GCC Healthcare Industry

December 13, 2011

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

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"It is a misconception that the healthcare sector is recession proof. The sector has seen its share of challenges in the last few years and is now expected to see a period of healthy growth. We are seeing a number of new players and going ahead, we expect to see some consolidation leading to an overall improvement in the healthcare services offered in the UAE. "

Dr. Jamil Ahmed

Director

Prime Healthcare Group LLC

"The GCC Healthcare market stands on the brink of major reform and double digit growth. The combined forces of regulatory pressure, funding reform (mandatory health insurance) and the growing impact of underlying health issues make this inevitable. With Obesity and Diabetes occupying the unenviable top spots in the World league table and preventative and educative measures not yet in place, we have the drivers of funding, patient demand and political will, which should lead to significant healthcare expansion."

Mark Adams

CEO

Gulf Healthcare International

"The Healthcare sector in GCC is expected to expand to cater to the growth in population. While the sector is largely fragmented at present, going ahead, we should see some consolidation. It is the quality of services that will ultimately determine the success of GCC's healthcare companies in the long term."

Thomas James Moolayil

Chief Financial Officer

Al-Ahli Hospital (Subsidiary of Medicare Group), Qatar

"The development of private sector healthcare in a country is a measure of how advanced a country is. The GCC countries are seeing a case of demand for healthcare services outstripping the supply and private sector has to supplement the efforts of the government to meet this demand. I see several attractive opportunities for private sector players who are committed to this industry."

Mr. Sobhi A. Batterjee

President & CEO

Saudi German Hospitals Group

“The GCC healthcare sector presents some interesting opportunities for investors. While any investment in the healthcare sector has a longer payback period, there is a very strong demand and supportive government policies that makes for a good business case. The sector has attracted considerable PE interest in the last few years and with the large number of players in the region, we also expect to see some consolidation going ahead”.

Rohit Walia

Executive Vice Chairman & CEO

Alpen Capital & Bank Sarasin-Alpen

1. Executive Summary

GCC economies with their high per capita income and growing population have seen a steady improvement in healthcare parameters like infant mortality and life expectancy over the years. However, lifestyle-related diseases such as diabetes and obesity have increased in tandem with growing per capita income and a sedentary lifestyle. The total expenditure on healthcare in GCC expanded at a CAGR of 13.7% during 2007–09. While the majority of this expenditure (over 70% of total expenditure) was financed by the GCC governments, private sector participation has increased in recent years, albeit at a slow pace. This is largely ascribed to favorable regulatory reforms by the governments.

Continued investment by the governments as well as the private sector have improved healthcare infrastructure in GCC; however, it continues to lag the standards of developed markets. The per capita healthcare expenditure and healthcare expenditure as a percentage of GDP are still below that of developed economies.

We estimate demand for healthcare in the region to grow due to a rapidly growing population, rising income levels, increased insurance penetration and an increased prevalence of lifestyle-related diseases. With soaring healthcare costs and the consequent additional burden on state finances, GCC governments are actively pursuing reforms and policy measures to promote private sector participation. The GCC healthcare sector offers attractive investment opportunities as reforms gather pace and the market opens up further.

1.1. Scope of the report

This report is an update to our 2009 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. In addition, the study covers profiles of major publicly-listed and private firms (including details about their performance and market position).

1.2. Industry outlook

As per our estimates, the GCC healthcare market is projected to grow at an annual rate of 11% to USD43.9 billion by 2015 from an estimated USD25.6 billion in 2010. Outpatient and inpatient markets are expected to account for 82% and 18%, respectively, of the overall market size. Saudi Arabia is projected to remain the largest GCC market. It is also expected to be the fastest growing market along with the UAE.

The demand for number of hospital beds is expected to be 93,992 in 2015, an addition of 8,669 beds from 2010, which is in line with the expected supply looking at the number of projects in the pipeline. The number of beds remain in line with the current GCC average and below the US and European averages. 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.

1.3. Investment positives/Key growth drivers

- Demand for healthcare in GCC is increasing due to a rapidly growing and aging population. According to the United Nations (UN), the GCC population is expected to increase at a CAGR of 2.4% during 2010–2015 (compared to 1.1% globally).

- The International Monetary Fund (IMF) estimates the region's per capita GDP to grow at 5.4% over 2010-15. This is expected to drive the healthcare spending in the region over the period.
- The proportion of obese people in the GCC population is considerably higher than the global average. This has increased the prevalence of chronic diseases and, in turn, increased demand for healthcare services. All GCC nations feature among the top 12 countries worldwide in terms of diabetes prevalence.
- Health insurance coverage is likely to expand over the next few years as the GCC governments mandate health insurance, giving a further boost to the healthcare sector in the region.

1.4. Trends

- Healthcare standards in GCC are constantly improving. Factors such as infant mortality and life expectancy at birth continue to improve since our previous evaluation. However at the same time, the increase in the incidence of lifestyle diseases is a disturbing trend.
- Healthcare costs in GCC are on the rise due to increasing use of new and advanced technologies as well as high pharmaceutical costs. Studies reveal that new medical technologies lift healthcare costs by 38–62%.
- High investment projects and new regulations to ensure international healthcare standards are expected to impact the GCC region's medical tourism potential.
- While there is a good pipeline of hospital projects, there is a quicker growth of smaller clinics and ambulatory centers to serve untapped markets in new residential developments, besides involving low investment and generating quick returns.
- Authorities have increased focus on technological advancements by adopting e-health services. Furthermore, these advancements automate processes and, in turn, enhance quality and cost efficiency.
- Medical tourism holds strong potential. Low-cost advantage compared to developed nations is expected to generate substantial market share for GCC's healthcare industry in the broader global space.
- GCC governments are introducing measures to promote a healthy way of life from the Dubai government banning unhealthy foods in school canteens to Saudi Arabia taking measures to control epidemics.

1.5. Challenges

- Healthcare spending in GCC depends excessively (over 70% of total) on government finances. This has become a major challenge with soaring health costs and there is a need for increasing private sector participation.
- Despite growing investments in the sector, healthcare infrastructure in GCC countries lags developed nations in terms of hospital beds, diagnostic labs and clinics as well as medical staff.
- Shortage of medical personnel is a key concern in GCC. There are limited medical education options in the region and high dependence on expatriates (nearly 40–80% of total workforce in the sector) aggravates the issue.
- GCC governments continue to spend millions of dollars on healthcare imports each year due to lack of sufficient services. In 2009 alone, the UAE spent USD2.0 billion on overseas medical treatment for its nationals.
- For private sector players, investment in the healthcare sector is capital intensive with a long payback period.

The sector's near to long-term outlook is promising and GCC governments are committed to undertake measures to address the current challenges.

