of spa resorts, sports medicine facilities, waterfront residences and nutrition centers was announced as part of Phase II wellness development project. Phase I of the city caters to the healthcare needs of patients through specialized centers in fields of orthopedics, dentistry, ophthalmology, diabetes management and cosmetic surgery. Phase 1 has more than 90 specialties and 4,000 licensed health professionals along with 17 alternative medicine providers.

The global market for cosmetic surgeries was estimated at US$6.4 billion in 2013

Furthermore, there is growing demand for treatments to mitigate the effects of aging, through cosmetic surgery, dentistry, dermatology, and voluntary eye surgery. The global market for cosmetic surgeries was estimated at US$6.4 billion in 2013, an increase of 7.3% YoY. In 2014, the market is expected to grow at 7.2% to reach US$ 6.8 billion[43].

Dubai is considered a major medical destination hub for minor cosmetic surgery

The UAE has one of the highest number of plastic surgeons in the world, much higher than in countries such as the US and Brazil[44]. As per Deloitte's 2011 Survey of the UAE health care sector, Dubai is considered a major medical destination hub for the GCC and northern Africa patients for minor cosmetic surgery and procedures such as Lasik, dentistry and rejuvenation treatments. American Academy of Cosmetic Surgery Hospital, with JCI-accreditation, was the first hospital at DHCC in 2007. The hospital comprising of five units – an anti-aging clinic, surgical clinic, med spa, smile enhancement clinic, and admission unit, caters to 5,100 outpatients and 150 patients annually.

5.9. Emerging trends in the healthcare sector

There are a few innovative models being brought into use by healthcare providers. Use of an asset light model by foreign healthcare service providers is one of the recent models which have emerged. In this model, the main cost of the asset which is the land and the building is contributed by the local / national investor and leased to the hospital. This enables the hospital to achieve cash break even quicker than a full asset model which may take between 6-8 years to break even due to high capital cost facilitating entry of new players in this challenging sector.

Another new trend is the emergence of smaller health care clinics, with about 50 -75 beds capacity

Another new trend being seen in the GCC healthcare sector is emergence of smaller health care clinics, with about 50 -75 beds capacity. This models too is based on the premise of minimizing capital outlays, increasing capacity utilization and patient throughput to generate quick returns (this in turn is a mitigant for the high capital outlays which forms a key entry barrier)

There is growing emphasis on local treatment for GCC nationals, as opposed to publicly funded treatments abroad. For example, Saudi Arabia is constructing five 'medical cities' which would focus on specialist treatments, complicated surgeries and treatment of rare diseases.

[43] International Society of Aesthetic Plastic Surgeons, 2014
[44] http://www.thenational.ae/uae/health/health-experts-in-warning-on-cosmetic-surgery-risks-in-dubai

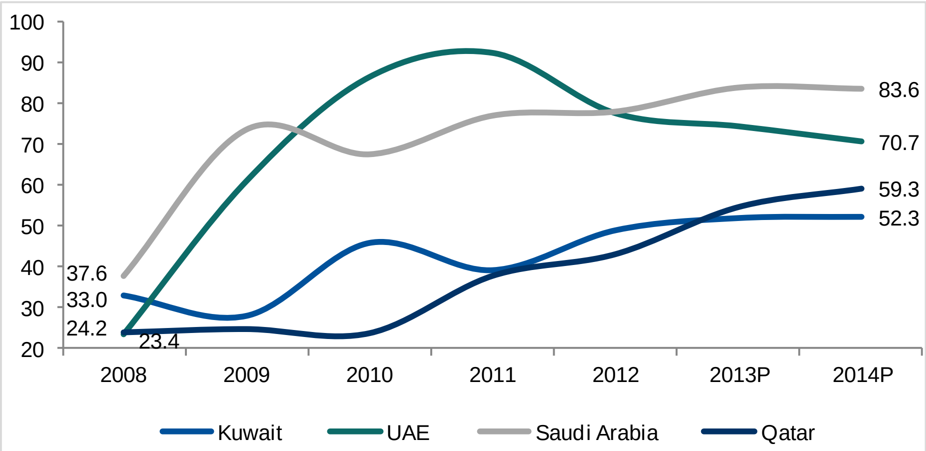
6. Challenges

6.1. Heavy reliance on government finance, barriers of entry are key challenges for private sector participation

The governments' share in GCC healthcare spending is on an average 76%

Unlike major developing nations, where the private sector is the dominant investor in the healthcare sector, GCC countries depend on governments for financing healthcare investments. The governments' share in GCC healthcare spending is on an average 76%[45]. The governments rely on high oil prices to sustain spending. With an increase in spending, the breakeven oil price to help balance their budgets is on the rise. Since governments' healthcare budgets hinge on fluctuating oil prices, they have realized a sustainable healthcare financing model cannot be overly dependent on state budgets.

Exhibit 34: Fiscal Breakeven Oil Prices



Source: International Monetary Fund (IMF)
Note: 'P' stands for IMF projections

Hence the government has begun encouraging private sector investments. However, traditional barriers owing to regulations and lack of infrastructure developments act as entry barriers for private sector investment. Foreign investment in healthcare can not only help infuse more capital but also raise the quality of care. However, there are restrictions with regard to foreign ownership; for instance, non-hospital private healthcare institutions in Saudi Arabia are reserved for 100% Saudi ownership.

Removing barriers include reduction of procedures, and private sector investments

Removing barriers in all GCC countries, including reduction of procedural complexities, may happen over a period of time and gradually increase the attractiveness of private sector investments. Another important factor in attracting private investments in the sector is the lack of sophistication and infrastructure that acts as a catalyst for private sector investments. However, the region is gradually addressing such shortcomings. In terms of healthcare information infrastructure, governments' efforts to link up various hospitals and clinics, creation of national electronic medical records, and greater standardization will act as a positive factor in attracting new private sector investments.

6.2. Despite healthcare investments, many patients still seek care abroad

Despite the strong growth in healthcare expenditure in GCC, the per capita spend in the region remains lower than developed countries. The health infrastructure indicators also fall short of the levels achieved by developed nations. Certain indicators such as the physician density and hospital bed availability in the GCC are low. The relatively lower quality of state provided health care is also one of the major concerns.

[45] According to the WHO

Many healthcare consumers are not fully satisfied with the availability and services at government-run hospitals, arising from the lack of managerial skill at government agencies. Furthermore, many patients travel abroad due to lack of sophisticated specialized services or due to poor quality of services provided locally. As stated in Alpen's Pharmaceuticals Industry Report 2013, the expenses for medical travel abroad for GCC citizens are primarily borne by the government, which prove a huge drain on public funds. The GCC governments spend between US$ 100,000 and US$ 500,000 on an average on each patient, with costs even surpassing US$ 1.5 million in some cases. In 2011, the Saudi government spent in excess of US$ 400 million on outbound medical tourism. With better quality medical offered locally, there would be lower outlay of funds for medical treatments abroad. Consequently, potential savings could be invested in developing the healthcare sector in the region.

The GCC governments spend US$ 100,000 - 500,000 on an average on each patient

Hence, greater involvement of the private sector is gaining importance. With the rise of specialized care hospitals and health care facilities, such patients will have greater opportunities to get desired quality of treatments in home countries. Additionally, the expat community in the GCC region prefers to seek medical treatment in their home countries for elective treatments, due to better quality of service.

6.3. Continued high dependence on foreign medical professionals

Around 76% of physicians in Saudi Arabia are expatriates

The GCC region is highly dependent on foreign medical professionals, and this scenario has not changed much. For instance, around 76% of physicians in Saudi Arabia are expatriates[46]. Non-Saudi physicians still comprise 75% of the total physician workforce in institutions managed by the ministry[47]. Dependence on expat healthcare workforce is driven by: (a) insufficient local medical students to cater to the population, (b) a huge rise in the incidence of lifestyle-related diseases and (c) reluctance of local nationals to accept lower-paying jobs. Hence, increasing the capacity of medical colleges and attracting local youth to pursue a career in medicine would be key steps the governments could take in order to help build a larger pool of local physicians and cater to the ever growing demand.

6.4. Absence of quality standards and desired regulatory management

Patients in the GCC region are generally faced with choosing private healthcare services with little information on the quality of services. With inconsistent quality standards followed by healthcare providers due to lack of stringent guidelines, the quality is at times inadequate. As a result, patient safety and comfort is compromised. This challenge is also prevalent among public healthcare providers. Hence, a regulatory mechanism that would set quality standards for healthcare services can effectively raise the health standards and allow for greater private sector participation.

6.5. Low Insurance penetration relative to global standards a concern

GCC average insurance penetration was just 1.1% in 2012

The insurance sector in the Gulf is still underdeveloped and key market parameters trail the world average by a large margin. GCC average insurance penetration was just 1.1% in 2012, translating to about one-sixth of the global average of 6.5%[48]. UAE, despite having the highest penetration in the region of 2.0%, lagged behind developed countries such as the US, the UK, and Germany by a huge margin. Most of the GCC nations also lagged behind the major developing countries and some Middle East counterparts in terms of insurance penetration ratio. In terms of insurance density, although the region compared favorably against India, Jordan, and Lebanon, it fared poorly against the industrialized economies such as the US and the UK. As per Alpen Capital's 2013 GCC Insurance Report, the UAE had the highest insurance density of about US$ 1,299 in the GCC region compared to the regional average of US$ 367.

[46] According to a Booz & Co report
[47] According to the Ministry of Health, Saudi Arabia
[48] Alpen Capital's GCC Insurance Report, 2013

ALPEN CAPITAL

7. Recommendations

7.1. Increase focus on preventive healthcare management to control costs and improve health standards

The World Bank, in its recent report[49], highlighted the importance of increasing focus on preventive healthcare and promoting health in the GCC to improve health standards and mitigate rising cost pressures. The report also cited the significance of creating a system whereby payers are informed about the value created at each step of healthcare to enable a platform to negotiate payment. In this regard, adoption of an accountable care model can help in sensitizing physicians and medical prescribers about the costs involved in each treatment and medication. This can help in 'overuse' of healthcare in certain cases and, in turn, reduce the cost of treatment.

7.2. Encourage greater private sector participation to boost efficiency and ease government's fiscal burden

Private sector involvement enhances the efficiency in providing healthcare services

Faced with growing cost of healthcare and its high dependence on government budgets, the GCC governments should institute policies and an operating environment more conducive for the private healthcare sector. The public private partnership (PPP) model is among the successful initiatives to involve the private sector in healthcare globally. Under this model of shared responsibility, healthcare solutions can be tailor-made to better suit the needs of individual countries. Private companies can play an important role in not only providing care, but also offer support by way of financing, supplies, and developing the medical education sector. The key success factors for a PPP model include enabling a regulatory and conducive operating environment and an established institutional framework. Private sector involvement also enhances the efficiency in providing healthcare services and use of health IT systems, and the sector benefits from experience in other countries. With greater private sector involvement across the healthcare value chain, the financial burden on the government can be eased and its share in national healthcare spending can be reduced.

7.3. Move closer to insurance claim-based system and away from free healthcare over medium to long term

GCC states must move to a more efficient and effective market-based system

Patient volume is one of the key factors determining the attractiveness for private healthcare providers. Private providers compete with free medical services from public institutions. To create a level playing field and to reduce the healthcare sector's dependence on government budgets, GCC states must gradually move away from a socialistic healthcare system to a more efficient and effective market-based system via insurance cover. Thus, the government's regulation for mandatory insurance should bode well in raising insurance penetration in the region, which is currently lower than developed countries.

7.4. Establish healthcare regulatory mechanism to promote sector development

A well-balanced regulatory system can mitigate competition for medical staff

As the government seeks more private sector participation, many industry observers opine this should be accompanied by a robust independent regulatory institutional framework. Such framework could help balance the level playing field between public and private healthcare providers and other healthcare services. For instance, private companies could be obligated to service healthcare areas that may not be high on profitability, as part of their social responsibility. This would ensure that private firms do not undertake only highly profitable healthcare avenues while treating other areas as low priority. Furthermore, a well-balanced regulatory system can mitigate competition for medical staff among private companies as well as the government. This is a key factor, which impacts salaries of medical staff and, consequently, the overall cost of healthcare.

[49] Fairness and Accountability: Engaging in Health Systems in MENA, June 2013

7.5. Develop medical education and training infrastructure to address shortfall of physicians and nurses

GCC countries are facing shortage of physicians and other medical staff. This is reflected in the low physician-to-population indicator for the region vis-à-vis developed countries. Furthermore, with growing medical facilities and demand for healthcare (due to higher incidence of lifestyle-related diseases and rising population), the need for medical staff is expected to increase. To address this shortage and reduce dependence on foreign medical staff, the governments need to redouble their efforts in training local talent. In view of this, expanding the network of medical colleges takes greater prominence in the region.. Promoting medicine as a lucrative career option for students can also help in attracting nationals to the sector. The governments are stepping up efforts by leveraging the skills of foreign universities/academic institutions to set up medical collages within the region.

8. Financial Analysis and Valuation

In this section, we have provided an overview of the analysis of the financial performance of healthcare services listed in the GCC region. We have used 2013 annual figures for the purpose of this analysis. We have also conducted a valuation analysis and compared key valuation market multiple with emerging market and developed market peers. During 2013, their combined revenues totaled US$ 1.4 billion, excluding Al Mowasat Healthcare. Among the eight companies, the top three accounted for 62% of the revenues in 2013.

Exhibit 35: Listed GCC Healthcare Services Companies

Company	Country	Revenues (US$ 000) - 2013	Operating Margin - 2013	ROA	Capex (US$)
NMC Health*	UAE	289,300	28%	NA	78,616
Al Noor Hospital	UAE	365,041	20%	24%	19,323
Al Mouwasat Medical Services	KSA	240,577	25%	14%	59,023
Dallah Healthcare	KSA	199,892	18%	9%	111,397
National Medical Care	KSA	156,328	16%	9%	34,747
Medicare Group	Qatar	114,738	21%	10%	3,514
Al Mowasat Healthcare ^	Kuwait	80,984	13%	6%	3,952
Al Maidan Dental Clinic	Kuwait	79,628	-4%	-6%	1,663
MEDIAN			19%	9%	
HIGH			28%	24%	
LOW			-4%	-6%	

Source: Reuters, Zawya

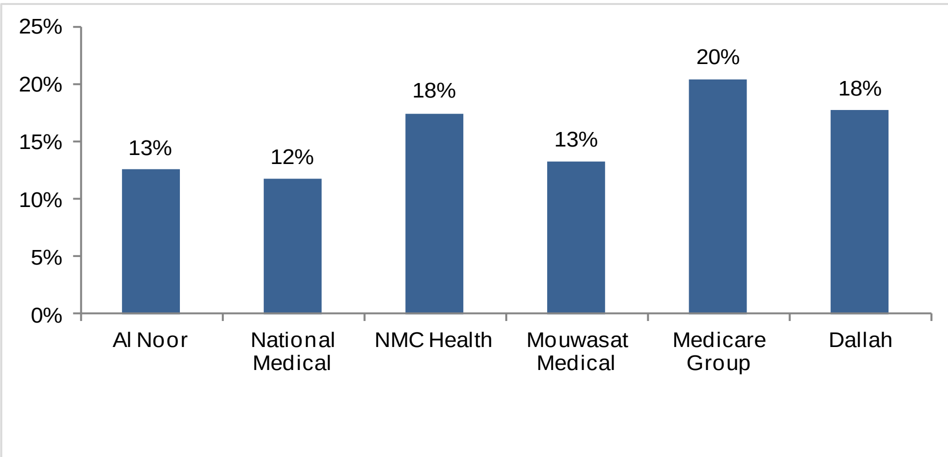
** Note: NMC Health revenues, operating margin and capex refer to only its healthcare business*

^ Al Mowasat Healthcare has not reported FY 2013 results, hence all data pertains to 2012.

8.1. Revenue Analysis

Listed GCC healthcare companies are benefitting from the sector's strong growth. Driven by the rising incidence of lifestyle-related diseases and growing population, these countries are witnessing higher inpatient and outpatient visits as well as rising medical fees. Hospitals and other listed healthcare companies are, therefore, recording steady top-line growth.

Exhibit 36: Revenue Growth of Listed GCC Healthcare Companies (2013)



Source: Reuters, Zawya

Al Mowasat Healthcare has not reported FY 2013 results, hence not included, and Al Maidan had reported 15 months data in 2011, hence revenue growth is not available for FY 2013.

Saudi Arabia is the largest healthcare market, and healthcare companies in the country are recording strong revenue growth. Dallah was among the fastest growing companies in 2013. Supported by higher patient visits, it increased the number of medical departments and appointed more physicians to boost revenues. In Qatar, Medicare Group is expected to maintain growth momentum as it is capitalizing on the increasing healthcare demand by establishing hospitals and acquiring pharmaceutical factories. Given the growing insurance coverage and expansion plans of hospital groups, the top-line growth for GCC healthcare companies is expected to remain robust.