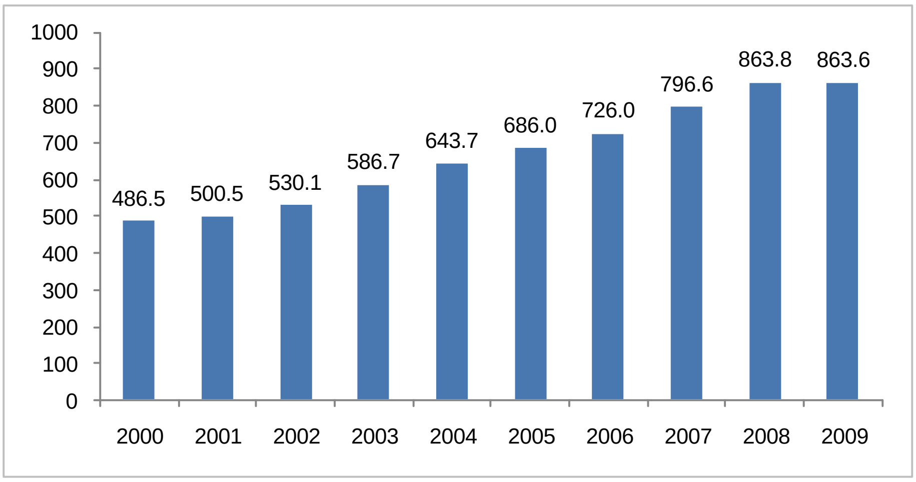
2. Global Market Analysis

2.1. Global per capita healthcare spending grew at 6.6%

Global healthcare expenditure per capita grew at an annual rate of 6.6% over 2000–09

According to the World Bank, per capita global healthcare expenditure grew at an annual rate of 6.6% over 2000–09 and aggregated USD863.6 in 2009 (see exhibit 1). The industry proved to be resilient to the global economic crisis and stayed relatively flat in 2009 compared to the previous year. In 2009, per capita healthcare spending grew 3% in the US (accounts for over 40% of the global healthcare market and was among the nations worst affected by the recession) and 5% in MENA. However, it fell 5% in Europe and Central Asia, thereby bringing down the global figure marginally. The industry is expected to recover and grow rapidly in developing as well as developed nations.

Exhibit 1: World Healthcare Expenditure Per Head (USD)



Source: World Bank

Government participation increases over the years

According to the World Health Organization (WHO), the governments' share in healthcare spending increased to 60.5% in 2008 from 56.4% in 2000. Though the government's contribution to total expenditure has increased over the years, their contributions vary between countries, with the government spending the most in high income group of countries. For example, the government contributed 62.2% of total healthcare expenditure in high income countries and 57.2% in upper middle income countries in 2008. In lower middle and low income groups, the government's contribution to total healthcare expenditure stood at 40.5% and 40.5%, respectively, in 2008, falling behind the private sector's contribution.

Robust growth in per capita healthcare spending in developing markets

Healthcare expenditure marks double-digit growth in developing economies

Per capita healthcare expenditure is substantially disparate across the world. According to the WHO, average per capita spending on health as of 2008 was the highest in the Americas (USD2,902), followed by Europe (USD2,283), Eastern Mediterranean (USD153), Africa (USD83) and Southeast Asia (USD47). Healthcare expenditure is increasing at a robust pace in developing economies with double-digit growth over the past five years; this is mainly ascribed to low start-up base, growing income and increased access to healthcare.

2.2. Key growth factors and trends

Demographic factors such as a growing and aging population, especially in developed nations, coupled with higher incidence of lifestyle diseases in emerging markets due to a sedentary life, mainly drive growth in healthcare. Technological advancements such as the advent of the Internet and telecommunications are fueling innovation in the healthcare delivery model. Medical tourism has been embraced by patients and governments around the globe to access quality healthcare at low costs.

Rapidly aging population dominate healthcare spending

Aging population to exert pressure on health expenditure

According to estimates from the WHO, average human lifespan increased to 68 years in 2009 from 64 in 1990 with advancement in healthcare facilities. Consequently, annual growth rate of aged population (60 years or older) surged to twice that of the overall population; this is expected to continue over the next few decades. Spending on heathcare typically increases in tandem with population growth. As the majority of this growth entails the elderly, overall heathcare expenditure is expected to rise further. Moreover, per capita healthcare cost of the elderly is significantly higher than the rest of the population.

Higher incidence of lifestyle-related diseases

Lifestyle-related diseases fuel health costs

Unhealthy diet and a sedentary lifestyle add to the growing number of people affected from obesity and diabetes. This is also one of the key factors fueling healthcare expenses globally. According to the WHO, the global obese population is expected to expand to 700 million by 2015 from 400 million in 2005. Medical spending on obesity-related disorders in the US doubled over 1999–2009 and is estimated to have reached USD147 billion a year. According to American Diabetes Association, total spending on diabetes in the US stood at USD218 billion in 2007. Besides, average medical expenses increase 2.3-fold due to this disease. Adopting a lifestyle with less physical activity and higher calorie intake poses a greater risk to rapidly growing developing nations. The global incidence of diabetes is expected to more than double over 2000–30 with the majority of growth in Asia, Australia and the Middle East.

Soaring medical costs a major cause for concern

Medical costs increased faster than wages over the past few years

According to a study conducted by Kaiser Family Foundation, US, the average premium for a family health policy more than doubled to USD15,073 in 2011 from USD7,061 in 2001 vis-à-vis a 34% gain in wages. The rise in premium was steeper in 2011 (9%) compared to an average of 3–5% over the past few years.

According to a research conducted by Towers Watson, global health costs are expected to increase 10.5% in 2011 with growth in health insurance premium more prominent in advanced economies than emerging markets.

New technologies transforming global healthcare delivery model

Innovation in delivery increasing affordability of healthcare

Advancements in technology such as the Internet and mobile devices are driving innovation in the healthcare sector. A new healthcare delivery system, the revolutionary m-Health, which supports medicine and public health services through mobile devices, is being used at a varied degree in New Zealand, Mexico, India and a few African countries. m-Health transmits patient information among healthcare providers at the point of care. In addition, it reduces the cost of medical treatment and bridges the geographical gap between patients and healthcare providers. Innovations for easy access to affordable healthcare are on the rise, especially in emerging markets. For instance, GE India developed a low-cost, portable electrocardiogram machine to serve remote areas in the country with no access to healthcare.

Expanding medical tourism

Global medical tourism to emerge strongly in the coming years

Medical tourism is becoming increasingly popular in industrialized economies for better access to quality healthcare at affordable prices. Patients travel to various medical tourism destinations for health, dental and cosmetic treatments. For instance, an Indian hospital charges USD4,000 for a cardiac surgery compared to about USD30,000 in the US. A partial hip replacement surgery is conducted at half the price in Singapore, Thailand and Argentina compared to Europe or the US. Cost advantage is now supported by improved quality—over 400 healthcare organizations in 39 countries received the Joint Commission International (JCI) accreditation. JCI is an organization that works with international healthcare institutions and ministries of health globally, providing accreditation and certification services as well as advisory and educational services in the areas of patient safety and quality. In addition, the industry enjoys federal support—the Norwegian government has formed tie-ups with medical establishments in Spain and Turkey to treat elderly patients in a relatively suitable climate at an effective cost. Thailand, India, Singapore and Malaysia are a few well-developed regions for medical tourism. National Centre for Policy Analysis expects the global medical tourism market to expand to USD100 billion from USD20 billion in 2009.