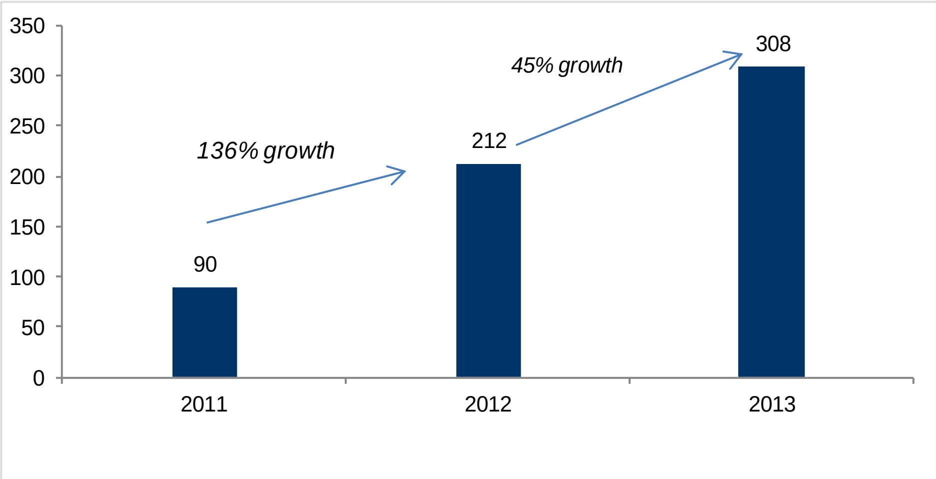
GCC healthcare services companies are recording steady top-line growth

8.2. Capital Investments

Hospitals and other healthcare companies are expected to continue growing rapidly as they expand operations (Greenfield and brownfield). Considering the sector's strong potential and favorable government policies, many companies are investing heavily. For instance, Dallah Healthcare significantly expanded its investment program in 2013. NMC Health slowed down its capital spending from 2012, when it had undertaken organic and inorganic expansion, acquiring health centers and hospitals. Al Noor Hospital Group also increased its capital spending in the year, and has been pursuing inorganic growth options through three acquisitions in 2013.

Healthcare companies are increasing capital investments to tap the growing market

Exhibit 37: Capital Investments of Listed GCC Healthcare Companies (2013) (US$ m)



Source: Reuters, Zawya

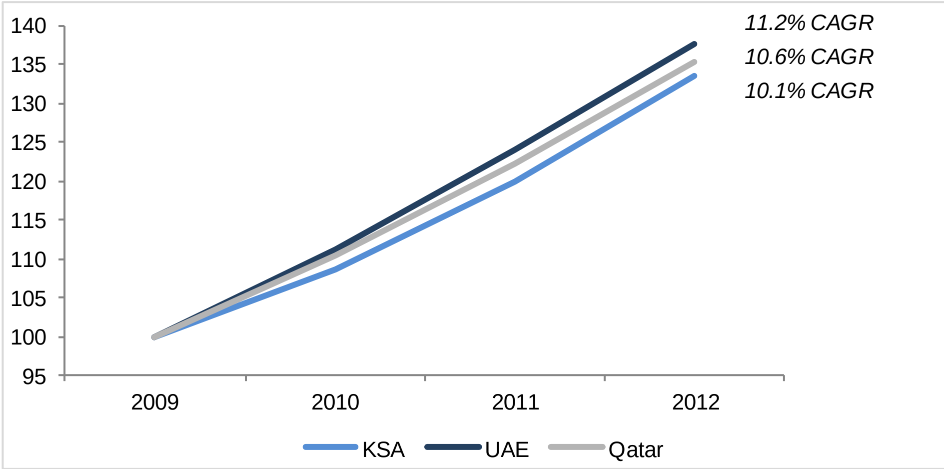
Al Mowasat Healthcare has not reported FY 2013 results, hence not included in the list.

Such expansion plans are attracting investor interest. NMC Health raised US$ 187 million from its London listing in 2012. In 2013, UAE-based Al Noor Hospitals raised US$ 342 million through its IPO in London to fund growth plans.

8.3. Profit Margins

GCC healthcare companies are enjoying strong profitability. With the growing incidence of lifestyle-related diseases and rising population, patient treatments at hospitals and clinics are increasing. Moreover, with rising costs, medical fees are increasing.

Exhibit 38: Medical Trend Rates (Gross) (Rebased to 100 from 2009)



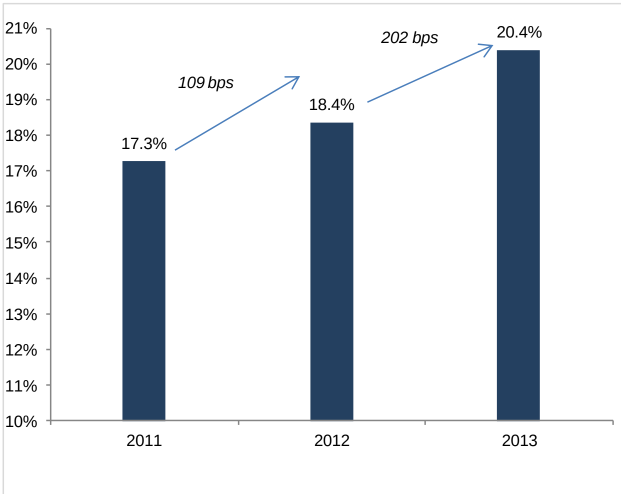
Source: Towers Watson, Alpen Capital

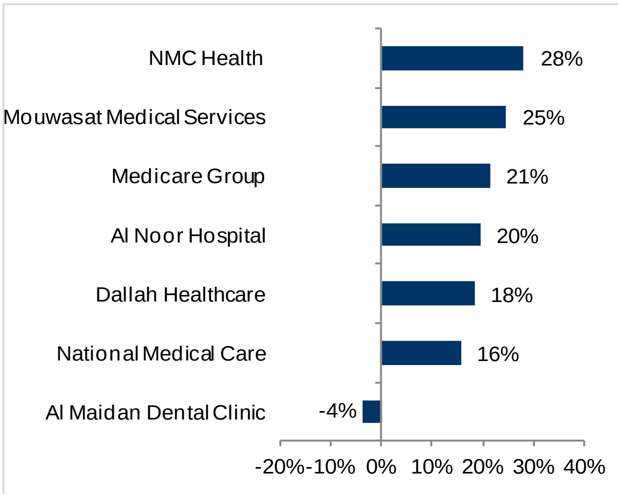
Note: Medical trend rates are rebased from 2009

In the exhibit above, we have based the growth analysis with 2009 as the base year (100). Hence, with rising costs rebased to 2009, it is evident that the UAE has posted the highest increase in medical trend rates since 2009.

Therefore, the average operating margin for the companies under consideration improved from 18.4% in 2012 to 20.4% by 2013, up 202 basis points (bps). Furthermore, as newer hospitals gain traction (in terms of popularity and availability of physicians), the higher hospital occupancy rates would translate into improved profitability.

Exhibit 39: GCC Healthcare Operating Margin





Source: Reuters, Zawya

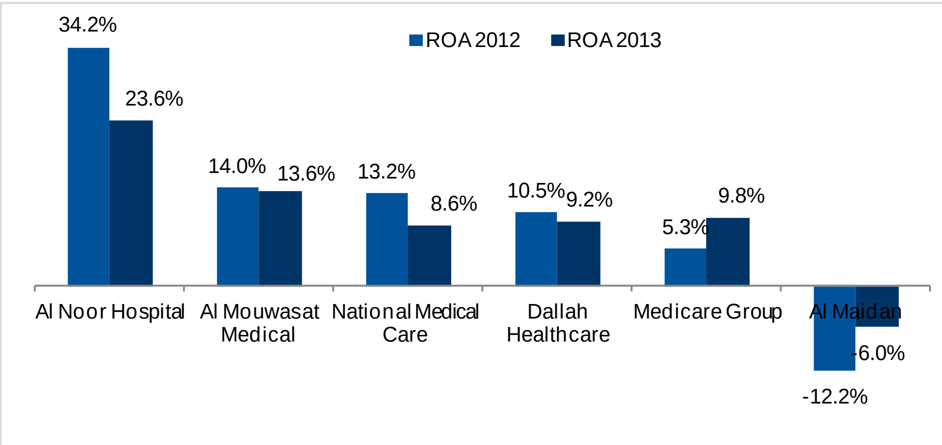
Al Mowasat Healthcare has not reported FY 2013 results, hence not included in the list.

In Exhibit 39, we computed the average operating margin for select few listed companies in GCC. For the same, we computed the total operating profit for the companies, which divided by the total revenues of the companies gives the average operating margin for the companies.

UAE-based NMC Health records the highest operating margin (in its healthcare services business) among the companies under consideration at 28% margin, while Al Maidan has the lowest (negative 4% for 2013).

Larger companies such as NMC Health and Al Noor Hospitals have been able to improve their operating margin during 2011–13. These companies expect the growth momentum to continue and profitability to remain strong. The former is ramping up the number of physicians (hired 83 doctors in 2013); its hospital bed occupancy rose 420 bps to 64.7%, and its revenue per patient is increasing. During 2014, the company plans to ramp up its operations by adding two hospitals and a medical center to its portfolio. Al Noor is also increasing the number of doctors; the company added 120 doctors in 2013. It plans to add 80 doctors in 2014 and open two more medical centers.

Exhibit 40: Return on Asset Trend of Select Companies



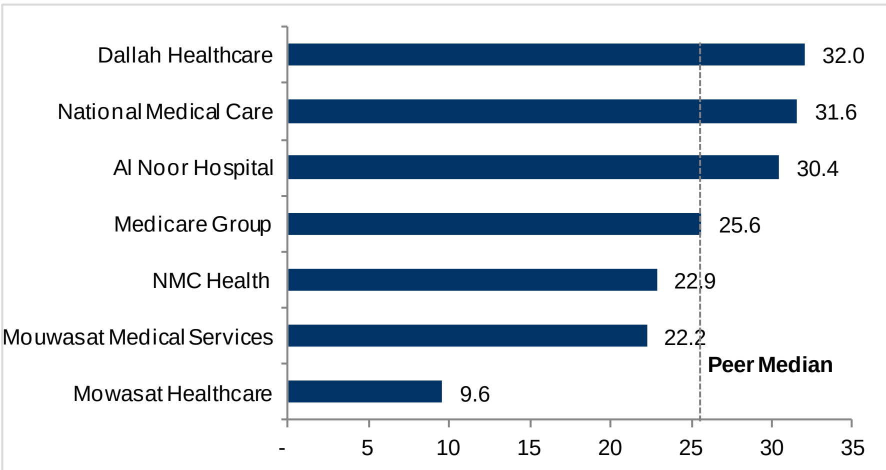
Source: Reuters, Zawya

Al Mowasat Healthcare has not reported FY 2013 results, hence not included in the list, while NMC Health does not provide RoA for its healthcare division alone.

8.4. Valuation

In terms of valuation of the selected GCC healthcare peers, Saudi Arabia based Dallah Healthcare and National Medical Care trade significantly above the median PE ratio of the group (25.6x). On the other hand, Kuwait based Mowasat Healthcare trades at a significantly lower-than-median multiple.

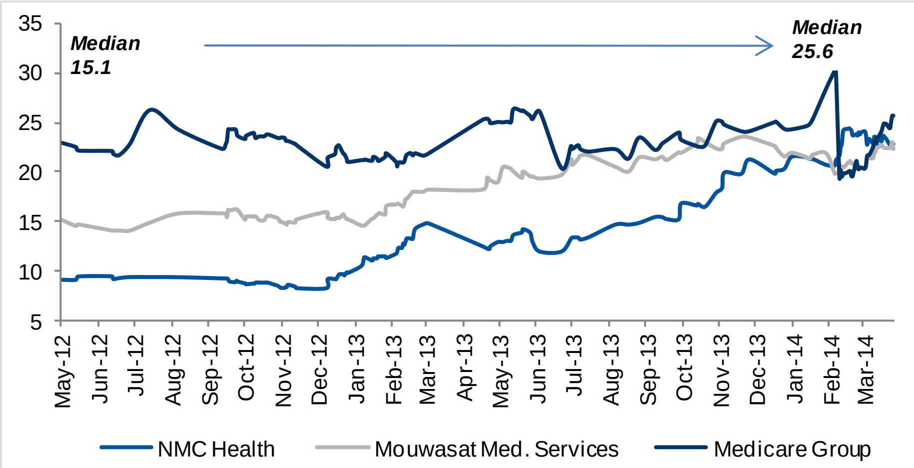
Exhibit 41: Price/Earnings Ratio (TTM)



Source: Bloomberg, as of 21 April 2014

The robust financial performance of healthcare companies, their ambitious growth plans, and bright prospects for the sector are reflected in the valuation of these companies over the past few quarter. As investors are willing to accept a higher valuation for these companies, the median PE (trailing twelve months) multiple of these companies rose from 15.1x, two years ago, to 25.6x by April 2014.

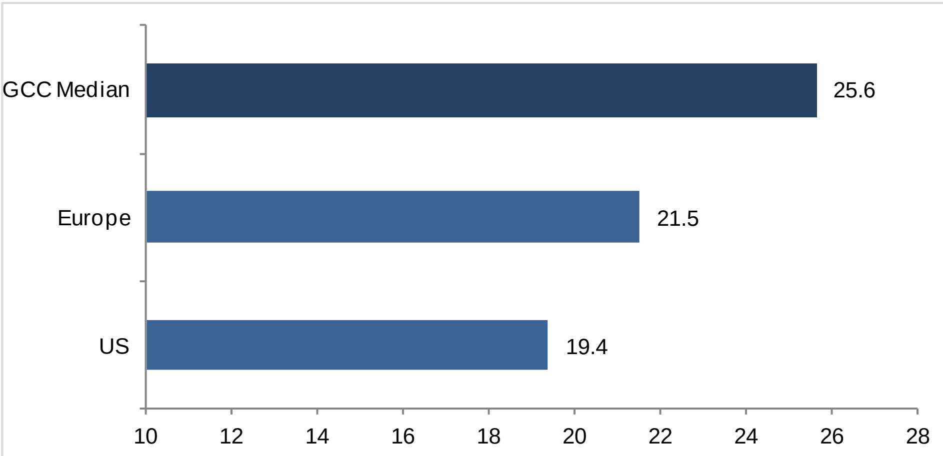
Exhibit 42: Valuation Trend



Source: Bloomberg

Higher growth prospects for healthcare companies and positive investor sentiment in the GCC region vis-à-vis developed countries are also reflected in the valuation. Accordingly, the median multiple (25.6x) GCC healthcare companies under consideration are trading at is higher than that of their European (21.5x) and US (19.4x) counterparts.

Exhibit 43: International Comparison (PE ratio)



Source: Bloomberg, as of 21 April 2014

9. Mergers & Acquisitions

M&A activity strongly up in 2013

With regard to merger & acquisition (M&A) activity, the GCC healthcare sector has started 2014 on a healthy note. The sector has recorded two deals so far in 2014, compared to nine deals during 2013 and five in 2012. The targets were primarily hospitals and healthcare providers & services (HMOs). Of the nine M&As in 2013, seven acquirers were hospitals. Furthermore, a good proportion of the acquisitions saw the acquirer buying 100% stake in the target company.

Waha Capital acquired 97% stake in Anglo Arabian Healthcare

The major deals this year were Waha Capital acquiring Anglo Arabian Healthcare for 97% stake in the company, for an undisclosed amount and Centurion Investment's acquisition of CSH Investment. Among some major deals last year was the acquisition of Gulf International Cancer Center by Al Noor Hospital Group for US$ 21.8 million.

UAE companies have been most active, recording 12 deals during 2011–14. In fact, Dubai-based Al Noor Hospitals Group was involved in three M&As in 2013. Saudi Arabia follows, with five M&A transactions.

Exhibit 44: M&A Activity in GCC Healthcare Sector

Year	Target Company	Target company Nation	Target's Business	Acquring Company/ Fund	Acquring company Nation	Value (USD million)	Stake acquired
2014	Anglo Arabian Healthcare	UAE	Hospitals	Waha Capital	UAE	NA	97%
2014	CSH Investment	UAE	HMOs	Centurion Investment	UAE	NA	-
2013	Gulf Intl Cancer Center	Saudi Arabia	Hospitals	Al Noor Hospitals Group PLC	UAE	21.8	100%
2013	Medical-Pathology Laboratories	UAE	Healthcare Equipment & Supplies	Mediclinic Middle East	UAE	25.8	100%
2013	Manchester Clinic	UAE	Hospitals	Al Noor Hospitals Group PLC	UAE	5.0	75%
2013	Al Madar Medical Centre	Saudi Arabia	HMOs	Al Noor Hospitals Group PLC	UAE	11.0	75%
2013	First Medical Center Co	Oman	HMOs	Starcare Health Systems Ltd	UK	NA	100%
2013	Samsung Medical Center	UAE	HMOs	Index Holding FZ LLC	UAE	NA	100%
2013	ETA Star Healthcare LLC	UAE	HMOs	Trivitron Group Pvt Ltd	India	NA	-
2013	Conceive Gynecology & Fertility Centre	UAE	Hospitals	Alchemist Healthcare LLC	UAE	NA	
2013	Dawara Med Factory for Pharm	Saudi Arabia	Pharmaceuticals	Dallah Healthcare Holding Co	Saudi Arabia	10.1	100%
2012	Kuwait Medical Center Hldg Co	Kuwait	Hospitals	Al-Safat Investment Co KSCC	Kuwait	NA	18%
2012	Emirates Healthcare Holdings	UAE	Hospitals	Mediclinic International Ltd	South Africa	223.6	49.6%
2012	Oman Medical Projects Co SAOG	Oman	Hospitals	Saudi Medicare Co Ltd	Saudi Arabia	10.7	39.6%
2012	Dr Josephs Clinics	UAE	HMOs	Gulf Healthcare Int LLC	UAE	18.0	80%
2012	Elaj Medical Services	Saudi Arabia	Hospitals	Watani Investment Co	Kuwait	NA	Minority Stake
2011	Taiba Hospital	Kuwait	Hospitals	Kuwait Invest Opportunities	Kuwait	NA	42%
2011	DEEF Pharmaceutical Industries	Saudi Arabia	Pharmaceuticals	Banaja Holdings	Saudi Arabia	NA	-
2011	United Boubyan Hospital Co	Kuwait	Hospitals	Undisclosed Acquiror	Kuwait	2.8	67.8%
2011	The Dubai Mall Medical Center	UAE	Hospitals	Medi-Clinic Corp Ltd	South Africa	NA	100%

Source: Thomson Banker

Note: HMOs – Healthcare Providers & Services; HES – Healthcare Equipment & Supplies

10. Private Equity Activity

PE activity remained subdued in 2013

Private equity activity in the GCC healthcare sector, which had picked up in 2011 with eight deals, slowed considerably, with only two deals in 2013 and two in 2012. In 2013, the PE space saw TVM Capital acquiring majority stake in UAE-based Manzil Health Care Services in a leveraged buyout. Among other major deals, the largest was Centurion Investment's US$1.1 billion acquisition of 40% stake in UAE-based NMC Group in 2011.