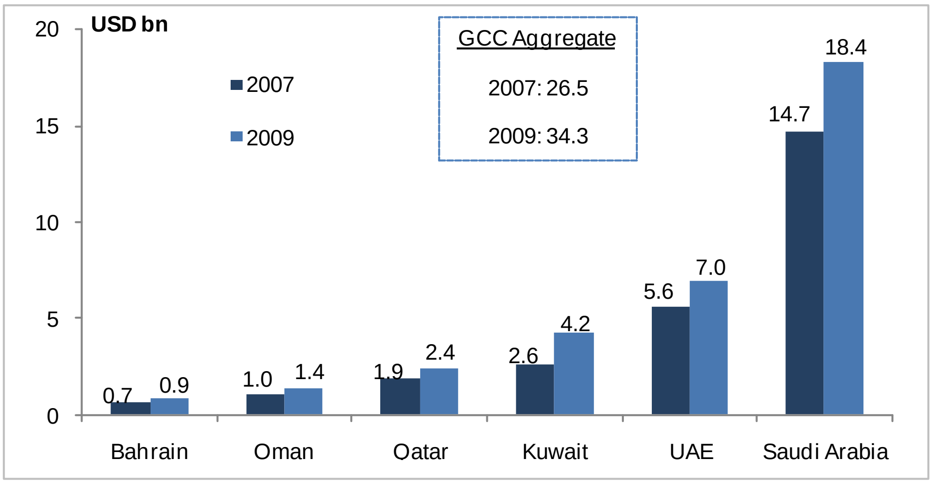
3. GCC Market Analysis

3.1. Sector overview

Strong demand drives healthcare spending in GCC

Healthcare spending in the GCC region remains robust. According to the WHO, total expenditure on healthcare in GCC expanded at a CAGR of 13.7% during 2007–09 and reached about USD34.3 billion in 2009. It has been buoyed by a rapidly growing and aging population, increasing prevalence of chronic lifestyle-related ailments as well as improving awareness and income levels.

Exhibit 2: GCC healthcare expenditure, 2007–09



Source: WHO – Global Health Expenditure Database, UNCTAD

Saudi Arabia spends the most on healthcare in GCC

Saudi Arabia, which comprises over two-thirds of GCC's population, is the largest spender on healthcare. However, this spending is not commensurate with its population share in the region. The UAE, Kuwait, Qatar and Bahrain, on the other hand, have a higher share of healthcare spend in GCC compared to their population (see exhibit 3).

Exhibit 3: Country-wise share of population and healthcare expenditure, 2009

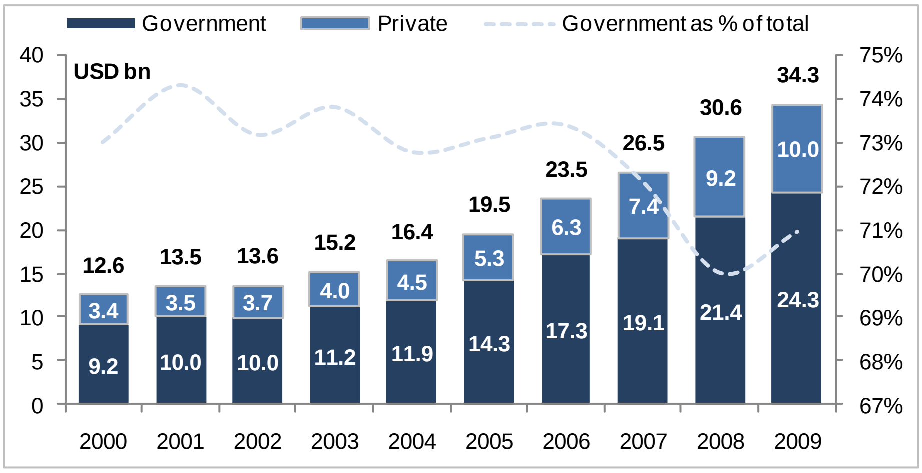
Country	% of GCC population	% of GCC healthcare expenditure
Saudi Arabia	67%	54%
UAE	12%	20%
Kuwait	8%	12%
Bahrain	2%	3%
Oman	7%	4%
Qatar	4%	7%

Source: WHO – Global Health Expenditure Database, UNCTAD

Public sector leads healthcare spending; private sector catching up, albeit slowly

At about 70%, the public sector remains the major source of healthcare funding in GCC. In the public sector, the Ministries of Health (MoH) of the respective countries primarily offer healthcare services. Private sector spending on healthcare is growing steadily, albeit at a slow pace; increasing regulatory reforms encouraged greater participation from the private sector. Consequently, public sector contribution to total healthcare expenditure declined to 70.9% in 2009 from 72.1% in 2007 and 73.0% in 2000 (see exhibit 4).

Exhibit 4: Share in healthcare expenditure by source



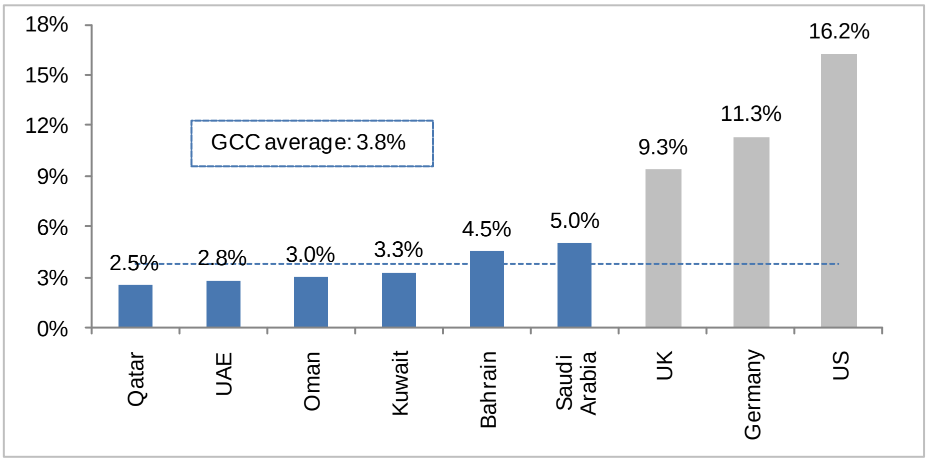
Source: WHO – Global Health Expenditure Database;
Note: Calculation based on prevailing exchange rate at the end of each year

Healthcare expenditure as a percentage of GDP remains low

GCC's healthcare expenditure below the world and developed market standards

At 3.8%, healthcare expenditure as a percentage of GDP in GCC is below the world average of 10%. UK spends an average of 9.3% of GDP on healthcare, while the US spends the most at 16.2%. Saudi Arabia and Bahrain fare relatively better than the other four GCC countries (see exhibit 5).