Geographically, the UAE leads the PE space in GCC, with 13 of the 20 deals in the past five years. Interestingly, most private equity deals involved hospitals (12 of the 20 deals in the past five years).

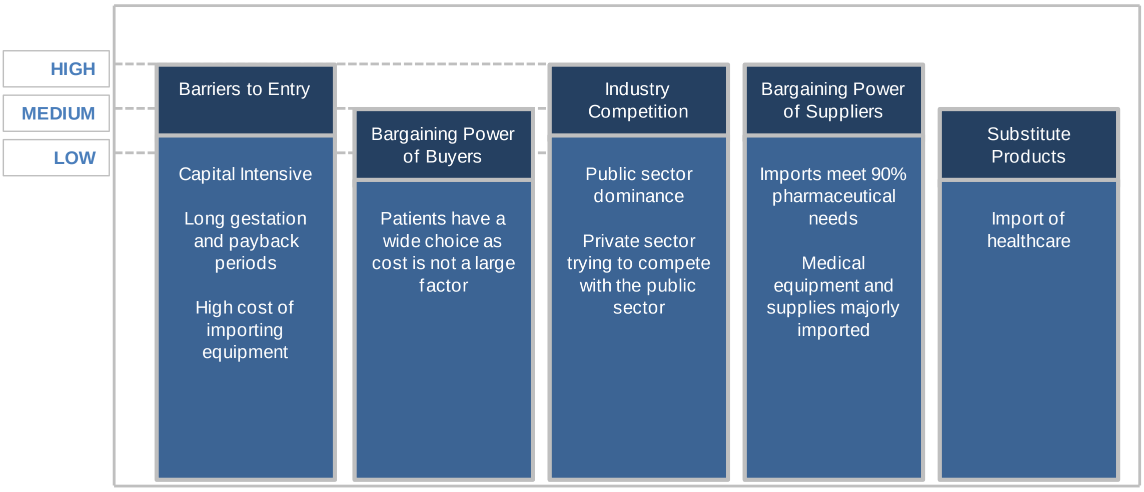
Exhibit 45: Private Equity Activity in GCC

Year	Investee	Nation	Investee Description	Investors	Deal Value (USD million)
2013	Manzil Health Care Services LLC	UAE	Home Health Care Services	TVM Capital GmbH	2.0
2013	Al Noor Medical Company	UAE	Hospitals	Ithmar Fund II	NA
2012	Cambridge Medical and Rehabilitation Center	UAE	Residential Care	Olayan America TVM Capital GmbH Al Zarooni Emirates Investments	8.0
2012	Aster D M Healthcare	GCC	Hospitals	Olympus Capital Asia Investment Ltd	100.0
2011	Elaj Services	Kuwait	Hospitals	NBK Capital Ltd	NA
2011	National Hospital LLC and New National Medical Centre	UAE	Hospitals	Al Aseel Investments LLC	NA
2011	NMC Health Plc	UAE	Hospitals	Centurion Investment Co	1089.1
2011	Mussalla Medical Centre	UAE	Hospitals	Alchemist Healthcare LLC	NA
2011	Elaj Services	Kuwait	Hospitals	Kuwait Investment Opportunities Fund	NA
2011	Hayati Healthcare	UAE	Hospitals	ABAN Seed Capital Fund LP	NA
2011	Advanced Laboratory Services	Saudi Arabia	Diagnostics	CedarBridge Partners Fund I	NA

Source: Thomson Banker

11. Porter's Five Forces Analysis

Exhibit 46: Industry Forces



Source: Alpen Capital

Barriers to Entry – High (for hospitals)

- Capital intensive
- Long gestation period
- Long payback period
- High cost of importing specialized equipment and technology

Bargaining Power of Buyers – Medium

- Due to mandatory insurance, patients have a wider choice of facilities since cost is not a large factor

Industry Competition – High

- Public sector continues to dominate healthcare spending across GCC
- Private sector competes with the public sector

Bargaining Power of Suppliers – High

- GCC healthcare meets 95% of its pharmaceutical requirement from imports due to insufficient manufacturing facilities and expertise, thereby rendering high bargaining power to suppliers
- GCC depends on imports for majority of its demand for medical equipment and supplies; the two largest GCC healthcare markets, Saudi Arabia and the UAE, import 90.0% and 92.5% of medical equipment requirement, respectively, as per latest figures

Threat from Substitutes – Medium

- In terms of secondary and tertiary healthcare services, residents opt for treatment abroad, after diagnosis in home country, mainly due to unavailability of services and/or lack of experienced personnel; cost of treatments; government reimbursements for such expenses have increased healthcare imports in GCC nations

Country Profiles

Bahrain

Macroeconomic Indicators				
Indicators	**Unit**	**2012**	**2013E**	**2014E**
GDP	*US$ bn*	27.1	28.4	29.1
Inflation	*%*	2.8	2.7	2.3
GDP per capita	*US$ '000*	23.5	24.8	24.3
Population	*'000*	1,151	1,147	1,198

Source: IMF, World Bank

Economic Overview

Oil & gas, finance, and manufacturing are the key sectors in Bahrain. According to the IMF, Bahrain's GDP increased 3.9% in 2012 compared with 2.1% the previous year. This rise can be ascribed to major industrial investments, strong development in the non-oil sector, and higher credit growth. The IMF expects Bahrain's GDP to increase at a CAGR of 3.6% over 2014–18.

Industry Snapshot (2011)

Given its low population, the market size of Bahrain's healthcare services is the smallest in the GCC region. The market expanded at a CAGR of 12% over 2006–11 to US$0.7 billion. The outpatient segment constituted over 82% of the market in 2011, while inpatients accounted for the rest.

Indicator (2011)	
Outpatient Market Size (US$ bn)	0.6
Inpatient Market Size (US$ bn)	0.1
Total Number of Beds	2,553
Total Number of Inpatient Treatments	123,027
Total Number of Outpatient Visits	6,306,278
Average Length of Stay (days)	5

Source: WHO, IMF, MoH

Bahrain's healthcare status vs. regional average (2011)

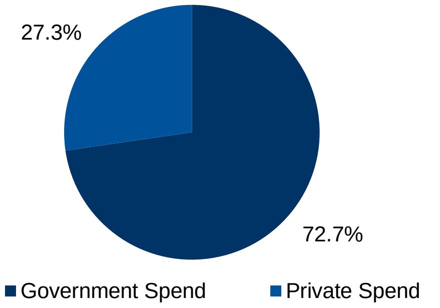
Indicator	Bahrain	GCC (Avg)
Life expectancy at birth (years)	76.4	76.3
Healthcare expenditure as % of GDP	3.8	3.3
Healthcare expenditure per capita (US$)	722	960

Source: WHO, World Bank

Bahrain's healthcare expenditure as a percentage of GDP is higher than the GCC average; however, its per capita expenditure on health is lower than the region's average.

Healthcare expenditure landscape (BHD mn)

Government spend	261	Private spend	98
Ministry of Health	77.0%	Prepaid and risk-pooling plans	25.5%
Social Security Funds	1.5%	Non-profit institutions serving households – NGOs	3.1%
Others	21.5%	Out-of-pocket payments	54.1%
		Others	17.3%



Source: WHO

Key Drivers and Trends

- Bahrain's healthcare services market is experiencing moderate growth. Moreover, Bahrain is expected to receive an increasing number of Saudi patients as it is strategically located near Saudi Arabia, the largest GCC market.
- Lifestyle-related diseases are highly prevalent in the country. Around 28.9% of males and 38.2% of females in the country are obese; this is ascribed to high consumption of fast food and a predominantly sedentary lifestyle. These diseases are likely to drive the healthcare services sector.
- Several healthcare facilities in Bahrain score high on quality and modernization, and have received accreditation from the US (Joint Commission International) and Canadian (Accreditation Canada) authorities.
- Ithmaar Development Company is constructing a first-of-its-kind health island in Bahrain; this is likely to boost medical tourism in the country.

Key Players	Hospitals	Clinics/Medical Centers	Diagnostic Labs
KIMS Group	4	7	NA
German Orthopaedic Hospital	1	NA	NA
Taaheal Healthcare	NA	NA	NA

Note: NA is not applicable/not available

Government Initiatives

- Bahrain's Economic Vision 2030 lays special emphasis on health. The aim is to transform Bahrain into a leading center for modern medicine that offers high-quality and sustainable healthcare.
- Bahrain's government raised the healthcare budget allocation from BHD534 million in 2011–12 to BHD676 million for 2013–14.
- The government is considering implementing mandatory health insurance for expatriate workers.
- Bahrain's Ministry of Industry and Commerce has been trying to raise the level of foreign collaboration and investments. Recently, it announced three trade agreements with India, including some in the healthcare sector in a recent first visit by the King Hamad bin Isa Al Khalifa to India. India is an important trading partner of Bahrain, with non-oil bilateral trade worth more than US$ 1.3 billion in 2012-13.

Kuwait

Macroeconomic Indicators				
Indicators	**Unit**	**2012**	**2013E**	**2014E**
GDP	*US$ bn*	173.4	173.4	175.2
Inflation	*%*	3.2	3.0	3.5
GDP per capita	*US$ '000*	45.8	44.6	43.8
Population	*'000*	3,785	3,890	3,999

Source: IMF, World Bank

Economic Overview

Oil & gas and finance are the main industries in Kuwait. According to the IMF, Kuwait's GDP grew 5.1% in 2012, after rebounding to 6.3% in 2011 from a decline in the previous year. The IMF expects the economy to expand 3.1% in 2014 and at a CAGR of 3.7% over 2014–18. The government's long-term development plan includes diversifying the economy away from oil.

Industry Snapshot (2011)

Kuwait's healthcare services market expanded at a CAGR of 20% over 2006–11 to US$ 2.9 billion in 2011. The outpatient segment constituted 71% of the market, with inpatient accounting for the rest.

Indicator (2011*)	
Outpatient Market Size (US$ bn)	2.1
Inpatient Market Size (US$ bn)	0.8
Total Number of Beds	7,606
Total Number of Inpatient Treatments	363,131
Total Number of Outpatient Visits	10,402,549
Average Length of Stay (days)	5

*Source: WHO, MoH; * Alpen Capital estimates*

Kuwait's healthcare status vs. regional average (2011)

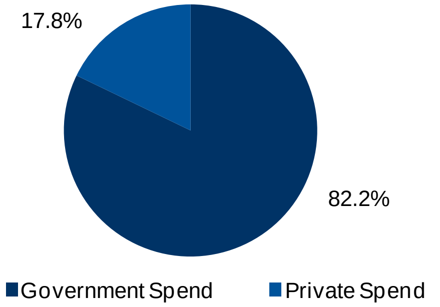
Indicator	Kuwait	GCC (Avg)
Life expectancy at birth (years)	74.3	76.3
Healthcare expenditure as % of GDP	2.7	3.3
Healthcare expenditure per capita (US$)	1,500	960

Source: WHO

Kuwait's healthcare expenditure as a percentage of GDP is lower than the GCC average; however, its per capita spending on health is higher than the region's average.

Healthcare expenditure landscape (KWD mn)

Government spend	959	Private spend	208
Ministry of Health	100%	Prepaid and risk-pooling plans	9.6%
Social Security Funds	0.0%	Non-profit institutions serving households – NGOs	0.0%
Others	0.0%	Out-of-pocket payments	90.4%
		Others	0.0%



Source: WHO

Key Drivers and Trends

- Kuwait's healthcare sector is in the developing stage and has been growing rapidly over the past few years.
- Lifestyle-related diseases such as diabetes, cancer, and cardiovascular ailments are highly prevalent in the country. Such diseases are likely to drive the healthcare sector over the next decade.
- Population growth coupled with higher life expectancy is likely to exert tremendous pressure on the country's healthcare sector. WHO statistics reveal that life expectancy at birth in Kuwait increased 24 years to 74.3 in 2011 from 60.3 in 1960.
- Kuwait features among nations with the highest rate of obesity: 42.8% of the country's people are obese. This is expected to be a major driver for the healthcare sector. Overeating energy-dense, high-fat foods and a sedentary lifestyle increase the risk of obesity.
- Infrastructure modernization is a key focus area in the Ministry of Health's (MoH) Towers Expansion Plan of nine hospitals, which is likely to be completed by 2016. This is expected to improve service offerings and significantly reduce patient waiting time, thereby projecting Kuwait as a medical tourism destination within Arab countries.
- In April 2011, Kuwait's MoH made health insurance compulsory for expatriates.

Key Private Players	Hospitals	Clinics/Medical Centers	Diagnostic Labs
United Medical Services Group	3	6	NA
Al Maidan Clinic	1	6	NA
Al Mowasat Health Care Co.	2	NA	NA

Note: NA is not applicable/not available

Government Initiatives

- The government is working on establishing a National Health Authority, which would assume overall responsibility of the licensing, certification, and accreditation of healthcare facilities in Kuwait, thus enabling MoH to concentrate on policy-related issues.
- Kuwait has been rapidly raising the healthcare budget. During 2012–13, it raised budget allocation to the sector to KWD1.2 billion from KWD 1 billion in the previous year.
- In March 2013, the MoH approved a proposal to overhaul access to public medical care, whereby nationals and expatriates would be allotted separate times for hospital visits.
- Kuwait Health Assurance Company is a public-private partnership (PPP) project envisioned in the country's five-year development plan for 2010–14 to transform its national healthcare system. The project entails building and operating three hospitals and 15 health clinics, apart from providing private insurance to expatriates.
- In June 2011, Kuwait's MoH signed a collaboration agreement with Accreditation Canada International to support its national healthcare accreditation system.
- In January 2011, Kuwait's MoH announced plans to add 3,500 hospital beds to the current capacity as well as expand laboratories

Oman

Macroeconomic Indicators

Indicators	Unit	2012	2013E	2014E
GDP	*US$ bn*	76.5	78.8	79.8
Inflation	*%*	2.9	2.8	3.2
GDP per capita	*US$ '000*	23.1	21.7	20.3
Population	*'000*	3,314	3,632	3,924

Source: IMF, World Bank

Economic Overview

Real estate and construction are the main sectors in Oman. According to the IMF, Oman's GDP grew 5% in 2012 compared with 4.5% in 2011. The IMF estimates the economy would expand 4.2% in 2013 and at a CAGR of 3.6% over 2014–18. High tourist arrivals and foreign direct investment are expected to contribute to growth in the current fiscal year.

Industry Snapshot (2011)

Oman's healthcare services market expanded at a CAGR of 17% over 2006–11 to US$1.6 billion in 2011. Outpatients constituted 90% of the market, while inpatients accounted for the remainder.

Indicator (2011)	
Outpatient Market Size (US$ bn)	1.4
Inpatient Market Size (US$ bn)	0.16
Total Number of Beds	4,690
Total Number of Inpatient Treatments	334,581
Total Number of Outpatient Visits	18,646,238
Average Length of Stay (days)	3

Source: WHO, MoH

Oman's healthcare status vs. regional average (2011)

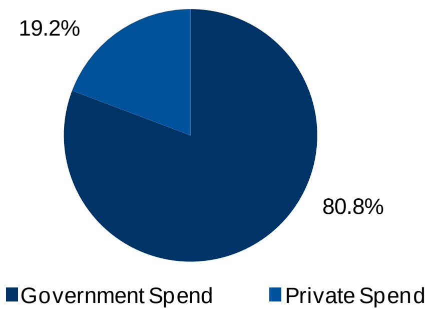
Indicator	Oman	(GCC Avg)
Life expectancy at birth (years)	76.3	76.3
Healthcare expenditure as % of GDP	2.3	3.3
Healthcare expenditure per capita (US$)	598	960

Source: WHO

As a percentage of GDP, healthcare expenditure in Oman is lower than the GCC average. Per capita spending on health in Oman is the lowest in the region.

Healthcare expenditure landscape (OMR mn)

Government spend	529	Private spend	126
Ministry of Health	77.7	Prepaid and risk-pooling plans	22.2%
Social Security Funds	0.0%	Non-profit institutions serving households – NGOs	0.0%
Others	22.3%	Out-of-pocket payments	59.5%
		Others	18.3%



Source: WHO

Key Drivers and Trends

- Although the government operates key hospitals in Oman, private sector participation has increased over time. Private sector health expenditure rose to 19.2% in 2011 from 17.7% in 2007.
- Lifestyle-related diseases such as diabetes, cancer, and cardiovascular ailments are highly prevalent in the country; globally, Oman ranks 12th for prevalence of diabetes, while about 22% of adults are obese. This would drive the sector in the coming years.
- Majan Development Company plans to develop a healthcare city near Muscat with an estimated investment of US$774 million–US$1.0 billion. This is likely to attract medical tourists from Western as well as Arab countries.
- The majority of Oman's healthcare workforce comprises expatriates; however, this is changing due to Omanization, an aggressive government policy. The country now has an accredited medical university. In addition, many Omani doctors have obtained medical training in countries such as Australia, Canada, the UK, and the US.

Key Private Players	Hospitals	Clinics/Medical Centers	Diagnostic Labs
Oman Medical Projects Company	1	NA	NA

Note: NA is not applicable/not available

Government Initiatives

- The nation's 2014 healthcare budget allocation surged to OMR1.3 billion from OMR500 million in 2012.
- As part of the short-term strategy (until the end of 2015), Oman's government plans to have 346 government healthcare facilities (including 70 hospitals and a medical city).
- As part of its long-term strategy, Oman formulated its Health's Vision-2050, aiming to develop 10,000 health centers to meet the rising demand of its growing population and increasing urbanization by radically improving healthcare facilities.
- In 2013, the government announced construction of an International Medical City at an investment of US$ 1 billion in Salalah. The construction is expected to start in early 2014, and first phase is scheduled to open in 2016 and second in 2020.

Qatar

Macroeconomic Indicators				
Indicators	**Unit**	**2012**	**2013E**	**2014E**
GDP	*US$ bn*	183.4	188.8	196.6
Inflation	*%*	-2.4	4.4	4.0
GDP per capita	*US$ '000*	121.6	116.9	120.6
Population	*'000*	1,508.3	1,615.2	1,629.9

Source: IMF, World Bank

Economic Overview

Oil & gas and finance are Qatar's major industries. According to the IMF, Qatar's GDP grew 16.6% in 2010 compared with 12.0% in 2009. The IMF estimates the economy would expand 4.4% in 2013 and at a CAGR of 7.5% during 2011–15 led by massive growth in its hydrocarbon capacity.

Industry Snapshot (2011)

Qatar's healthcare services market was the fastest growing in the GCC region, expanding at a CAGR of 28% over 2006–11 to US$ 3.4 billion. The outpatient segment constituted 73% of the market, whereas the inpatient segment accounted for the rest.

Indicator (2011*)	
Outpatient Market Size (US$ bn)	2.5
Inpatient Market Size (US$ bn)	0.9
Total Number of Beds	4,388
Total Number of Inpatient Treatments	249,154
Total Number of Outpatient Visits	6,585,077
Average Length of Stay (days)	4.5

*Source: WHO, MoH; *Alpen Capital estimates*

Qatar's healthcare status vs. regional average (2011)

Indicator	Qatar	(GCC Avg)
Life expectancy at birth (years)	78.3	76.3
Healthcare expenditure as % of GDP	2.3	3.3
Healthcare expenditure per capita (US$)	1,776	960

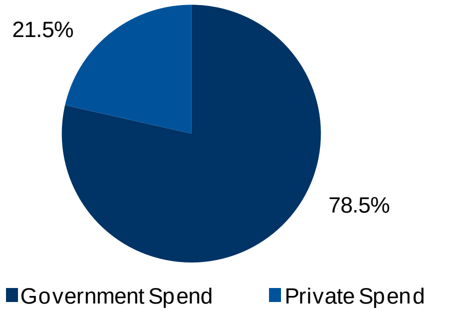
Source: WHO

Qatar's healthcare expenditure as a percentage of GDP is lower than the GCC average; however, it has the highest per capita health spending and life expectancy in the region.

Healthcare expenditure landscape (QAR mn)

Government spend	9,503	Private spend	1,819
Ministry of Health	N.A.	Prepaid and risk-pooling plans	24.3%
Social Security Funds	N.A.	Non-profit institutions serving households – NGOs	0.6%
Others	N.A.	Out-of-pocket payments	63.8%
		Others	11.3%

Source: WHO



Key Drivers and Trends

- The quality of healthcare services in Qatar has improved over the years and is better than in most regional peers. The healthcare sector is a key priority for the government. The country has the highest per capita healthcare spend among GCC nations.
- Lifestyle-related diseases such as diabetes and cardiovascular ailments are highly prevalent in the country. This is likely to be the key driver for the sector.
  - According to the International Association for the Study of Obesity, Qatar has the highest rate of obesity among boys in MENA. About 33% of the population is obese.
- The government has encouraged the private sector to play a greater role in healthcare for over a decade since the first private hospital was established in 1999. Therefore, private sector participation in healthcare in Qatar is steadily rising from 16% in 2005 to 22% in 2011.

Key Private Players	Hospitals	Clinics/Medical Centers	Diagnostic Labs
Medicare Group	1	2	NA

Note: NA is not applicable/not available

Government Initiatives

- In April 2011, Qatar announced the National Health Strategy 2011–16 (NHS), which aims to transform the country's medical infrastructure. The strategy also represents a shift toward a more active approach in disease prevention and early detection.
- In 2013, Qatar established the National Diabetes Registry, which would act as a comprehensive online tool that would enable data collation on all diabetes patients in a unified national registry. This would enable monitoring, comparing, and sharing best practices across institutions.
- In the 2013–14 budget, US$7.8 billion was allocated for health projects and services.
- In 2014, Qatar's government initiated the first phase (universal coverage for women above the age of twelve) of the mandatory health insurance coverage program.

Saudi Arabia

Macroeconomic Indicators

Indicators	Unit	2010	2013E	2015E
GDP	*US$ bn*	448.4	620.9	696.3
Inflation	*%*	5.4	4.3	4.0
GDP per capita	*US$ '000*	17.1	22.3	24.1
Population	*'000*	26,245.0	27,852.7	28,932.5

Source: IMF, World Bank

Economic Overview

Saudi Arabia's economy depends heavily on oil; it is the world's leading oil producer and exporter. According to the IMF, Saudi Arabia's GDP grew 1.0% in 2013 compared with 6.2% in 2012. The IMF estimates the economy would expand 3.9% in 2014 and at a CAGR of 4.7% during 2011–15 led by rising oil prices.

Industry Snapshot (2011)

Saudi Arabia has the largest GCC healthcare services market due to its high population. It expanded at a CAGR of 14.7% over 2006–11 to US$14.4 billion. The outpatient segment constituted 85.5% of the total market, while the inpatient segment accounts for the rest.

Indicator (2011)	
Outpatient Market Size (US$ bn)	12.3
Inpatient Market Size (US$ bn)	2.1
Total Number of Beds	58,696
Total Number of Inpatient Treatments	3,152,071
Total Number of Outpatient Visits	131,862,144
Average Length of Stay (days)	3.0

Source: WHO, MoH

KSA healthcare status vs. regional average (2011)

Indicator	Saudi Arabia	GCC (Avg)
Life expectancy at birth (years)	75.3	76.3
Healthcare expenditure as % of GDP	3.7	3.3
Healthcare expenditure per capita (US$)	758	960

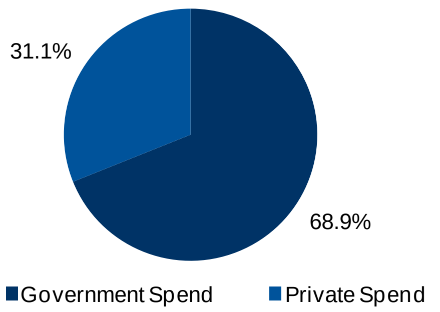
Source: WHO

As a percentage of GDP, healthcare expenditure in Saudi Arabia is higher than the GCC average; however its per capita spending on health is lower than the regional average.

Healthcare expenditure landscape (SAR mn)

Government spend	55,003	Private spend	24,810
Ministry of Health	66.7%	Prepaid and risk-pooling plans	18.6%
Social Security Funds	0.0%	Non-profit institutions serving households – NGOs	0.8%
Others	33.3%	Out-of-pocket payments	58.8%
		Others	21.8%

Source: WHO



Key Drivers and Trends

- Saudi Arabia is the largest GCC market for healthcare services. It accounts for about 46% of the regional healthcare market.
- KSA has one of the most developed and technologically advanced medical sectors in the Middle East with modern equipment and amenities. The healthcare professionals are internationally recognized and familiar with Western practices and standards.
- A growing and aging population is a key driver for the healthcare sector in Saudi Arabia. The population is expected to have surged 35% over 2002–12 to 29 million. It is likely to increase to 32.7 million by 2018. Life expectancy in KSA increased to 75.3 years from 72.6 over 2000–2011, thus contributing to a growing elderly population.
- Lifestyle-related diseases such as diabetes and cardiovascular ailments are highly prevalent in Saudi Arabia. This would primarily drive the Saudi healthcare sector in the coming years.
    - Obesity is a huge problem in the country: 35.2% of the Saudi population is obese.
- Given the rising demand for healthcare services, Saudi Arabia's government has been aggressively implementing policies to increase private sector participation. The private sector's share in health expenditure rose from 25.3% in 2006 to 31.1% by 2011.

Key Private Players	Hospitals	Clinics/Medical Centers	Diagnostic Labs
Al-Mouwasat Medical Services	4	NA	NA
Elaj Group	Na	16	NA
Dallah Healthcare Holding Company	1	NA	NA
Magrabi Hospitals and Centers	9	15	NA
National Medical Care Company	2	NA	NA
Saudi German Hospitals Group	7	NA	NA

Note: NA is not applicable/not available

Government Initiatives

- The 2014 budget allocation to health and social affairs rose to SAR108 billion from SAR100 billion in 2013.
- In Saudi Arabia's Ninth Five-Year Plan, SAR273.9 billion was allocated for various health initiatives, such as construction of 121 hospitals, 700 primary healthcare centers, and 400 emergency centers.
- In 2013, the Saudi Ministry of Health signed an agreement with the British Medical Journal, one of the world's most respected medical journals, for cooperation in health learning and research.
- In February 2014, the government launched a comprehensive online database for medical/clinical information for healthcare providers and patients.
- The government introduced compulsory medical insurance for the dependents of expatriates in 2013 as part of its healthcare reform plan.

UAE

Macroeconomic Indicators

Indicators	Unit	2010	2013E	2015E
GDP	*US$ bn*	302.0	396.3	440.9
Inflation	*%*	0.9	2.5	2.1
GDP per capita	*US$ '000*	64.2	79.2	84.9
Population	*'000*	4,707.3	5,006.2	5,193.4

Source: IMF, World Bank

Economic Overview

Oil & gas, manufacturing, services, and real estate are key sectors in the UAE. According to the IMF, UAE's GDP grew 3.2% in 2010 after contracting 3.2% the previous year. The IMF estimates the economy would expand 3.3% in 2011 and at a CAGR of 4.0% during 2011–15, led by a revival in tourism and rising oil prices.

Industry Snapshot (2011)

UAE is the second-largest GCC healthcare services market. It expanded at a CAGR of 35% over 2006–11 to US$8.0 billion. The outpatient segment accounted for 69% of the market, while inpatient constitutes the remainder.

Indicator (2011*)	
Outpatient Market Size (US$ bn)	5.5
Inpatient Market Size (US$ bn)	2.5
Total Number of Beds	18,719
Total Number of Inpatient Treatments	874,554
Total Number of Outpatient Visits	21,981,599
Average Length of Stay (days)	5

Source: WHO, MoH; Alpen Capital estimates

UAE healthcare status vs. regional average (2011)

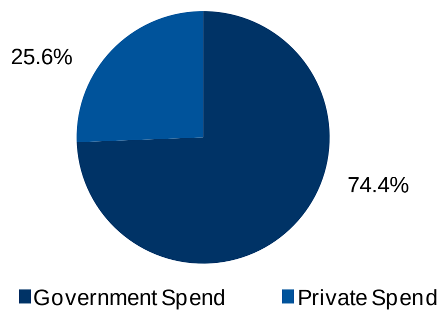
Indicator	UAE	GCC (Avg)
Life expectancy at birth (years)	76.8	76.3
Healthcare expenditure as % of GDP	3.4	3.3
Healthcare expenditure per capita (US$)	1,640	960

Source: WHO

UAE's healthcare expenditure as a percentage of GDP is the lowest in the GCC region; however, its per capita spending on health is the second highest in the region, trailing only Qatar.

Healthcare expenditure landscape (AED mn)

Government spend	35,352	Private spend	12,171
Ministry of Health	22.5%	Prepaid and risk-pooling plans	27.3%
Social Security Funds	0.0%	Non-profit institutions serving households – NGOs	9.5%
Others	77.5	Out-of-pocket payments	63.2%
		Others	0.0%



Source: WHO

Key Drivers and Trends

- The UAE is one of the most organized and fast-growing healthcare markets in the region.
- The UAE has six federal authorities and nine regionalized medical districts. Decentralization of the sector has helped establish an efficient healthcare system in the country.
- Lifestyle-related diseases such as diabetes, cancer, and cardiovascular ailments are highly prevalent in the country. This would be a major driver for the sector in the coming years.
  - Globally, the UAE ranks second for prevalence of diabetes.
  - About 34% of its population is obese.
- Although the government operates the major hospitals in the UAE, private sector participation has increased over the years. Accordingly, the industry is fuelled with the latest technology in the field of diagnosis, healthcare services, and medical devices, among others.
- The UAE is the medical tourism hub of the GCC region; it attracts patients from GCC countries as well as Arab nations. The government now seeks to compete with established medical tourism destinations such as India.

Key Private Players	Hospitals	Clinics/Medical Centers	Diagnostic Labs
Al Noor Medical Company	3	14	NA
Belhoul Lifecare	2	NA	NA
DM Healthcare	10	44	NA
Emirates Healthcare Limited	2	2	1
Gulf Healthcare International	NA	4*	12
Gulf Medical Projects Company	1	1	NA
NMC Healthcare	5	2	NA
Zulekha Healthcare Group	2	NA	NA

*Note: NA is not applicable/not available; * polyclinics*

Government Initiatives

- In January 2014, the UAE announced a seven-year National Agenda, making accreditation compulsory for public and private healthcare providers for them to continue operations beyond 2020.
- In the FY14 budget, AED3.7 billion was allocated for health projects and services.
- In February 2014, Dubai introduced compulsory health insurance to ensure universal access to quality healthcare services.
- In January 2014, the MoH tied up with telecom companies to deliver m-health service to support people suffering from diabetes as well as cardiovascular and respiratory diseases, as part of its 'Vision for 2021' project.

Company Profiles

ALPEN CAPITAL

AL MAIDAN CLINIC Kuwait

Company Description

Established in 1987, Al Maidan Clinic for Oral Health Services Co. (Al Maidan Clinic) is oneof the biggest specialized private dental clinics in Kuwait. It owns and operates six dental branches in strategic locations across Kuwait and employs over 70 specialized doctors. The company diversified its healthcare services in November 2009 through its wholly-owned subsidiary Al Seef Hospital in Kuwait, a general hospital with an investment of KWD 38 million. Al Maidan Clinic got listed on the Kuwait Stock Exchange in 2008 with the symbol MIDAN.

Al Maidan Clinic is a subsidiary of United Medical Services Company (UMSC), the largest private healthcare services provider in Kuwait.

Business Segments and Service Portfolio

Al Maidan Clinic primarily operates through two business segments:

- Clinics offer oral healthcare services with specialties in cosmetic dentistry, pedodontics, endodontics, periodontics, prosthodontics, orthodontics, dental implantology, and restorative dentistry.
- Hospital provides general medical services, with a specialization in maternity, women, and children's health services.

Salient Features

- Al Maidan Clinic has dental centers in six of the most densely populated areas of Kuwait (Sharq, Fahaheel, Farwaniya, Jahra, Hawally, and Sabah Al Salem) as well as a mobile dental clinic.
- KIPCO Group holds a 57% stake in the company through its wholly owned subsidiary UMSC.
- Al Maidan Clinic is a leading dental services provider in Kuwait, having been accredited with ISO 9001:2000 certification in 2006.

The company was the first dental clinic to provide mobile dental clinic service to customers, which is a vehicle equipped to offer a full range of oral health treatments.

Recent Developments and Future Plans

- In February 2013, Al Maidan Clinic announced a 66.7% increase in capital from KWD 15 million to KWD 25 million through the issuance of 100 million shares at 100 fils per share.
- The company plans to expand its dental centers in the UAE, Qatar, Lybia, Tunisia, and Algeria in the coming years, eventually aiming to become the largest dental network in the Middle East.