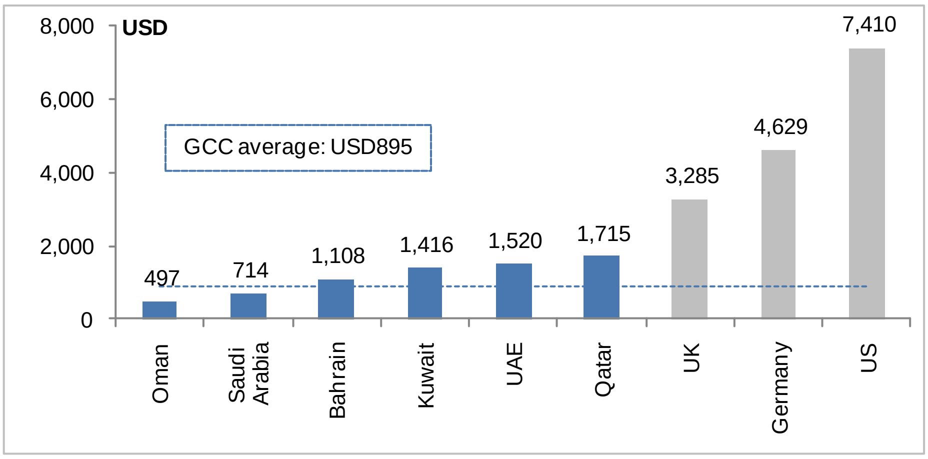
Exhibit 5: Healthcare expenditure (% of GDP), 2009



Source: World Bank

Similarly, average per capita healthcare expenditure in GCC (USD895) is below UK (USD3,285), Germany (USD4,629) and US (USD7,410), though it is higher than the global average of USD864. At USD1,715, Qatar has the highest per capita healthcare spending in GCC, followed by the UAE (USD1,520) (see exhibit 6).

Exhibit 6: Per capita healthcare expenditure, 2009



Source: World Bank

3.2. Healthcare infrastructure in GCC

Overall healthcare infrastructure (hospitals, hospital beds and clinics) in each of the above countries expanded compared to 2005, except Qatar where the number of hospitals remained constant.

Saudi Arabia, which leads healthcare expenditure in GCC, has the largest health infrastructure. It has more hospitals and hospital beds than all other GCC nations collectively. Saudi Arabia added 29 hospitals with 2,740 beds over 2005–09. At the end of 2009, it housed 408 hospitals with 55,932 beds (see exhibit 7). Healthcare infrastructure in GCC is expected to expand further with the regional governments' plans to develop the existing facilities. While there is an ongoing focus on primary and secondary healthcare, there still exists a need to enhance tertiary healthcare with specialist centers for treatment of, for example, cancer, organ transplants, rehabilitation, etc.

Saudi Arabia has the largest number of hospitals and clinics in GCC

Exhibit 7: Healthcare infrastructure overview, 2009

Country	Hospital		Beds		Clinics	
	Govt.	Private	Govt.	Private	Govt.	Private
Saudi Arabia	283	125	44,099	11,833	2,037	2,308
UAE	32	58	6,627	2,549	243	2,057
Kuwait	30	15	5,149	653	97	98
Qatar	5	4	2,564	394	30	177
Oman	55	5	5,430	189	217	817
Bahrain	10	13	1,702	384	24	NA

Source: Ministry of Health of respective country, Kuwait Government Online for Kuwait statistics

Note: Government includes MoH and other government facilities; government clinics include primary healthcare units and centers. NA: Data not available.

Figures for the UAE and Qatar are as of 2008, Kuwait as of 2006

Healthcare infrastructure lags global standards

Healthcare infrastructure in GCC lags international standards. The density of hospital beds and radiotherapy units in the region is lesser than developed nations (see exhibit 8). At 22 per 10,000 of population, Saudi Arabia has the highest density of hospital beds in GCC; however, this is over 35% lower than UK's 34 hospital beds per 10,000 of population and over 73% than Germany's 82.

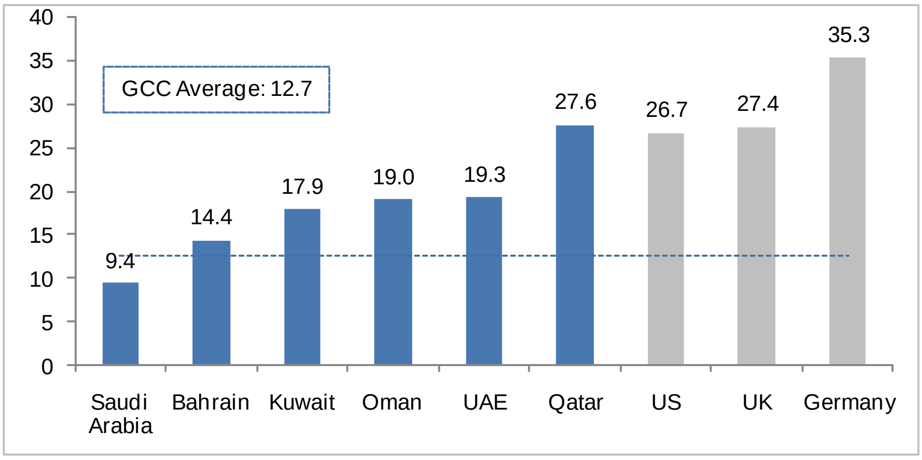
Exhibit 8: Healthcare infrastructure comparison

Country/Region	Hospital beds per 10,000 of population (2000–09)	Radiotherapy units per million of population (2010)
Bahrain	19	NA
Kuwait	18	1.3
Oman	19	0.7
Qatar	14	1.4
Saudi Arabia	22	0.1
United Arab Emirates	19	1.1
UK	34	5.4
Germany	82	6.5
US	31	11.8

Source: World Health Statistics 2011

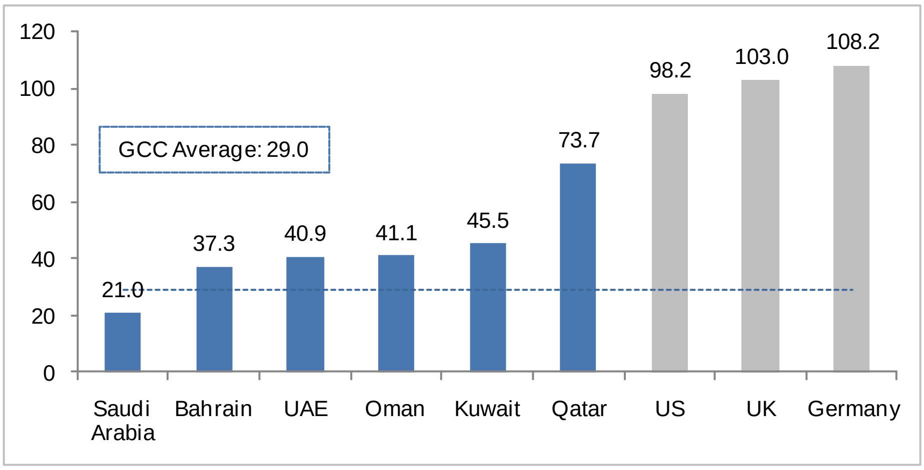
The ratio of nursing and midwives, and physicians to total population in GCC countries (except Qatar) is much lower than the US, UK and Germany averages (see exhibits 9 and 10). Healthcare workforce in GCC mainly comprises expatriates. Nearly 80% of physicians in Saudi Arabia and the UAE, the two largest healthcare markets in the region, are expatriates. Less than one-tenth of nurses in the UAE are nationals.