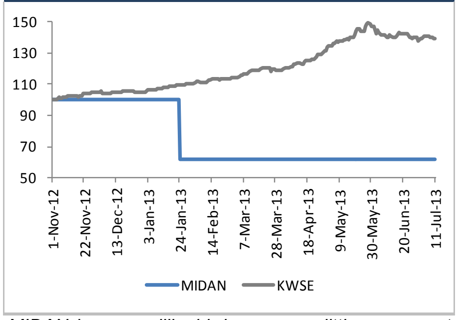
Snapshot	
Year established	1987
Ownership	Public
No. of clinics	6
No. of hospitals	1
No. of beds	120
Current price (KWD) *	**1.220**

** Price as on 09 July 2013*
** Not traded since*

Average Daily Trading Turnover (000's)		
	KWD	**US$**
2014 YTD*(no trade)*	NA	NA
2013 CY	299	1,052

Source: Bloomberg

Share Price Chart



MIDAN is a very illiquid, hence very little movement in prices.

Valuation Multiples		
	2013	**Current**
P/E (x)	NA	NA
P/B (x)	23.33	23.33
EV/S (x)	13.65	13.65
Dividend Yield (%)	NA	NA

Major Shareholders	
United Medical Services Company	52.11%
Mohammed JawadBehbehani	11.13%
Public	36.76%
Total	**100.00%**

Source: Zawya,

Financial Performance

(US$ 000's)	2010**	2011*	2012**	2013**	% YoY Change
Revenue	43,046	NA	92,274	79,628	-13.7%
Gross Profit	(2,575)	NA	13,245	12,491	-5.7%
Gross Profit Margin (%)	-6.0%	NA	14.4%	15.7%	
Operating Income	(16,984)	NA	(9,695)	(2,878)	-70.3%
Operating Margin (%)	-39.5%	NA	-10.5%	-3.61%	
Net Income	(22,569)	NA	(17,023)	(7,958)	-53.3%
Net Income Margin	-52.4%	NA	-18.4%	-10.0%	
Total Equity	36,501	NA	20,003	46,451	132.2%
Total Assets	139,059	NA	139,723	133,277	-4.6%
ROE (%) ^	-61.83	NA	-85.1	-17.13	
ROA (%) ^	-16.23	NA	-12.18	-5.97	
Total Debt	25,986	NA	13,906	7,247	-47.9%
Debt –to–Equity (%)	71.0%	NA	69.5%	15.6%	

- *2013 total revenues declined 13.7% YoY from US$ 92.3 million in 2012 to US$ 79.6 million.*
- *Operating loss improved 70.3% YoY to US$ 2.9 million, compared to 2012.*
- *Debt-to-Equity ratio declined to 15.6% in 2013, compared to 69.5% a year ago, driven by a 132.2% increase in equity base along with a 47.9% decline in total debt level.*
- *The company reported a net profit of KWD 1.47 million for 9M FY 2014 ending December 2013 compared with a net loss of KWD 1.68 million for the same period last year.*

Source: Company Data, Reuters Eikon, Zawya

* 2011: data not provided by company; ** 2012 and 2013: Year End March 31; 2010: Year End December 31; ^ Calculated

AL MOWASAT COMPANY FOR HEALTH CARE — Kuwait

Company Description

Mowasat Health Care Co. (MHC), formerly Al Mowasat Holding Company KSCC, is a public company listed on Kuwait Stock Exchange since October 2006. The company operates within the healthcare equipment and services sector, in compliance with Sharia laws. Established in September 1998, Kuwait City-based MHC has subsidiaries operating across Lebanon and Kuwait.

MHC is the healthcare arm of Nafais Holding Company (NHC), which has operations in the education and healthcare sectors and is involved in financing and investment activities. MHC owns the New Mowasat Hospital, which is the oldest private hospital in Kuwait (established in 1965).

Business Segments and Product Portfolio

MHC owns 100% stakes in the New Mowasat Company KSCC and Mowasat Real Estate Company KSCC as well as operates the New Mowasat Hospital.

Maternity Services is the leading department at NHC, while the centers of orthopedics, assisted reproduction (IVF), and diabetes management have become leaders in Kuwait through their high success rates as well as volumes. The hospital's services include 24-hour emergency department, laboratory, radiology, and a pharmacy spread over 10,500 square meters (sqm).

Salient Features

- In January 2014, the New Mowasat Hospital achieved re-accreditation from JCI. The hospital achieved 100% compliance in all standards related to quality improvement & patient safety, governance & leadership, and patient education, while overall quality index remained 97% in the other standards.
- The hospital has been accredited by the Accreditation Canada International (ACI) and the JCI, and has been operating in the medical services field for over 47 years.

Recent Developments and Future Plans

- In 2014, MHC plans to expand the New Mowasat Hospital, and would open the first Preventative Center in Al Manshar Mall Kuwait.
- The company is exploring new markets in the MENA region, specifically the healthcare markets in Egypt, Syria, Sudan, and North Africa.
- In December 2012, as part of its affiliation agreement with Belgium's largest medical center, the Centre Hospitalier Interrégional Edith Cavell (CHIREC), New Mowasat Hospital opened an ophthalmology center to provide comprehensive ophthalmic services in Kuwait.

Snapshot	
Year established	1998
Ownership	Public
No. of hospitals	2

Current price (KWD) *	0.180

** Price as on 21 April 2014*

Stock Details	
Eikon ticker	MHCK.KW
52 week high/ low (KWD)	0.206 / 0.160
Market Cap (US$ mn)	62
Enterprise value (US$ mn)	71
Shares outstanding (mn)	96.8

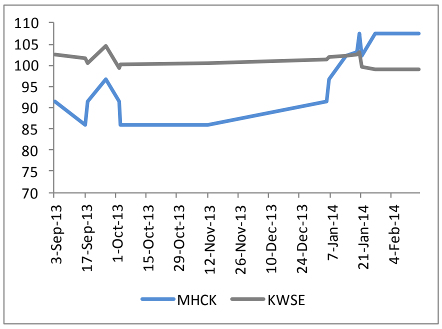
Source: Reuters Eikon, Bloomberg

Average Daily Trading Turnover (000's)

	KWD	US$
2014 YTD	568	2,013
2013 CY	9,213	32,401

Source: Bloomberg

Share Price Chart



Valuation Multiples

	2012	Current
P/E (x)	6.65	9.62
P/B (x)	0.80	0.96
EV/S (x)	0.77	0.81
Dividend Yield (%)	6.3	5.0

Major Shareholders	
Nafais Holding Company	44.40%
Mawared United Investment Co.	20.00%
AREF Investment Group	15.30%
Kuwait Awqaf Public Foundation	10.00%
Public	10.30%
Total	**100.00%**

Source: Zawya

Financial Performance

(US$ 000's)	2011	2012	H1 2012	H1 2013*	% YoY Change
Revenue	79,004	80,984	42,197	44,823	6.22%
Gross Profit	NA	NA	NA	NA	
Gross Profit Margin (%)	NA	NA	NA	NA	
Operating Income	10,864	10,241	5,857	5,877	0.34%
Operating Margin (%)	13.75%	12.65%	13.88%	13.11%	
Net Income	7,584	7,771	4,455	4,499	0.99%
Net Income Margin	9.60%	9.60%	10.56%	10.04%	
Total Equity	61,374	65,036	66,105	65,306	-1.21%
Total Assets	144,633	139,988	146,287	144,187	-1.44%
ROE (%) ^	12.36%	11.95%	6.74%	6.89%	
ROA (%) ^	5.24%	5.55%	3.05%	3.12%	
Total Debt	13,331	12,830	14,675	10,841	-26.1%
Debt –to–Equity (%)	21.7%	19.7%	22.2%	16.6%	

- *Half yearly revenues increased 6.2% YoY from US$ 42.2 million in H1 2012 to US$ 44.8 million in H1 2013.*
- *Operating income also rose marginally 0.3% YoY over the same period to US$ 5.9 million.*
- *Net margin contracted to 10.0% in H1 2013 from 10.6% in H1 2012.*

Source: Company Data, Reuters Eikon

** FY 2013 data not available; Gross Profit not reported by company; ^ Calculated*

AL-MOUWASAT MEDICAL SERVICES — Saudi Arabia

Company Description

Al-Mouwasat Medical Services (Mouwasat) is a public listed company in Saudi Arabia that provides healthcare services and equipment in the Eastern Province. The company commenced operations as Al-Mouwasat Dispensary in 1975, and was registered as a limited liability company in 1997 before being converted into a joint stock company in 2006. Mouwasat was listed on the Saudi Stock Exchange in September 2009, and has three subsidiaries across the KSA.

Mouwasat is primarily engaged in the ownership, management, operations, and maintenance of hospitals, medical centers, medicine warehouses, and pharmacies.

Business Segments and Product Portfolio

Mouwasat owns four hospitals and has management contracts for a 120-bed hospital in Medina and two dispensaries. The hospitals and clinics specialize in internal medicine, obstetrics and gynecology, pediatrics, orthopedics, dermatology, venereology, general surgery, ophthalmology, ENT, cardiology, vascular, psychiatry, neurology, dentistry, plastic surgery, and physiotherapy.

Salient Features

- Mouwasat serves a broad client base, which includes majors such as Saudi Aramco, SABIC, General Organization for Social Insurance, and Saudi Electricity Company as well as health insurance networks in the Kingdom. The company signed a five-year contract (expiring mid-2015) with Aramco for providing healthcare services to the latter's employees in the Eastern Province, with an option for the renewal of the contract.
- Mouwasat provides healthcare services to clients of insurance companies, which are approved by the Council of Cooperative Health Insurance (CCHI) in the KSA. Furthermore, the company allocates 25% of its resources to serve walk-in patients (cash patients).
- Together with UK-based Care Fertility Group, Mouwasat established an in vitro fertilization (IVF) and genetics center at Mouwasat Hospital in Dammam to deal with genetics and fertility-related problems.
- Following a bonus share offer in 2012 of one share for each share owned, Mouwasat's capital stands at SAR 500 million.

Recent Developments and Future Plans

- Mouwasat is expanding its hospital in Dammam. The company is shifting the existing facility with 43 outpatient clinics to an adjoining tower that would house 100 clinics as well as plans to set up 28 executive and deluxe suite rooms in order to meet the growing demand for luxurious rooms.
- In September 2013, Mouwasat obtained a SAR 106 million long-term loan from the Ministry of Finance to fund the company's hospital in Riyadh. The loan is payable over 20 annual installments, with an option of extending for five years. At an investment of SAR 250 million, the hospital would have a capacity of 175 beds and is expected to be operational by July 2014.
- In July 2013, Mouwasat signed an agreement with Emaar Enterprise Co. for the company's hospital expansion project in Jubail. At SAR 70 million, the project would be aimed at expanding the current inpatient facility of 104 to accommodate 30 inpatient rooms and 12 additional clinics.

Snapshot	
Year established	1975
Ownership	Public
No. of hospitals	4
No. of beds	649

Current price (SAR)	94.0

Price as on 21 April 2014

Stock Details	
Eikon ticker	4002.SE
52 week high/ low (SAR)	96.3 / 62.3
Market Cap (US$ mn)	1,256
Enterprise value (US$ mn)	1,289
Shares outstanding (mn)	50

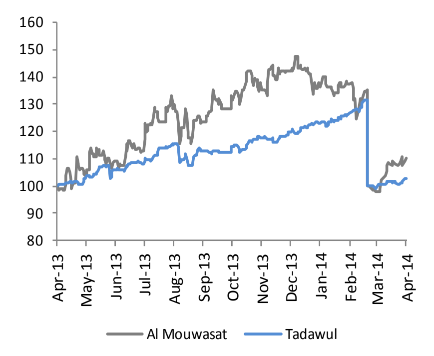
Source: Reuters Eikon, Bloomberg

Average Daily Trading Turnover (000's)

	SAR	US$
2014 YTD	17,544	4,677
2013 CY	11,067	2,951

Source: Bloomberg

Share Price Chart



Valuation Multiples

	2013	Current
P/E (x)	22.9	22.2
P/B (x)	5.3	5.4
EV/S (x)	5.2	5.4
Dividend Yield (%)	1.6	2.3

Major Shareholders	
Md. Sultan Hammad Al Subaie	17.50%
Nasser Sultan Fahad Al Subaie	17.50%
Suleiman Al Saleem (private)	17.50%
Public	42.30%
Total	**100.00%**

Source: Zawya

Financial Performance

(US$ 000's)	2010	2011	2012	2013	% YoY Change
Revenue	156,664	180,908	212,387	240,577	13.27%
Gross Profit	73,370	86,395	99,381	121,536	22.29%
Gross Profit Margin (%)	46.83%	47.76%	46.79%	50.52%	
Operating Income	38,100	45,134	49,607	59,261	19.46%
Operating Margin (%)	24.32%	24.95%	23.36%	24.63%	
Net Income	31,618	39,479	45,755	53,649	17.25%
Net Income Margin	20.18%	21.82%	21.54%	22.30%	
Total Equity	152,500	178,266	203,644	236,921	16.34%
Total Assets	237,709	262,605	326,687	393,261	20.38%
ROE (%)	20.73%	22.15%	22.47%	22.64%	
ROA (%)	13.30%	15.03%	14.01%	13.64%	
Total Debt	44,460	36,931	69,091	91,084	31.8%
Debt –to–Equity (%)	29.2%	20.7%	33.9%	38.4%	

- *Annual revenues increased 13.3% YoY from US$ 212.4 million in 2012 to US$ 240.6 million in 2013.*
- *Operating income also posted robust growth of 19.5% YoY in 2013 to US$ 59.3 million, compared to last year.*
- *Net income margin improved to 22.3% in 2013 from 21.5% in 2012.*
- *Debt-to-Equity ratio increased to 38.4% in 2013, from 33.9% a year ago.*

Source: Company Data, Reuters Eikon; ^ Calculated

AL NOOR MEDICAL COMPANY UAE

Company Description

Established in 1985, Al Noor Medical Company (Al Noor) provides healthcare services and medical supplies through hospitals, medical centers, and pharmacies across the UAE. It was listed on the London Stock Exchange in June 2013 through a US$ 342 million IPO for a 32.9% stake in the company.

Al Noor is the largest private healthcare provider in the UAE, accounting for 35% of inpatient admissions and 33% of outpatient visits in the private sector, as per HAAD statistics 2012. In 2013, the company established a medical center each in Dubai and Oman.

Business Segments and Services Portfolio

Al Noor owns and operates general hospitals, clinics, and pharmacies as well as distributes medical supplies. The company offers medical services such as internal medicine, dermatology, cardiology, dentistry, neurology, physiotherapy, diagnostic, and other services. Al Noor was the first private hospital in Abu Dhabi to offer IVF, open-heart surgery, renal dialysis, and nuclear medicine, and is equipped with state-of-the-art laboratory and radiology and physiotherapy facilities.

- Hospitals (Abu Dhabi, UAE): Al Noor Hospital (Khalifa Street, 1985), Al Noor Hospital (Airport Road, 2008), and Al Noor Hospital (Al Ain, 2006)
- Medical centers: 12 in Abu Dhabi and one each in Dubai and Muscat; the centers provide outpatient, diagnostic, and pharmacy services, with general practice and a few other specialties.

Salient Features

- Al Noor was the first private hospital in Abu Dhabi to be given the Joint Commission International (JCI) accreditation; all of the company's hospitals have been accredited. According to a 2011 Health Authority of Abu Dhabi (HAAD) patient satisfaction survey, Al Noor's two hospitals in Abu Dhabi are ranked first and third in the city in terms of inpatient satisfaction, scoring 91% and 90%, while its Al Ain hospital ranked first scoring 90%.
- In 2009, Al Noor was given the acclaimed Sheikh Khalifa Excellence Award, Gold Category, for its contribution to healthcare.

Recent Developments and Future Plans

- Al Noor is focused on growing its domestic business in 2014, and plans to open two centers in Abu Dhabi in the first quarter. It is also exploring opportunities for potential acquisitions across the Gulf region.
- In February 2014, Al Noor acquired Gulf International Cancer Centre (GICC) in Al Bahia, Abu Dhabi, for AED 80 million. GICC provides radiation therapy, medical oncology, and PET scan services.
- Al Noor listed its shares on the London Stock Exchange in June 2013, raising US$ 342 million; since then, the company's shares have gained more than 50% over its initial offer price.
- In 2013, Al Noor acquired two operating medical centers – Al Madar Medical Center and Manchester Clinic – for US$ 16 million.

Snapshot	
Year established	1985
Ownership	Public
No. of hospitals	3
No. of clinics	14
No. of Beds	227

Current price (GBP)	10.20

Price as on 21 April 2014

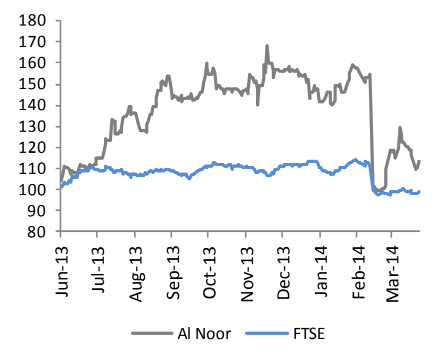
Stock Details	
Eikon ticker	ANHA.L
52 week high/ low (GBP)	12.69 / 5.70
Market Cap (US$ mn)	2,002
Enterprise value (US$ mn)	1,896
Shares outstanding (mn)	116.9

Source: Reuters Eikon, Bloomberg

Average Daily Trading Turnover (000's)		
	GBP	US$
2014 YTD	595	987
2013 CY	1,190	1,861

Source: Bloomberg

Share Price Chart



Valuation Multiples	2013	Current
P/E (x)	26.4	30.4
P/B (x)	11.0	12.7
EV/S (x)	4.5	5.2
Dividend Yield (%)	NA	1.1

Major Shareholders	
Public	100%
HE Mohammed Bin Butti Hamid Al Hamid*	-
Dr Kassem Ali Alom*	-
Total	**100%**

Source: Zawya

Financial Performance

(US$ 000's)	2010	2011	2012	2013	% YoY Change
Revenue	241,353	292,889	324,363	365,041	12.54%
Gross Profit	96,737	117,706	135,671	154,538	13.91%
Gross Profit Margin (%)	40.1%	40.2%	41.8%	42.3%	
Operating Income	37,767	50,375	61,690	71,352	15.66%
Operating Margin (%)	15.6%	17.2%	19.0%	19.5%	
Net Income	38,158	50,844	60,481	61,391	1.50%
Net Income Margin	15.8%	17.4%	18.6%	16.8%	
Total Equity	76,100	103,464	(2,912)*	178,716	NM
Total Assets	138,799	174,716	180,561	260,012	44.00%
ROE (%) ^	50.1%	49.1%	NM	34.4%	
ROA (%) ^	27.5%	29.1%	33.5%	23.6%	
Total Debt	4,628	2,883	125,403	195	NM
Debt –to–Equity (%)	6.1%	2.8%	NM	0.1%	

- *Annual revenues increased 12.5% YoY from US$ 324.4 million in 2012 to US$ 365.0 million in 2013.*
- *Operating income also expanded 15.7% YoY over the same period to US$ 71.4 million.*
- *Net margin contracted to 16.8% in 2013 from 18.6% in 2012.*

Source: Company Data, Reuters Eikon

* *As reported in company annual report; ^ Calculated*

ALPEN CAPITAL

DALLAH HEALTHCARE HOLDING COMPANY — Saudi Arabia

Company Description

Dallah Healthcare Holding Company (Dallah) is a Riyadh-based hospital that offers a wide range of healthcare services, with special focus on obstetrics & gynecology and pediatrics. Established in 1987 as Dallah Hospital with a capital of SAR 100mn, it was renamed as Dallah Healthcare Holding Company following its conversion to a joint stock company in 2008.

The hospital is one of the leading and largest private hospitals in Riyadh, a leader in the field of laparoscopic surgery in the Kingdom, and employs 220 doctors and 1,553 support staff.

Business Segments and Product Portfolio

Dallah Healthcare operates through four business segments:

- Dallah Hospitals: The hospital has 352 beds and 113 outpatient clinics and provides inpatient and outpatient medical services across cardiac medicine and surgery, orthopedic and backbone surgery, dentistry, endocrinology & diabetes, dermatology & cosmetic, and other specialties.
- Dallah Pharma: Located in Riyadh, Dammam, and Jeddah, it is a wholesale distributor of pharmaceutical, herbal, and cosmetic products. Established in 1994, Dallah Pharma has exclusive distribution rights in the Kingdom for 45 pharmaceutical products, 12 herbal products, and eight cosmetic products.
- Operation & Management Projects: Located in Al-Khafji and started in 2006, the unit offers management and operational services to other hospitals.
- Investments: The company invests in several healthcare companies locally and in surrounding countries (has an 8% stake in the Makkah Medical Center).

Salient Features

- Dallah received ISO-9001 certification in 1998, which is being renewed every three years. The hospital also achieved JCI accreditation in 2009, which was renewed in 2012.
- Dallah Hospital was the first hospital in Saudi to offer laparoscopic surgery, and is also one of the first hospitals in the world to offer infertility treatment through in-virto fertilization.

Recent Developments and Future Plans

- Dallah is building a hospital in west Riyadh with a design capacity of 300 beds and 80 outpatient clinics. The company expects construction to begin in 2Q 2014 and the project to be completed by 2Q 2017; the hospital is expected to be operational by late 3Q 2017.
- Dallah recently signed a contract to add 65 new outpatient clinics at Dallah Hospital Complex in Riyadh. The expansion project is expected to be completed by late 4Q 2014.
- In November 2012, Dallah raised SAR 513 million net from the sale of 14.2 million shares at SAR3 8.0 per share through an IPO (increasing its capital to SAR 472 million from SAR 330 million), and will use the proceeds for the development of West Riyadh Hospital.

Snapshot	
Year established	1987
Ownership	Public
No. of hospitals	1
No. of beds	352

Current price (SAR)	91.49

Price as on 21 April 2014

Stock Details	
Eikon ticker	4004.SE
52 week high/ low (SAR)	97.25/58.00
Market Cap (US$ mn)	1,152
Enterprise value (US$ mn)	1,144
Shares outstanding (mn)	47.2

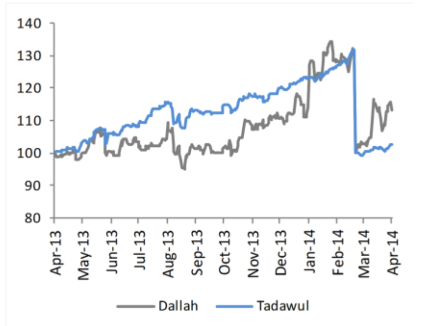
Source: Reuters Eikon, Bloomberg

Average Daily Trading Turnover (000's)

	SAR	US$
2014 YTD	35,124	9,364
2013 CY	87,222	23,253

Source: Bloomberg

Share Price Chart



Valuation Multiple

	2013	Current
P/E (x)	24.1	32.0
P/B (x)	2.8	3.7
EV/S (x)	4.4	5.7
Dividend Yield (%)	2.7	1.8

Major Shareholders	
Dallah Albaraka Group	51.70%
Al-Ahsa Development Company	0.52%
Dr Mohammed Rashid Alfagih	5.20%
Tariq Othman Alqasabi	5.20%
Public	37.38%
Total	**100.00%**

Source: Zawya

Financial Performance

(US$ 000's)	2010	2011	2012	2013	% YoY Change
Revenue	126,004	140,617	169,869	199,892	17.67%
Gross Profit	45,288	50,633	64,958	87,312	34.41%
Gross Profit Margin (%)	35.94%	36.01%	38.24%	43.68%	
Operating Income	23,693	26,111	34,932	36,672	4.98%
Operating Margin (%)	18.80%	18.57%	20.56%	18.35%	
Other Income	2,879	5,723	1,807	2,899	
Net Income	25,191	30,239	35,560	36,433	2.45%
Net Income Margin	19.99%	21.50%	20.93%	18.23%	
Total Equity	94,565	125,003	297,465	317,298	6.67%
Total Assets	131,000	186,040	339,371	394,273	16.18%
ROE (%) ^	26.64%	24.19%	11.95%	11.48%	
ROA (%) ^	19.23%	16.25%	10.48%	9.24%	
Total Debt	1,850	20,546	1,342	32,251	NM
Debt –to–Equity (%)	2.0%	16.4%	0.5%	10.2%	

Source: Company Data, Reuters Eikon; ^ Calculated

- *Annual revenues increased 17.7% YoY from US$ 169.9 million in 2012 to US$ 199.9 million in 2013.*
- *Operating income also expanded 5.0% YoY over the same period to US$ 36.7 million.*
- *Net profit increased by just 2.5% in 2013, due to higher provision for taxes charges in the year of US$ 3.1 million, compared to US$ 0.5 million in 2012.*
- *Net margin contracted to 18.2% in 2013 from 20.9% in 2012.*

ALPEN CAPITAL

MEDICARE GROUP — Qatar

Company Description

Qatar-based Medicare Group (Medicare), formerly known as Al-Ahli Specialized Hospital Company until June 2006, has been operating specialized hospitals and clinics, including eye clinics, and offering integrated medical services since 2004.

The 250-bed Al-Ahli Hospital is the group's major hospital in Doha. The hospital's maternity unit is the largest among private healthcare providers in Qatar. The hospital is managed by Aus Health International (AHI), an Australian company specializing in health management and planning.

Business Segments and Service Portfolio

Medicare owns Al-Ahli Hospital and operates two medical clinics – Specialized Center for Ophthalmology and ENT.

Major services offered are anesthesiology, cardiology, dentistry, dermatology, emergency and family medicine, general surgery, gastroenterology, internal medicine, neurology, nursing, orthopedic, pathology and laboratory, pediatrics, pharmacy, physiotherapy, and radiology.

Salient Features

- Enjoys first-mover advantage in Qatar, having built a strong reputation over the years
- Located in the capital city of Doha, which accommodates almost 80% of Qatar's population
- Reported a 14.5% YoY increase in net profit to QR 44.8 million in 2012 and a dividend distribution of 18%, driven by the opening of new facilities in the hospital during the year.

Recent Developments and Future Plans

- In July 2013, Medicare, together with several other private hospitals and the Hamad Medical Corporation, signed an agreement with the National Health Insurance Company for the implementation of the National Health Insurance Scheme. The scheme aims to cover around 90,000 Qatari women across different hospitals for gynecology, obstetrics, maternity, and related women's health issues. The hospital expects the number of people visiting to increase with the implementation of the insurance scheme.
- In September 2013, an outpatient section at the Department of Obstetrics and Gynaecology Hospital was opened, which includes 10 specialized units.

Snapshot	
Year established	2004
Ownership	Public
No. of hospital	1
No. of beds	250
No. of Clinics	2

Current price (QAR)	76

Price as on 21 April 2014

Stock Details	
Bloomberg ticker	MCGS.QA
52 week high/ low (QAR)	83 / 39
Market Cap (US$ mn)	630
Enterprise value (US$ mn)	586
Shares outstanding (mn)	28.1

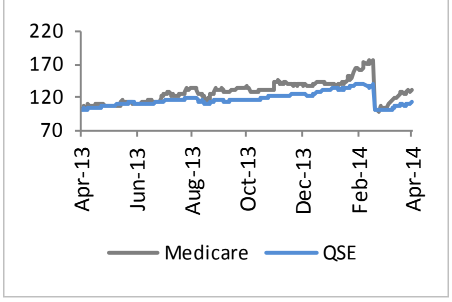
Source: Reuters Eikon, Bloomberg

Average Daily Trading Turnover (000's)

	QAR	US$
2014 YTD	23,368	6,400
2013 CY	9,081	2,488

Source: Bloomberg

Share Price Chart



Valuation Multiples

	2013	Current
P/E (x)	16.5	25.6
P/B (x)	1.8	2.8
EV/S (x)	3.2	5.1
Dividend Yield (%)	3.4	4.5

Major Shareholders	
HH Sheikh Thani Abdullah Thani Al Thani and sons	45.00%
Ezdan Holding Group	24.52%
Public	30.48%
Total	**100.00%**

Source: Zawya

Financial Performance

(US$ 000's)	2010	2011	2012	2013	% YoY Change
Revenue	67,598	80,624	95,281	114,738	20.42%
Gross Profit	26,896	28,611	39,961	53,775	34.57%
Gross Profit Margin (%)	39.79%	35.49%	41.94%	46.87%	
Operating Income	12,955	10,844	12,309	24,572	99.62%
Operating Margin (%)	19.16%	13.45%	12.92%	21.42%	
Net Income	12,555	10,748	12,309	24,572	99.62%
Net Income Margin	18.57%	13.33%	12.92%	21.42%	
Total Equity	202,899	206,097	210,486	222,166	5.55%
Total Assets	223,620	228,133	234,666	250,437	6.72%
ROE (%) ^	6.19%	5.21%	5.85%	11.06%	
ROA (%) ^	5.61%	4.71%	5.25%	9.81%	
Total Debt	1,371	0	0	0	NA
Debt –to–Equity (%)	0.7%	0.0%	0.0%	0.0%	

- *Annual revenues increased 20.4% YoY from US$ 95.3 million in 2012 to US$ 114.7 million in 2013.*
- *Operating income also showed robust growth of 99.6% YoY over the same period to US$ 24.6 million.*
- *Net margin improved to 21.4% in 2013 from 12.9% in 2012.*

Source: Company Data, Reuters Eikon; ^ Calculated

NATIONAL MEDICAL CARE COMPANY — Saudi Arabia

Company Description

National Medical Care Company (Care) is a public listed company that provides healthcare services and medical supplies. The company, based in Riyadh, was established in August 2003 and listed on the Saudi Stock Exchange in March 2013.

Care owns and operates two private hospitals in Riyadh – Riyadh National Hospital and Riyadh CARE Hospital – and diversified into pharmacy by setting up a distribution company for medical supplies and pharmacy in 2011.

Business Segments and Product Portfolio

Care owns 100% stakes in Riyadh Care Hospital, Riyadh National Hospital, and its distribution company.

- Established in 1991, the 360-bed Riyadh Care Hospital has a wide range of clinics, including internal medicine, general & specialized surgery, pediatrics, obstetrics & gynecology, accidents & emergency, adult & pediatrics, and radiology.
- Riyadh National Hospital was established in 1967 and has a capacity of 100 beds. The hospital primarily focuses on internal medicine, radiology, dental, and surgery.
- Care medicine and medical supplies distribution Company, established in 2011, is responsible for pharmacy operations and medical supplies.

Salient Features

- Care's major corporate clients are Aramco, GOSI, MedGulf, Tawuniya, Saudi Electric Company, and the Kingdom's defense ministry.

Recent Developments and Future Plans

- In February 2014, Care announced 95% completion of the Family Medical Center, which is expected to open in 2Q 2014.
- In November 2013, Care announced the completion of the phase one of its National Hospital expansion project, which entailed the construction of a building with 200 beds. The cost of the project is being funded by internal funds, MOF loan, bank loan in compliance with Islamic law, and part of IPO proceeds.
- In February 2013, Care offered 13.5 million shares at SAR 27.0 per share through its IPO listing for a 30.1% stake in the company.
- In 2012, Care offered various career opportunities to nationals at the Saudization Job Exhibition 2012 to help increase the Saudization rate within the private health sector in the kingdom.

Snapshot	
Year established	2003
Ownership	Public
No. of hospitals	2
No. of beds	460

Current price (SAR)	65.6

Price as on 21 April 2014

Stock Details	
Eikon ticker	4005.SE
52 week high/ low (SAR)	67.3 / 49.6
Market Cap (US$ mn)	783
Enterprise value (US$ mn)	757
Shares outstanding (mn)	44.9

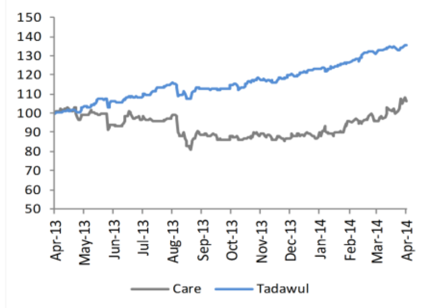
Source: Reuters Eikon, Bloomberg

Source: Bloomberg

Average Daily Trading Turnover (000's)

	SAR	US$
2014 YTD	63,128	16,830
2013 CY	142,237	37,920

Share Price Chart



Valuation Multiples

	2013	Current
P/E (x)	26.4	31.6
P/B (x)	3.0	3.6
EV/S (x)	4.0	4.8
Dividend Yield (%)	4.3	2.6

Major Shareholders	
General Organization for Social Insurance - KSA	35.10%
Fal Holdings Arabia Co. Ltd.	26.60%
Others	38.30%
Total	**100.00%**

Source: Zawya

Financial Performance

(US$ 000's)	2010	2011	2012	2013	% YoY Change
Revenue	113,658	122,203	139,922	156,328	11.73%
Gross Profit	27,688	32,352	36,033	33,013	-8.38%
Gross Profit Margin (%)	24.36%	26.47%	25.75%	21.12%	
Operating Income	21,890	25,380	27,734	24,412	-11.98%
Operating Margin (%)	19.26%	20.77%	19.82%	15.62%	
Net Income	22,600	25,257	27,986	24,663	-11.87%
Net Income Margin	19.88%	20.67%	20.00%	15.78%	
Total Equity	129,762	147,392	162,676	216,567	33.13%
Total Assets	161,616	182,546	211,903	285,455	34.71%
ROE (%) ^	17.42%	17.14%	17.20%	11.39%	
ROA (%) ^	13.98%	13.84%	13.21%	8.64%	
Total Debt	0	0	8,462	23,212	174.3%
Debt –to–Equity (%)	0.0%	0.0%	5.2%	10.7%	

- *Annual revenues increased 11.7% YoY from US$ 139.9 million in 2012 to US$ 156.3 million in 2013.*
- *In 2013, company reported operating profit of US$ 24.4 million, 12.0% YoY lower than 2012.*
- *Net Profit margin contracted to 15.8% in 2013, compared to 20.0% a year ago.*

Source: Company Data, Reuters Eikon; Calculated

ALPEN CAPITAL

NMC HEALTHCARE — UAE

Company Description

NMC Healthcare (NMC), one of the largest private sector healthcare providers in UAE, was established in 1975 as New Medical Center in Abu Dhabi. It has evolved into an integrated healthcare company, with healthcare facilities that include five general and specialty hospitals, two medical centers, and one family clinic in the UAE; and medical suites in Dubai Healthcare City. The company is also developing a multispecialty hospital in Fujairah.