Exhibit 9: Physicians per 10,000 of population



Source: World Health statistics 2011

Exhibit 10: Nursing and midwifery personnel per 10,000 of population



Source: World Health statistics 2011

3.3. International players improve quality of healthcare

Entry of international players to tap growing opportunities in GCC's healthcare

Increased demand has improved the overall quality and standard of healthcare services in GCC. Recently, several international players entered the market with advanced facilities and technologies to tap growing opportunities in GCC healthcare (see exhibit 11). These firms function in various capacities. For example, Starcare Health operates individually, while Sagar Polyclinic works in partnership with Oman Holdings International. On the other hand, Methodist International has restricted its role to managing the facility opened by Emaar Healthcare Group.

The UAE has been a key healthcare market in GCC, attracting international players. Abu Dhabi Health Services Company (SEHA), a public joint stock company that owns and manages operations of Abu Dhabi's public healthcare facilities, played an active role over the years. It invited international service providers to manage its facilities and aid higher standards in service delivery. Currently, SEHA's partners include Cleveland Clinic (manages Sheikh Khalifa Medical City), Johns Hopkins Medicine (Tawam Hospital, Al-Rahba Hospital and Corniche Hospital), Medical University of Vienna and Vamed Group (Al-Ain Hospital), Bangkok-based Bumrungrad International Limited (Al-Mafraq Hospital) and The New England Center for Children (the NECC facility).

Exhibit 11: Recent activity by international players in GCC's healthcare market

Date	International Partner	Country	Entry Market	Services Offered
April-11	Starcare Health Systems Limited	UK	Oman	Commenced operations with a 50-bed multi-specialty hospital; plans to invest USD39 million to build a 150-bed hospital, 10 clinics and a chain of pharmacies; seeks to invest USD78 million in the UAE and Saudi Arabia's healthcare markets
January-11	Sagar Polyclinic	India	Oman	Sagar Hospital, part of Sagar Group, in partnership with Oman Holdings International (OHI) opened a state-of-the-art facility with a wide range of medical specialties supported by comprehensive diagnostic facilities. This is their second foray into the GCC market after establishing presence in Dubai Healthcare City with a multi-specialty clinic
September-10	Atlas Hospital	India	Oman	Opened a hospital with an investment of OMR1 million that offers a wide range of specialist services
March-10	Apollo Hospitals Group	India	Oman	Oman's Apollo Medical Center, an associate of Apollo Hospitals Group, India, launched the first liver clinic in the country with 360 degree liver care
February-10	Methodist International	US	UAE	Emaar Healthcare Group opened Meadows Clinic, a community clinic managed by Methodist International with four specialties – Internal Medicine, Pediatrics, ENT and Obstetrics & Gynaecology Management
January-10	St. John Health System Brighton Hospital	US	Saudi Arabia	Brighton Hospital signed a letter of intent to manage Saudi Arabia's 230-bed addiction treatment facility with an investment of USD60 million
October-09	Samsung Medical Center	Korea	UAE	In October 2009, Samsung Medical Center, in agreement with Index Holding, announced plans to establish a facility in Dubai. This facility, which is its first in the MENA region, commenced operations in January 2011. It comprises 5,000 square feet in Dubai Health Care City that offers specialized medical services. With 70 co-operative hospitals and 700 member clinics, Samsung Medical Center is Korea's largest medical cooperative network.
September-06	Cleveland Clinic	US	UAE	Mubadala Healthcare signed an agreement with Cleveland Clinic to build Cleveland Clinic Abu Dhabi to offer advanced tertiary/quaternary medical services and manage facilities. The 360-bed multi-specialty facility with an investment of USD1.3 billion is scheduled to commence operations in 2013. Currently, Cleveland Clinic manages a healthcare facilities network in Sheikh Khalifa Medical City, Abu Dhabi.
March-06	Johns Hopkins Medicine	US	UAE	Johns Hopkins manages Abu Dhabi-based 468-bed, JCI-accredited Tawam Hospital through an agreement with SEHA. In addition, it controls SEHA's Al-Rahba and Corniche hospitals.

Source: Zawya

3.4. Regulatory reforms gaining pace

Besides funding healthcare, the respective Ministries of Health in GCC are key regulators. The authorities are adopting various regulatory policies to transition the healthcare sector with increased participation from private players. The key regulatory amendments in each GCC nation since our last report on the sector include:

Regulatory authority

The GCC countries are increasingly establishing independent authorities to oversee healthcare.

In September 2011, **Qatar's** cabinet approved the establishment of Primary Healthcare Institution, an independent body to oversee primary healthcare in the country. During November 2010, **Kuwait's** Ministry of Health sent a draft law to the cabinet to establish Public Authority for General Health. **Saudi Arabia's** Ministry of Health during March 2010 announced plans to set up an authority to supervise and control private healthcare facilities in the country.

Pharmaceutical

During June 2011, the **GCC countries and Yemen** formed a union to regulate the business of pharmaceuticals and medical supplies. This move is rooted in sectoral development to attract investments.

Qatar's Advisory Council approved a law in January 2011 to liberalize the medicine market and eliminate monopoly among distributors. The law allows more players in the market subject to Qatar's Supreme Council of Health (SCH)'s control. The law is part of the study conducted to identify domestic market requirements and solutions for shortage and unavailability of medicines in Qatar. On the other hand, the **UAE's** Ministry of Health regulates prices of medicines. In March 2011, the Health Minister signed a Ministerial Decision to reduce the prices of 67 medicines by 5–40%.

Governance in healthcare

All Ministries of Health in GCC are focusing on healthcare expansion, while certain member nations are also building systems to monitor services.

Oman's MoH set up Department of Patient Services in 2010 to follow up complaints regarding services at various hospitals. During September 2011, it announced plans to establish a call center to receive reports and complaints for quick redress. **The UAE's** Dubai Health Authorities encourages patients to report any negligence at healthcare facilities; these cases are followed up by Clinical Governance Office.

Co-operation among GCC nations

During the seventh meeting of the GCC Smart Card Steering Committee in May 2011, the members considered integrating medical histories with smart ID cards—GCC nationals can travel across the region with a smart ID card and without a passport. This proposal would enable service providers to render better services to nationals across GCC given the access to an individual's entire medical history.

Compulsory health insurance mandate is being followed by most of the GCC nations

Health insurance

Recent activity in health insurance in GCC includes developments in Qatar, Kuwait and Bahrain.

Exhibit 12: Health insurance outline in GCC

Saudi Arabia	▪ 2006 – Mandatory health insurance services for expatriate workers ▪ 2007 – Law extended to firms with more than 100 expatriate workers ▪ 2008 – Law extended to firms with more than 50 expatriate workers ▪ 2009 – Law extended to all companies
UAE	**Abu Dhabi** ▪ 2006 – Mandatory health insurance for firms with more than 500 expatriate workers ▪ 2007 – Law extended to all expatriates ▪ 2008 – Law extended to the UAE nationals **Dubai** ▪ Compulsory health insurance shelved at least until 2013
Kuwait	▪ 2011 – MoH proposed health insurance for expatriates at KWD130 compared to KWD50 currently
Qatar	▪ 2010 – MoH announced plans to introduce National Health Insurance Scheme in three years under its National Health Strategy (NHS) 2011–16
Oman	▪ 2006 – Compulsory health insurance services for expatriate workers ▪ 2007 – Law extended to firms with more than 100 expatriate workers ▪ 2008 – Law extended to firms with more than 50 expatriate workers ▪ 2009 – Law extended to all companies
Bahrain	▪ 2010 – Bahrain and Jordan proposed a health co-operation, mainly in health insurance, with the latter offering capabilities to Bahrain ▪ 2011 – Government to implement compulsory health insurance for expatriate workers 2013 onward

Source: Ministry of Health of respective country, WHO, news articles

4. GCC Healthcare Industry Outlook

4.1. 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 2009, 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 2015. 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.

According to research by Towers Watson, health inflation in MENA rose to 4.4% in 2011 from 3.7% in 2009. 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

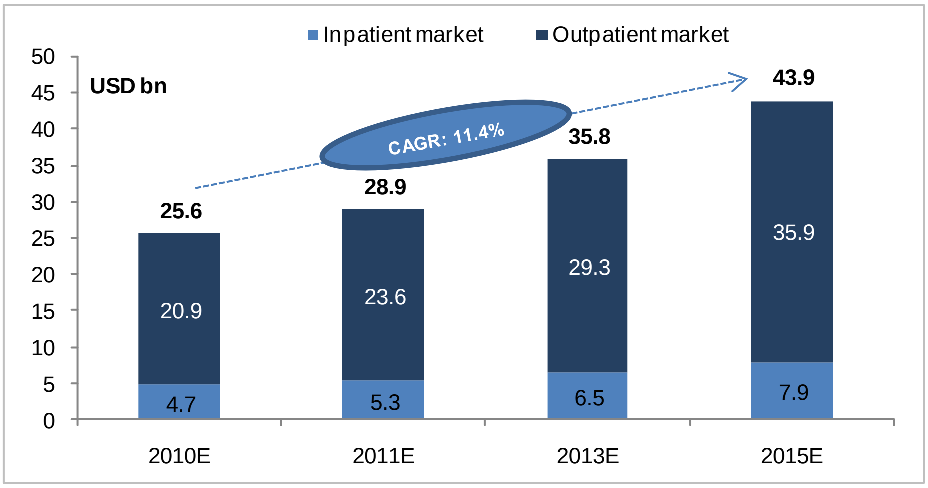
4.2. Market size forecast

Healthcare market to expand at a CAGR of 11.4% over 2010–15

The healthcare services market in GCC expanded at a CAGR of 18.8% since 2004 and reached around USD23.1 billion in 2009. It is projected to grow at an annual rate of 11.4% to USD43.9 billion by 2015 from an estimated USD25.6 billion in 2010 (see exhibit 13).

The outpatient market in GCC is projected to be about USD35.9 billion or 81.9% of the overall market, while inpatients would contribute 18.1% by 2015.

Exhibit 13: Projection of healthcare services market



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

Saudi Arabia and the UAE to record maximum growth during 2010–15

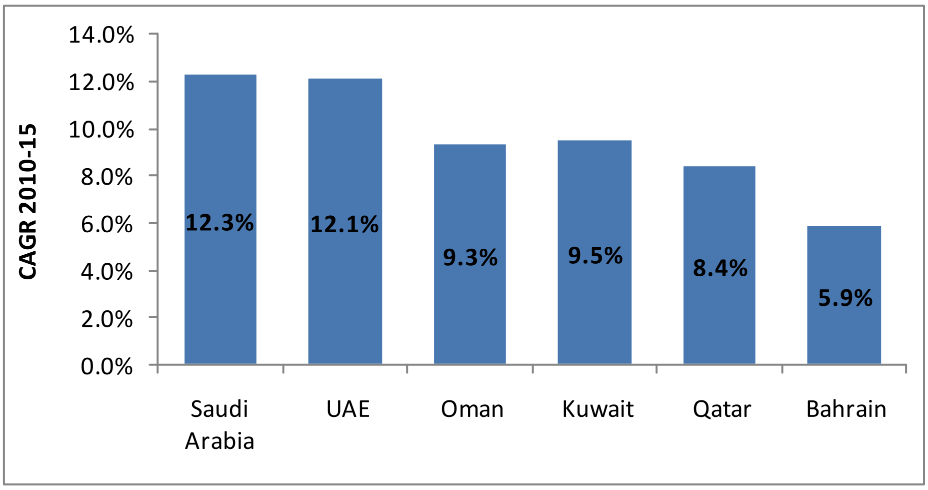
Healthcare market is expected to expand across the GCC region, albeit at a varied rate. This is mainly ascribed to disparity in disease prevalence rates and health inflation. Saudi Arabia would continue to be the largest market, accounting for 58.5% of the total in 2015, followed by the UAE (18.2%) (see exhibit 14). In addition, Saudi Arabia and the UAE are expected to be the fastest growing markets in GCC over 2010–15 (see exhibit 15).

Exhibit 14: Country-wise healthcare market within GCC (%)

Country	2010E	2011E	2013E	2015E
Saudi Arabia	56.2%	56.4%	57.6%	58.5%
UAE	17.6%	17.6%	17.9%	18.2%
Qatar	8.5%	8.2%	7.9%	7.4%
Oman	5.1%	5.0%	4.8%	4.6%
Kuwait	10.2%	10.5%	9.9%	9.3%
Bahrain	2.4%	2.2%	2.0%	1.8%
GCC Total	**100%**	**100%**	**100%**	**100%**

Source: Alpen Capital

Exhibit 15: Country-wise healthcare market growth over 2010-15



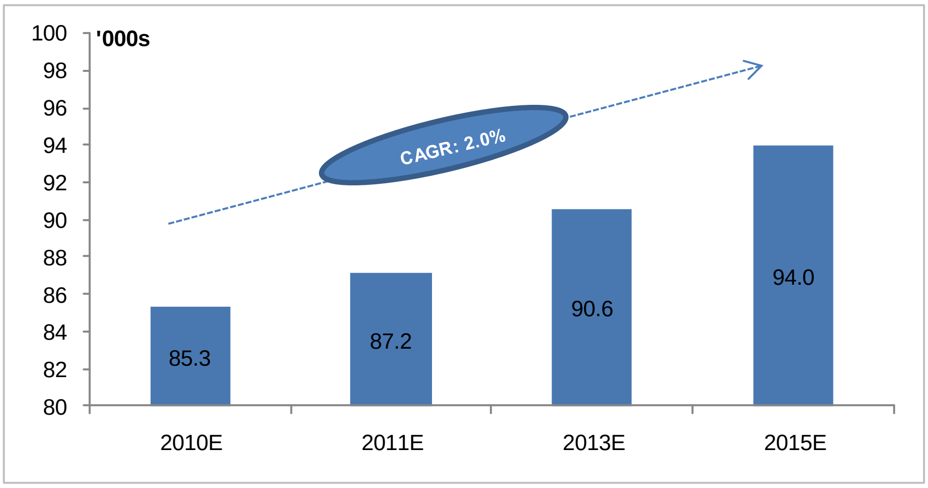
Source: Alpen Capital

Number of hospital beds to expand at a CAGR of 2.0% over 2010–15

Demand for the number of hospital beds in the region is likely to expand at a CAGR of 2.0% to 93,992 in 2015 from an estimated 85,323 in 2010 (see exhibit 16). The additional number of beds in Saudi Arabia, the largest market in the region, is expected to increase by 5,936 during the five-year period. The number of beds in Kuwait would increase at a CAGR of 2.1%, while the in Saudi Arabia and the UAE number of beds would grow at a CAGR of 2.0%.