NMC Healthcare is one of the few companies in the GCC region and the first from the UAE to be listed on the London Stock Exchange in 2012 and is also part of the FTSE 250 Index.

Business Segments and Product Portfolio

The group's healthcare portfolio includes two business segments – Healthcare (includes hospitals, day surgery centers, medical suites, and pharmacies) and NMC trading (includes medicine distribution, scientific, FMCG, food, veterinary, and education products across the UAE).

- NMC Specialty Hospital in Abu Dhabi is a 120-bed multidisciplinary hospital.
- NMC Specialty Hospital in Dubai was established in 2004.
- New Medical Center in Sharjah.
- New National Medical Center in Mussafah; established in 1999.
- NMC Specialty Hospital (2007) in Al Ain is a 100-bed multispecialty healthcare facility.
- New Sheikh Khalifa General Hospital, Umm al Quwain, managing on behalf of the UAE Ministry of Presidential Affairs since Q4 2012 (a PPP venture)
- NMC Hospital, Deira: Opened in 1999, New Medical Centre Hospital Dubai is a general hospital.

Salient Features

- NMC enjoys an early-mover advantage in Abu Dhabi, with over 38 years of experience in the healthcare sector.
- NMC raised about GBP 117 million from its IPO in 2012 through the sale of 55.7 million shares at GBP 2.10 each. The hospital group planned to use the proceeds for the purchase of Healthcare Suites in Dubai as well as to build a maternity hospital in Abu Dhabi.

Recent Developments and Future Plans

- In October 2013, NMC announced its collaboration with the Oxford Fertility Unit, UK, to establish a state-of-the-art assisted conception unit at BrightPoint Women's Hospital in Abu Dhabi.
- In December 2012, NMC started the construction of its US$ 200 million specialty hospital in Khalifa City, which is expected to begin first-phase operations by end-2014. The hospital would be NMC's fourth and largest integrated specialty hospital facility in the UAE, alongside its existing specialty hospitals in Abu Dhabi, Dubai, and Al Ain. The expansion would be funded by a mix of equity (US$ 180 million) and syndicated debt (US$ 150 million) arranged by a consortium led by JP Morgan.
- NMC aims to expand in the Middle East, and is looking for potential opportunities in Qatar.

Snapshot	
Year established	1975
Ownership	Public
No. of hospitals	5
No. of medical centers	2
No. of beds	261

Current price (GBP)	5.0

Price as on 21 April 2014

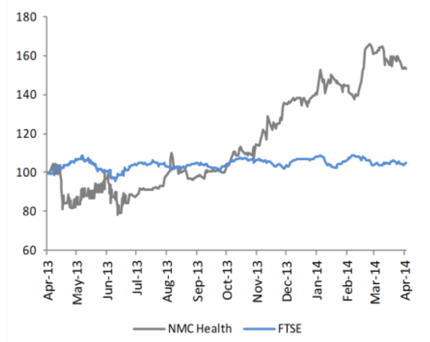
Stock Details	
Eikon ticker	NMC.L
52 week high/ low (GBP)	5.47 / 2.57
Market Cap (US$ mn)	1,556
Enterprise value (US$ mn)	1,623
Shares outstanding (mn)	185.7

Source: Reuters Eikon

Average Daily Trading Turnover (000's)	GBP	US$
2014 YTD	374	620
2013 CY	307	479

Source: Bloomberg

Share Price Chart



Valuation Multiples	2013	Current
P/E (x)	19.8	22.9
P/B (x)	3.5	4.0
EV/S (x)	2.6	2.9
Dividend Yield (%)	4.3	0.9

Major Shareholders	
NMC Health	100.00%
Total	**100.00%**

Source: Zawya

Financial Performance

(US$ 000's)	2010	2011	2012	2013	% YoY Change
Healthcare Revenues	182,481	218,690	251,648	289,300	17.5%
Distribution Revenues	228,562	253,425	271,074	285,043	7.4%
Healthcare Operating Profit	NA	56,900	68,200	81,700	19.8%
Healthcare Operating Margin (%)	NA	26.0%	27.1%	28.2%	
Overall Operating Income	28,662	43,772	59,766	69,143	15.69%
Overall Operating Margin (%)	7.42%	9.86%	12.20%	12.55%	
Net Income	21,091	42,988	58,891	68,165	15.75%
Net Income Margin	5.46%	9.69%	12.02%	12.37%	
Total Equity	101,363	99,287	329,669	386,236	17.16%
Total Assets	417,909	356,560	715,580	815,262	13.93%
ROE (%) ^	20.81%	43.30%	17.86%	17.65%	
ROA (%) ^	5.05%	12.06%	8.23%	8.36%	
Total Debt	231,480	182,163	303,636	332,438	9.5%
Debt –to–Equity (%)	228.4%	183.5%	92.1%	86.1%	

- *Healthcare revenues increased 17.5% YoY from US$ 251.6 million in 2012 to US$ 289.3 million in 2013, while segment operating margins expanded to 28.2% from 27.1% in 2012.*
- *Overall, operating income registered growth of 15.7% YoY over the same period to US$ 69.1 million.*
- *Net margin expanded to 12.4% in 2013 from 12.0% in 2012.*
- *NMC has a high Debt-to-Equity ratio, with 86.1% in 2013 and 92.1% in 2012.*

Source: Company Data, Reuters Eikon, Company annual reports; ^ Calculated

ASTER DM HEALTHCARE (Privately owned) UAE

Company Description

Established in 1987 by Dr. Azad Moopen in Dubai, Aster DM Healthcare (DM healthcare) is a healthcare conglomerate operating hospitals, diagnostic and medical centers, and pharmacies. Earlier known as DM Healthcare, it is one of the largest private healthcare groups across the Middle East and India, with majority shareholding in the hands of the Moopen family.

DM Healthcare currently provides primary, secondary and tertiary healthcare with management and consultancy services across the UAE, Oman, Qatar, Saudi Arabia and India.

Snapshot	
Year established	1987
Ownership	Private
No. of hospitals	10
No. of beds	3,090
No. of medical centers	44

Major Shareholders	
Olympus Capital & India Value Fund	37.0%
Moopen Family	63.0%

Business Segments and Product Portfolio

DM Healthcare has 10 hospitals, 44 medical centers and 123 pharmacy outlets across GCC and in India. The group has six brands under its portfolio - Aster is the flagship brand of the group, while the company also runs premium Medcare and lower income Access hospital brands in the Gulf markets, MIMS, DM WIMS, and ASTER Medcity in India.

Hospitals account for 60% of the group revenue, while clinics and pharmacies account for 20% each. Aster is the flagship brand of the group, while the company also runs premium Medcare and lower income Access hospital brands in the Gulf markets.

The group also entered the field of medical education through DM WIMS (Wayanad Institute off Medical Sciences) Medical College along with a 500-bed hospital at Meppadi (India), with 150 students intake per year.

Salient Features

- DM healthcare has been in operation for more than 25 years in the field of medical services.
- The group currently employs about 10,000 people, which include about 1,500 doctors and 3,000 nurses, across its units in India and the Middle East.
- Aster division received “Best Pharmacy Award’ under the “Dubai Services Excellence Scheme (DSES)”, from the Dubai government for two consecutive years, for its continued high quality services offered to its customers.

Recent Developments and Future Plans

- In April 2014, DM healthcare announced the opening of its 100th pharmacy center in Dubai Healthcare City.
- In March 2014, DM healthcare announced an expansion plan worth USD600 million of its business, to be spent equally in the GCC and India, over the next five years. The company is aiming to increase its revenues to USD1.2 billion by 2017, besides doubling its workforce in the next four years.
- In January 2014, the group announced its plan for an IPO, which is expected to raise between USD 200-300 million, at either of the stock exchanges at London or Mumbai. The company stated that they were in talks with few banks like JP Morgan, Goldman Sachs, Deutsche Bank and Bank of America-Merrill Lynch for the IPO, and the company value was estimated between USD 2-2.5 billion.
- In January 2014, DM healthcare announced the launch of three new hospitals in UAE, along with the launch of phase 1 of Aster Medcity, South Asia’s largest quaternary care hospital in Kochi, India in the first quarter of 2014.

DR. SULAIMAN AL HABIB MEDICAL CENTER (Privately owned) Saudi Arabia

Company Description

In 1995, Dr. Sulaiman Al Habib established the first hospital of the Dr. Sulaiman Al Habib Medical Group (HMG) in Riyadh. HMG is one of the largest private providers of comprehensive healthcare services across the Middle East.

HMG operates various medical facilities across Saudi Arabia, the UAE, and Bahrain, which include seven hospitals and six medical centers, and is developing one of the largest private medical cities in Saudi Arabia.

Snapshot	
Year established	1995
Ownership	Private
No. of hospitals	7
No. of beds	1,425
No. of medical centers	6

Major shareholders	
Dr Sulaiman Abdulaziz Al Habib	100.00%

Source: Zawya

Business Segments and Product Portfolio

The group's portfolio comprises hospitals, home health care services, pharmacies, and project management office.

- Hospitals and medical centers: Includes Olaya Medical Center, Maternity Hospital, Al Rayan Hospital, Al Raed Hospital, and Orthopedics & Spinal Hospital, and a medical city in Riyadh; Dr. Sulaiman Al Habib Medical Center in the UAE, and Dr. Sulaiman Al Habib Hospital in Qassim
- Home health care services: Comprises 500 nurses and physicians providing basic consultation services to a full-fledged home ICU setup using latest health and medical technologies
- Pharmacy: Offers a wide range of products from electrical beauty and health care equipment to personal care products for men and women and baby care products
- Project Management office: Services provided are operations management, health care analysis, quality management, and manpower recruitment

Salient Features

- The group aims to become the largest and fastest-growing healthcare provider in the Middle East, with state-of-the-art medical facilities based on the highest international standards in healthcare.
- The Dr. Sulaiman Al Habib Bone, Joint, and Spinal Hospital is the largest orthopedic hospital in the Kingdom, while Olaya Medical Complex (OMC) is the largest private medical complex; it has developed into a referral complex for all specialties.

Recent Developments and Future Plans

- In January 2013, Roche Diagnostics and Dr. Sulaiman Al Habib Medical Group signed the Middle East's largest private healthcare deal to provide Roche Diagnostics Total Lab Automisation (TLA) solutions in its hospitals in Riyadh.
- In January 2012, HBG announced the construction of a 200-bed multispecialty hospital in Dubai Healthcare City for an investment of AED 400 million.
- In February 2012, the company announced plans to launch a 500-bed medical city in Riyadh at a cost of SAR 1.5bn and a 410-bed medical city in Al Khobar at a cost of SAR 800 million.
- According to news reports, the company is planning an IPO on the Saudi stock exchange in 2014.

ELAJ GROUP (Privately owned) Saudi Arabia

Company Description

Established in 1993, Elaj Group has an integrated healthcare delivery network. Through its group of companies, Elaj operates various medical centers in Egypt, Qatar, the UAE, and the KSA. The group has 10 medical centers in Saudi Arabia, three in Egypt, two in the UAE, and one in Qatar.

Elaj has centers under construction in Bahrain, Kuwait, Oman, and Yemen.

Snapshot	
Year established	1993
Ownership	Private
No. of medical centers	16

Major shareholders	
Dr Mohammed Fawaz Al Bishri	31.94%
Khalid Bin Mishaal	19.00%
Global Opportunistic Fund I	15.75%
Mohammed Hassan Amin	12.91%
Others	20.40%

Source: Zawya

Business Segments and Product Portfolio

The group holds stakes in the following companies, for an investment of SAR 50 million:

- Elaj Medical Services Company: Operates specialty care centers, offering services in the areas of andrology, male and female infertility, dermatology, allergy, and spine and joints, among others
- Medsys E-Solutions: Provides business process management and improvement services through technological processes to enhance and simplify healthcare workflow management in functional areas such as laboratory process management, healthcare supply chain process management, insurance claims processing, and patient and partner relationship management
- Dawa Pharmaceuticals: Distributes pharmaceuticals to healthcare organizations such as long-term care institutions and clinics, independent pharmacies and drugstores, and food merchandising chains
- Beauty Alliance: Provides beauty treatments for face and body care for all skin types
- Jeddah Day Surgery: Daycare surgery center that provides facilities for individual physicians to perform surgeries for patients; integrated with Elaj centers for updated information on patient records
- Medsys Primary Care Units: Group of primary healthcare units providing quality primary care
- Al Borg Laboratories: Full-service, pathologist-directed clinical reference laboratory; largest single source of specialized laboratory testing in the Middle East

Salient Features

- Elaj Group is an experienced player in core healthcare and quality of life services, ancillary healthcare lines, and other related areas.
- The majority of the group's centers are located in Saudi Arabia, the largest healthcare market in the GCC region.

Recent Developments and Future Plans

- Elaj plans to increase its presence to countries across the Middle East, Asia, and North Africa as well as internationally. The group also intends to expand its operations to include core and supporting activities across the healthcare spectrum.

GULF HEALTHCARE INTERNATIONAL (Privately owned) UAE

Company Description

Dubai-based Gulf Healthcare International (GHI) is a healthcare provider and laboratory management company. It was established in 2006 as a joint venture between the Global Capital Management and Dubai-based Varkey Group. In 2011, JP Morgan Private Equity Ltd replaced the Varkey Group's shareholding and made a strategic investment of AED 100 million in the company. Through its various subsidiary businesses, GHI is engaged in both B2B and B2C activities, primarily in medical diagnostics and primary care. The company operates many subsidiary businesses, primarily in medical diagnostics and primary care space across the Middle East.

Snapshot	
Year established	2006
Ownership	Private
No of diagnostics centers	12
Major shareholders	
Global Opportunistic Fund	NA
JP Morgan Private Equity Ltd	NA

Source: Zawya, Company website
**NA – Not Available*

Business Segments and Product Portfolio

GHI owns 16 business units under Medsol Diagnostics brand, and three polyclinic brands – Amber, Atria and Adara.

- Medsol Diagnostics, the diagnostic arm of GHI, is a leading network of 12 diagnostic pathology laboratories, and 4 medical centers across the GCC region.
- Amber Clinics, established in 2010, offers diagnosis and healthcare services across specialties such as internal medicine, ophthalmology, neurology, cardiology, dentistry, dermatology, and orthopedics.
- Atria clinics focus on high-level of sub-specialties and operate at a significantly higher price point to Amber.
- Adara is a community-focused clinical group, catering to the working population in Dubai and Kuwait.
- Occupational Health International is a partnership between GHI and Occucare International, set up at a cost of AED 30 million. The company offers occupational health medical services for high-volume, pre-employment, and annual medical investigations.

Salient Features

- GHI is a majority Kuwaiti-owned private equity-backed business.
- In 2011, the company initiated an expansion plan to grow both organically and through acquisitions at an investment of AED 100 million. The expansion program was funded through JP Morgan's investment and the company's operating profits.

Recent Developments and Future Plans

- In September 2011, GHI announced plans to open six clinics under the brand Amber Clinics over the following six months. Through this initiative, the company aims to offer affordable healthcare to the mid-to-high income segment across Dubai and Abu Dhabi. The first Amber clinic was launched in Dubai in August 2011.
- GHI acquired Dr. Joseph's Clinics in 2011, a well-known local brand with three medical centers and a 300,000 patient base.
- The company is planning to acquire laboratories and clinics, offer additional radiology services, and maximize presence by linking independent businesses within a single, powerful brand platform.

HEALTHCARE MENA LIMITED (Privately owned) UAE

Company Description

Healthcare MENA Limited (HML), based in Abu Dhabi, is a leading company engaged in investment activities in the healthcare sector. Launched in February 2011, the company owns and manages 16 medical facilities including hospital, laboratories, medical and diagnostic centers across Abu Dhabi, Dubai, Sharjah, and Kuwait.

HML is owned by Al Masah Capital Ltd, a Dubai-based alternative asset manager with a special focus on social infrastructure, a way of encouraging private investment in key sectors such as healthcare, education, food & beverage, and transportation & logistics.

Snapshot	
Year established	2011
Ownership	Private
No of hospital	1
No of beds	22
No of medical centers	10
No of pharmacies	3
No of laboratories & diagnostic centers	3

Major shareholders	
Al Masah Capital Limited *	NA
Shailesh Dash *	NA

Source: Zawya

**NA – Not Available; Both combined own 100% of shares.*

Business Segments and Services Portfolio

HML owns and operates National Hospital in Abu Dhabi, along with ten medical centers, three pharmacies and three laboratories & diagnostic centers.

HML established Alchemist Healthcare LLC in the UAE in early 2011 as its domestic and regional acquisition and operational platform. Acquisitions are either carried out directly by HML or through Alchemist Healthcare, depending on foreign ownership laws and regulations in the target countries. An example would be: Alchemist Healthcare acquired a majority stake in Conceive Gynecology & Fertility Centre in Sharjah in December 2013.

Salient Features

- HML's strategy is to focus on medical centers and polyclinics, as they have higher profit margins and are less capital-intensive.
- HML was awarded the 'Star of Business Award', 'Healthcare and Wellness Company Award', and the 'Best Corporate Governance Award' in 2013; this reflects its strong performance in a short period of time since inception.