The number of beds remain 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 16: 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

4.3. Country level detailed forecasts

Exhibit 17: Saudi Arabia healthcare market

Healthcare market in Saudi Arabia to grow 12.3% over 2010–15

Category	2010E	2011E	2013E	2015E
Total Market (USD bn)	14.4	16.3	20.6	25.7
Inpatient Market (USD bn)	2.0	2.3	2.9	3.6
Outpatient Market (USD bn)	12.4	14.0	17.7	22.0
Number of beds	57,994	59,169	61,544	63,930

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

The healthcare market in Saudi Arabia is expected to expand at a CAGR of 12.3% to USD25.7 billion in 2015 from an estimated USD14.4 billion in 2010 (see exhibit 17). The growth would be mainly driven by population explosion—population in the largest of six GCC countries is likely to increase by 3 million over the next five years—and improving life expectancy. Life expectancy at birth levels in Saudi Arabia increased nearly 30 years from 44.9 years in 1960 to 73.6 years in 2009. The outpatient market is estimated at USD22.0 billion, 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 2.0% to 63,930 in 2015 from an estimated 57,994 in 2010. The government has been aggressively implementing policies to build infrastructure and enhance private sector participation due to rising demand for healthcare services. An outlay of around USD8.6 billion is being used for hospital projects planned or under way in Saudi Arabia.

Exhibit 18: The UAE healthcare market

Category	2010E	2011E	2013E	2015E
Total Market (USD bn)	4.5	5.1	6.4	8.0
Inpatient Market (USD bn)	1.1	1.3	1.6	2.0
Outpatient Market (USD bn)	3.4	3.8	4.8	6.0
Number of beds	9,574	9,785	10,182	10,562

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

Healthcare market in the UAE to expand 12.1% over 2010–15

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 51.6 years in 1960 to 76.4 years in 2009 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 2010–2015, the market is expected to expand at a CAGR of 12.1% to USD8.0 billion from an estimated USD4.5 billion (see exhibit 18). The outpatient market is likely to be worth USD6.0 billion and inpatient USD2.0 billion. The number of hospital beds is estimated to increase at a CAGR of 2.0% to 10,562 in 2015 from an estimated 9,574 in 2010. Projects worth USD5.7 billion have been announced/are in progress in the country.

Exhibit 19: Kuwait healthcare market

Category	2010E	2011E	2013E	2015E
Total Market (USD bn)	2.6	3.0	3.5	4.1
Inpatient Market (USD bn)	0.7	0.8	0.9	1.1
Outpatient Market (USD bn)	1.9	2.3	2.6	3.0
Number of beds	6,402	6,541	6,817	7,089

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

Healthcare market in Kuwait to grow 9.5% during 2010–15

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 almost 20 years to 78 in 2009 from 59.4 in 1960. The healthcare market in Kuwait is expected to expand at a CAGR of 9.5% to USD4.1 billion in 2015 from an estimated USD2.6 billion in 2010 (see exhibit 19). The outpatient market would represent USD3.0 billion and inpatient USD1.1 billion. The number of hospital beds is likely to expand at a CAGR of 2.1% to 7,089 from an estimated 6,402 during the same period. Projects worth around USD5.8 billion have been announced/are in progress in the country.

Exhibit 20: Qatar healthcare market

Category	2010E	2011E	2013E	2015E
Total Market (USD bn)	2.2	2.4	2.8	3.2
Inpatient Market (USD bn)	0.6	0.6	0.8	0.9
Outpatient Market (USD bn)	1.6	1.7	2.0	2.4
Number of beds	3,464	3,609	3,709	3,743

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

Healthcare market in Qatar to grow 8.4% over 2010–15

Healthcare services in Qatar have improved over the years, thereby increasing life expectancy at birth levels by 18 years from 59.8 in 1960 to 77.9 years in 2009. The government spent aggressively in the sector and announced the National Health Strategy 2011–16 to continually upgrade infrastructure over the next five years. The country has the highest per capita healthcare spending among GCC nations. Its healthcare market is expected to expand at a CAGR of 8.4% over 2010–15 to USD3.2 billion from an estimated USD2.2 billion (see exhibit 20). The outpatient market is estimated to be worth USD2.4 billion, while inpatient would contribute the rest. The number of hospital beds is likely to increase at a CAGR of 1.6% to 3,743 in 2015 from an estimated 3,464 in 2010. Healthcare projects worth around USD2.8 billion are underway in the country.

Exhibit 21: Oman healthcare market

Category	2010E	2011E	2013E	2015E
Total Market (USD bn)	1.3	1.4	1.7	2.0
Inpatient Market (USD bn)	0.1	0.1	0.2	0.2
Outpatient Market (USD bn)	1.2	1.3	1.5	1.8
Number of beds	5,722	5,839	6,069	6,300

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

The healthcare services market in Oman is in the developing stage, the country's life expectancy levels were the lowest in the region at 42.3 years in 1960, but have improved over the years to reach 73 years in 2009. Oman witnessed increasing private sector participation over the past few years. Between 2010 and 2015, Oman's healthcare market is expected to expand at a CAGR of 9.3% to USD2.0 billion from an estimated USD1.2 billion (see exhibit 21). The outpatient category would account for USD1.8 billion, while inpatients would contribute the rest. The number of hospital beds required is estimated to increase at a CAGR of 1.9% to 6,300 from an estimated 5,722 during the same period. Oman Medical City, being built with an investment outlay of USD1.0 billion, is expected to improve bed availability in phases, beginning 2012.

Healthcare market in Oman to increase 9.3% during 2010–15

Exhibit 22: Bahrain healthcare market

Category	2010E	2011E	2013E	2015E
Total Market (USD bn)	0.6	0.6	0.7	0.9
Inpatient Market (USD bn)	0.1	0.1	0.1	0.1
Outpatient Market (USD bn)	0.5	0.5	0.6	0.7
Number of beds	2,167	2,208	2,289	2,367

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

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 74.9 years from 51.8 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 5.9% to USD0.8 billion in 2015 from an estimated USD0.6 billion in 2010 (see exhibit 22). The inpatient market is projected to be worth USD0.1 billion and outpatient USD0.7 billion. During 2010-15, the demand for number of hospital beds is expected to expand at a CAGR of 1.8% to 2,367 from an estimated 2,167. King Hamad General Hospital due to open in 2012 is one of the major projects (investment outlay of USD0.3 billion) expected to improve healthcare infrastructure in the country.