Recent Developments and Future Plans

- HML is a young company with aggressive growth plans. It is exploring opportunities in Saudi Arabia and Qatar, while having zeroed in on potential acquisitions in Kuwait and Oman. The company aims to expand with 15–20 healthcare facilities in the GCC region and wider MENA region over the next two to three years as well as to provide top-quality healthcare services to the growing population in these regions.
- In February 2014, HML won the 'Best Private Equity Fund' award at the 5th Annual MENA FM Performance Awards.
- In October 2012, Abu Dhabi-based Al Hail Holding invested in HML, demonstrating the support and confidence the investor community has in the company's potential and performance.

KIMS GROUP (Privately owned) Bahrain

Company Description

Kerala Institute of Medical Sciences (KIMS) Group is an Indian healthcare group that operates multicentre hospitals & clinics across India, Oman, Saudi Arabia, Qatar, and Dubai. The KIMS Group commenced operations in the GCC through KIMS Bahrain Medical Center in 2004. It now has 2 hospitals and 6 medical centers in the GCC, which are owned through a GCC based holding company.

Royal Bahrain Hospital (RBH), a custom-built private hospital, was the sixth venture of the Kerala Institute of Medical Sciences (KIMS) holding group in the GCC region. At a cost of US$ 16 million, RBH was set up as a 50–50 joint venture between Bahraini businessman Ahmed Jawahery and the KIMS Group. Based in Salmaniya, Bahrain, RBH is a multispecialty four-storey hospital that offers healthcare services to mid-to-high income citizens and expats.

Snapshot	
Year established	2002
Ownership	Private
No. of hospitals	5
No. of beds	1,000
No. of medical clinics	7

Source: Zawya

Business Segments and Product Portfolio

- KIMS Hospital, Trivandrum (January 2002): The group's flagship, multi-specialty hospital, with capacity of 600 beds, offering medical care in the field of family medicine, ayurveda, anesthesiology, oncology, blood bank, cardiac, dermatology, cosmetology, endocrinology, etc.
- RBH (2010): Spread over 70,000 sq ft, offers various primary, secondary, and tertiary healthcare services in anesthesiology, cardiology, critical care, cosmetology, dentistry, dermatology, emergency & trauma care, endocrinology, ENT, family medicine, gastroenterology, general surgery, gynecology, and internal medicine.
- KIMS Oman Hospital (June 2009): 50-bed state-of-the-art hospital offering specialized services such as 24-hour emergency & trauma care and pharmacy, orthopedic surgery, obstetrics & gynecology, ENT, audiology and speech therapy, dentistry and dental surgery, plastic surgery, etc.
- KIMS Hospital & Surgical Center, Kochi (June 2011): 125-bed hospital with over 25 specialties and sub-specialties for inpatient and outpatient services.
- KIMS Kollam: 65 bedded medical facility which began operations in 2013.
- 1 medical center each in Dubai, Bahrain, Qatar and Kuwait, and 2 medical centers in Saudi Arabia.

Salient Features

- RBH won the Australian Council on Healthcare Standards International (ACHSI) accreditation in June 2013 after fulfilling the requirements of the Australian Commission on safety and quality in healthcare. RBH was the fastest hospital to obtain the accreditation since its inception.
- The hospital has the only operational sleep lab in the country, with advanced laser technology for cosmetic surgery, 16-slice CT scan, and 4-D ultrasound machine as well as offers fetal medical care.
- KIMS GCC registered a turnover of US$ 40 million, and aims to triple its revenues in the next four years. Revenues from Bahrain would be driven by increased demand for medical care facilities by the increasing domestic and expat population in the country.

Recent Developments and Future Plans

- The group plans to consolidate more units to its existing facilities in Bahrain, Saudi Arabia, Oman, and Qatar, and add new facilities in the UAE, either through new ventures or through acquisitions.
- KIMS group is building a magnetic resonance imaging centre adjacent to RBH, at a cost of USD 1.6mn.
- In March 2013, KIMS group opened a medical center in Dubai, its first venture in the UAE.

MAGRABI HOSPITALS AND CENTERS (Privately owned) — Saudi Arabia

Company Description

Magrabi Hospitals & Centers (Magrabi) is a private company that owns and operates specialized hospitals and clinics across the Middles East and Africa. It was founded in 1955 by Dr. Akef Magrabi with the establishment of the first private specialized eye hospital in Jeddah.

The company is the largest sub-specialized medical care network in the Middle East and Africa, having expanded by branching out into ENT and dental clinics.

Snapshot	
Year established	1955
Ownership	Private
No. of hospitals	9
No of medical centers	15

Major shareholders	
AMI Saudi Arabia	35.00%
Bin Sulaiman Holding Company	NA
Xenel Industries	NA

Source: Zawya
**NA – Not Available*

Business Segments and Product Portfolio

Magrabi's portfolio comprises nine hospitals and 15 centers in Saudi Arabia, the UAE, Egypt, Yemen, Qatar, and Oman. The company primarily operates through the following medical branches:

Eye: Refractive surgery, external eye diseases, cataract, retina and vitreous-related diseases, ophthalmology, and contact lenses, among others

Dentistry: General dentistry, endodontics, oral pathology, radiology & surgery, orthodontics, and pediatric dentistry

ENT: Diagnosis and treatment as well as head and neck disorders

Salient Features

- Magrabi is the only accredited private ophthalmologic institute in the Middle East and Africa, recognized by the Fellowship of the Royal College of Surgeons (FRCS) in the UK.
- The company has obtained JCI accreditation for Jeddah Hospital and Dammam Center; other hospitals and centers are in the process of being accredited.
- The company is the first eye care provider to introduce the concept of sub-specialization and ophthalmic technology. It is the first firm in the Middle East and second in the world to use the Excimer Laser (globally recognized ultraviolet laser for eye surgeries).
- Magrabi is considered an expert in refractive surgeries, following its high success rate in the field.

Recent Developments and Future Plans

- In October 2012, Magrabi opened its 17th medical facility in Saudi, at a cost of SAR 150 million. Spread over 25,000 sqm in the city of Riyadh, the hospital has five operating theaters and 70 clinics for the detection and screening of all types of eye, ear, nose, throat, and dental diseases.
- In April 2010, the company opened its most advanced dental center in north Jeddah, spread over 1,000 sqm.

MEDICLINIC MIDDLE EAST (Privately owned) UAE

Company Description

Mediclinic Middle East (Mediclinic) is the largest private healthcare group in Dubai, which owns and operates healthcare facilities across the Middle East.

Mediclinic is owned by Mediclinic International, one of the top 10 listed private hospital groups in the world with 52 healthcare facilities in South Africa, 14 in Switzerland under the name Hirslanden AG, and 10 in the UAE. In October 2012, Mediclinic International acquired the remaining shares of Mediclinic from partners Varkey Group and General Electric, and rebranded it from EHL Management Services to Mediclinic Middle East.

Snapshot	
Year established	1983
Ownership	Private
No. of hospitals	2
No. of clinics	8

Major Shareholders	
Mediclinic International	100%

Source: Zawya

Business Segments and Service Portfolio

The company operates two hospitals and eight strategically located clinics, which include Mediclinic City Hospital, Mediclinic Welcare Hospital, Mediclinic Dubai Mall, Mediclinic Arabian Ranches, Mediclinic Meadows, Mediclinic Al Sufouh, Mediclinic Beach Road, Mediclinic Ibn Battuta, Mediclinic Al Qusais, and Mediclinic Mirdif.

Salient Features

- In February 2014, the maternity facility at Mediclinic City Hospital received the IBCLC Care Award due to the employment of skilled and reputed professionals who hold the prestigious International Board Certified Lactation Consultant (IBCLC) certification.
- In January 2014, the department of pathology and laboratory at Mediclinic City Hospital achieved re-accreditation by the College of American Pathologists (CAP) due to excellent services and quality care.
- In July 2013, Mediclinic achieved the JCI accreditation for all ten of its medical facilities, making it the first private network to be accredited by the JCI in the UAE.

Recent Developments and Future Plans

- In January 2014, the company announced expansion plans of its Mediclinic City Hospital to include an advanced oncology unit at DHCC. The unit is expected to be completed by Q3 2015, and would boost the capacity of the cancer wing at the hospital as well as provide latest technologies to its patients. The new oncology unit would be built in association with Hirslanden Private Hospital Group, one of Europe's leading cancer centers. Mediclinic City Hospital was the first multispecialty hospital to open in DHCC.
- In January 2014, Mediclinic signed an agreement with Oneview Healthcare, an Irish software provider of patient engagement solutions for the hospital and nursing home markets, for the installation of software in two of Mediclinic’s hospitals in Dubai.
- In December 2013, Mediclinic purchased two Dubai-based pathology laboratories from Medical Solutions FZ LLC (MedSol) for AED 95 million, in line with its plan to boost its presence in the UAE.
- In November 2013, Mediclinic signed a memorandum of understanding (MoU) with NEXtCARE UAE (Arab Gulf Health Services), the leading third-party administrator for the insurance industry in the Middle East, to provide access to NEXtCARE’s clients to all its hospitals without pre-authorization.

OMAN MEDICAL PROJECTS COMPANY (Privately owned) Oman

Company Description

Oman Medical Projects Company (OMPC) is an investment company specialized in the establishment of hospitals, clinics, and medical centers that offer medical services in Oman.

The company owns the 72-bed Muscat Private Hospital (MPH), which was established in November 2000. The hospital has around 200 employees, including more than 60 doctors. The hospital is managed by Allied Medical (part of UME), an international hospital management group with more than 27 years of experience in the Middle East.

OMPC's major shareholders are Saudi Medicare Company Ltd (91.2%). On April 30, 2013, the company was delisted from the Muscat Securities Market and converted to a closed joint-stock company.

Snapshot	
Year established	1996
Ownership	Private
No. of hospitals	1
No. of beds	72

Major Shareholders	
Saudi Medicare Company Ltd	91.2%

Source: Zawya

Business Segments and Product Portfolio

OMPC is primarily involved in the establishment of hospitals, clinics, and medical centers.

MPH offers a broad range of inpatient and outpatient facilities such as anesthesia, assisted conception unit, dentistry and oral surgery, diagnostic center, emergency room, laboratory, medical specialties, pediatrics, pharmacy, physiotherapy, obstetrics and gynecology, and surgery.

Salient Features

- MPH is the only tertiary level private hospital in Muscat to offer the complete range of specialty services.
- Expatriates and Omani nationals perceive the hospital as a 'western' provider due to the high-quality services offered.

Recent Developments and Future Plans

- In January 2011, OMPC raised OMR 2.3 million through the sale of 22.3 million shares at OMR 0.1 each.
- The company renewed its management agreement with Allied Medical (which was to expire in October 2010) until October 2015.
- In May 2012, Saudi Medicare increased its stake in OMPC to 91.2% by purchasing a 39.6% stake from Oman and Emirates Investment Holding Company for OMR 3.0 million (at OMR 0.125 per share).

Financial Performance

(US$ 000's)	2010	2011	2012
Revenue	20,433	22,523	23,189
Gross Profit	2,461	2,984	2,665
Gross Profit Margin (%)*	12.0%	13.3%	11.5%
Operating Income	654	880	485
Operating Margin (%)	3.2%	3.9%	2.1%
Net Income	-407	60	-324
Net Income Margin	-2.0%	0.3%	-1.4%
Total Equity	27,072	29,668	29,344
Total Assets	47,075	50,183	51,015
ROE (%) ^	-1.5%	0.2%	-1.1%
ROA (%) ^	-0.9%	0.1%	-0.6%
Total Debt	13,454	13,566	14,038
Debt –to–Equity (%)	49.7%	45.7%	47.8%

- *Revenue registered growth of 13.5% YoY to US$ 23.2 million, between 2010 to 2012.*
- *Operating margin contracted to 2.1% in 2013 from 3.2% in 2010 and 3.9% in 2011.*
- *The company reported Debt-to-Equity ratio of 47.8% in 2013, compared with 45.7% in 2011 and 49.7% in 2010.*

Source: Company Data, Reuters Eikon, Zawya

PRIME HEALTHCARE GROUP (Privately owned) UAE

Company Description

Prime Healthcare Group (Prime) is a private medical services provider with its network across the UAE. Prime has over 650 dedicated staff and consists of a network of multispecialty outpatient medical centers, diagnostic centers, corporate clinics and pharmacies.

Prime Healthcare Group is the first venture of ETA Ascon/ETA Star Group and Al Ghurair Group into healthcare services, with an aim to provide personalized, high quality, and affordable healthcare to Dubai residents.

Snapshot	
Year established	1999
Ownership	Private
No. of medical centers	8

Source: Zawya

Business Segments and Service Portfolio

Prime operates in the following four segments:

- Prime Medical Centers (PMC) is a network of eight multispecialty outpatient medical centers; super-specialty services offered include gastroenterology, urology & andrology, endocrinology, pulmonology, neurology, cardiology, cosmetic dermatology, orthodontistry, and pediatric dentistry as well as other specialties and general medicine. The centers also offer health packages for executive checkup, women's checkup, maternity and antenatal checkup, general health, and newborn checkups.
- Premier Diagnostic Center, which provides a range of range of health screening, wellness programmes and diagnostic services in Dubai to all its residents and visitors.
- PrimeCorp, which is a network of 25 corporate clinics, providing medical services in association with Health Insurance Companies, across Dubai, Sharjah and Abu Dhabi. Its clients include major corporate such as Al Futtaim Group, Caterpillars, GIBCA, Emeril Dubai, among others.
- Medi Prime Pharmacies provides medicines and medicine equipments, skin care products and cosmetics, vitamin and nutrition products; besides, the pharmacies also supply first aid boxes and medical aids to camps and companies.

Salient Features

- Prime was the first outpatient group to be given the 'Dubai Quality Appreciation Program Award' (2007 and 2012) as well as the 'Sharjah Economic Excellence Award 2010'; moreover, it was the first outpatient center to be ISO 9001:2000 and ISO 15189 certified.
- Prime is a leading provider of medical services to the worker community.
- Prime is also a leading service provider of preventive health checkups, and pre-employment and pre-insurance medical examinations with personalized care.

Recent Developments and Future Plans

- Prime is expected to open a new hospital in Dubai, with a capacity of 70 beds and spread over 2,044 sqm in 2014. The investment outlay for the hospital is estimated to be about US$ 24.5 million.
- In June 2012, Prime received ISO9001:2000 certification for high-quality healthcare services provided.

SAUDI GERMAN HOSPITALS GROUP (Privately owned) Saudi Arabia

Company Description

Saudi German Hospitals Group (SGHG), owned by the Batterjee family from Saudi Arabia, commenced operations in 1988 with its first 300-bed private hospital in Jeddah. The multifunctional healthcare company operates its hospitals with the support of many German medical schools, universities, and faculties as well as constructs them with the help of its construction staff of over 1,000.

The group, a healthcare developer, is one of the largest private healthcare providers in the MENA region, with seven operating hospitals and two hospitals under various stages of construction. The group finances its developments with the support of local government and development banks.

Snapshot	
Year established	1988
Ownership	Private
No. of hospitals	7

Major Shareholders	
Sobhi Abduljalil Batterjee	57.4%
Dr Khaled Abduljalil Batterjee	17.2%
Abduljalil Ibrahim Batterjee	8.8%
Thorayya Mohyeddine Nazer	8.3%
Others	8.4%

Source: Zawya

Business Segments and Product Portfolio

SGH operates seven hospitals – five in Saudi Arabia (Jeddah, Aseer, Riyadh, Medina, and Hail), one in Yemen (Sana'a), and one in the UAE (Dubai). Several new projects in Egypt (Cairo) and Ethiopia (Addis Ababa) are in different stages of progress.

- SGH Al-Madinah Al-Munawara, which commenced operations in 2003, is a 300-bed hospital. It is fully computerized with state-of-the-art Hospital Information System (HIS), providing fully automated services to patients, staff, and the management.
- SGH Riyadh, started operations in 2001, is one of the few hospitals in the Kingdom that support paperless operations. The hospital has 300 beds and is fully computerized.
- SGH Aseer, started operations in March 2000, is a 400-bed hospital.
- SGH Sana'a, started operations in June 2006, is a 300-bed hospital built at a cost of US$ 100 million. The group's equity partners in the hospital are prominent government and semi-government institutions in Yemen.
- SGH Dubai, UAE, is the group's new 300-bed multispecialty tertiary hospital, which started operations in March 2012. The hospital is spread over 100,000 sqm and was built at a cost of US$ 109 million.

Salient Features

- The group won the 'Excellence in Orthopedic Surgery Award' at the 2014 Arab Health Congress.
- SGH is the sole hospital group in the region with JCI accreditation for all of its hospitals as well as accreditations from the International Organization for Standardization (ISO), CCHI, and Makkah Region Quality Program (MRQP).
- The group is growing at an impressive rate of one hospital per year, along with a 16% increase in employee count to 6,000.

Recent Developments and Future Plans

- In January 2014, in a study published by Ipsos Research and Marketing Studies, SGHG was announced one of the top 100 Saudi brands.
- In January 2013, the group announced the construction of a state-of-the-art medical tower, which would accommodate 215 leased clinics, six specialized medical centers, and an educational centre.
- In May 2012, SGHG signed agreements with leading insurance companies such as Now Health International and Amity Health to provide medical services to insurance company clients.

ALPEN CAPITAL

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