Healthcare market in Bahrain to grow 5.9% over 2010–15

5. Key growth drivers

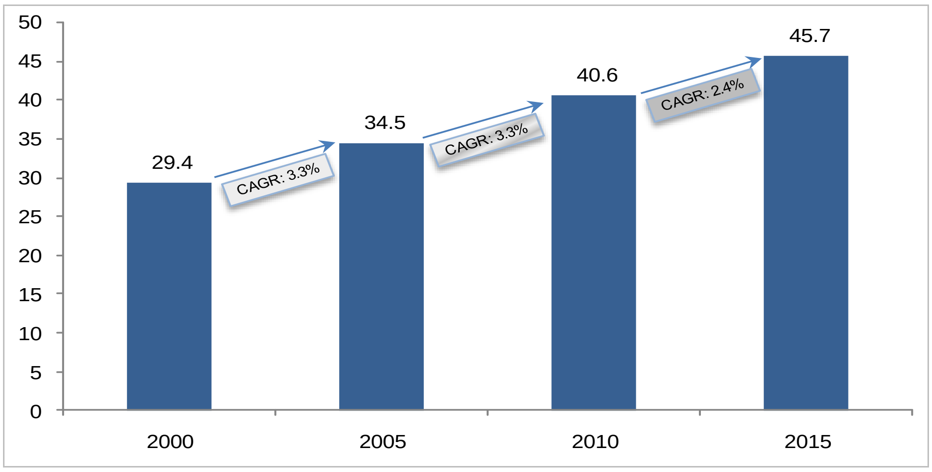
5.1. Demographic factors

Demographic factors are likely to be the main driver for healthcare services in GCC. A rapidly growing and aging population significantly boosts healthcare spending.

GCC population is growing at one of the fastest rates globally with increasing share of the elderly

According to the IMF, the GCC population expanded at a CAGR of 3.3% to 40.6 million during 2000–10. The UN estimates it to grow 1.62x by 2050 with 2010 as base year. During 2010–15, the world population is expected to expand at a CAGR of 1.1% and GCC population 2.4% – more than twice the global rate (see exhibit 23). Growth in GCC population, which exceeds the global average, can be largely ascribed to increasing number of expatriates in the region's developing economies.

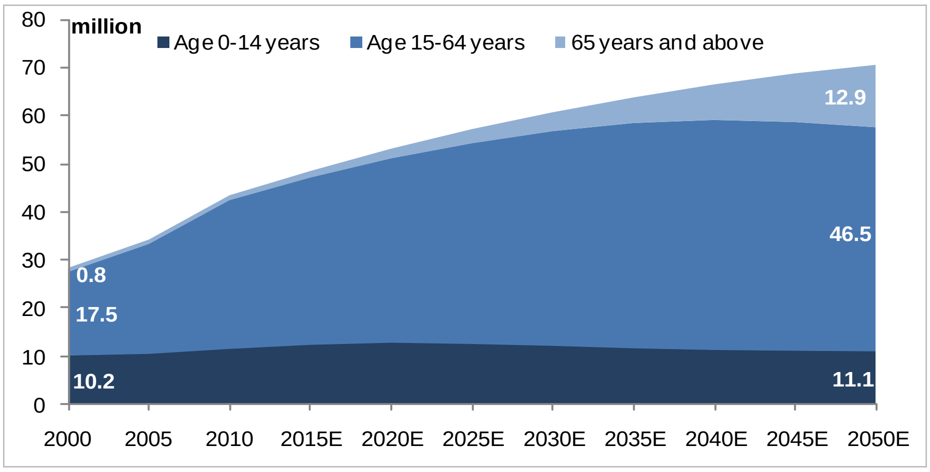
Exhibit 23: Population growth in GCC (million)



Source: IMF

The proportion of elderly people in GCC's population is rising (see exhibit 24). This is primarily ascribed to improved average life expectancy of 76.3 years in 2009 compared to 74.4 in 2000. The uptrend is expected to boost healthcare spending in GCC as 80% of an individual's lifetime healthcare expenditure is spent within this age bracket.

Exhibit 24: Growing and aging population



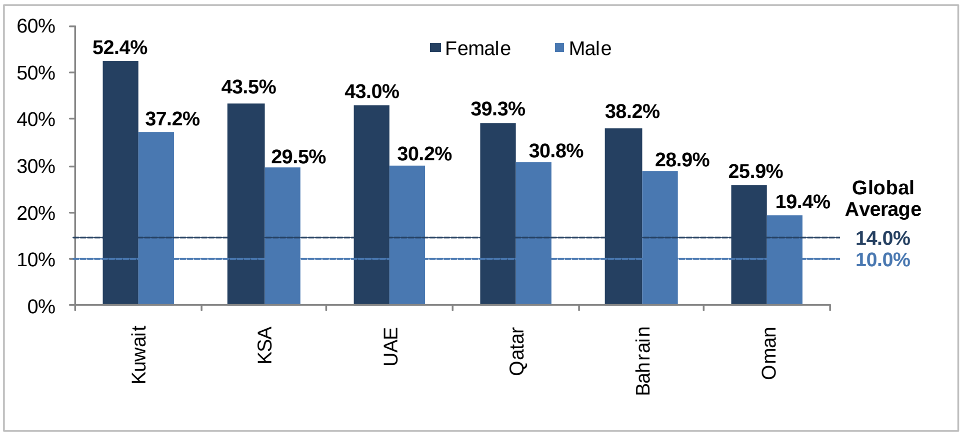
Source: UN, Department of Economic and Social Affairs

5.2. High incidence of chronic lifestyle-related ailments

High incidence of obesity in GCC compared to global average; key risk factor for several chronic diseases

Increasing incidence of lifestyle-related diseases in GCC is expected to drive per capita spending on healthcare. GCC nations are witnessing a paradigm shift in lifestyle with drastically changing eating habits. High per capita income coupled with sedentary lifestyle and dietary patterns has increased the incidence of obesity. All GCC countries exceed the global average obesity ratio of 10.0% of total population among males aged 20 years and above and 14.0% among females (see exhibit 25).

Exhibit 25: Higher obese population in GCC in age group of 20 years and above



Source: WHO

According to WHO, obesity is a major risk factor for diabetes and cardiovascular diseases. Notably, the International Diabetes Federation reveals that GCC countries are among the top 12 globally for diabetes prevalence (see exhibit 26). The average cost of these lifestyle-related ailments is higher and extends over a longer term leading to higher healthcare related spending.

Exhibit 26: GCC countries rank high on diabetes prevalence globally

Country	Prevalence*	World rank
UAE	18.73%	2
Saudi Arabia	16.83%	3
Bahrain	15.43%	5
Qatar	15.39%	6
Kuwait	14.59%	8
Oman	13.42%	12
Global average	**6.42%**	**-**

Source: International Diabetes Federation

**Comparative prevalence adjusted to world population*

5.3. Increasing insurance penetration

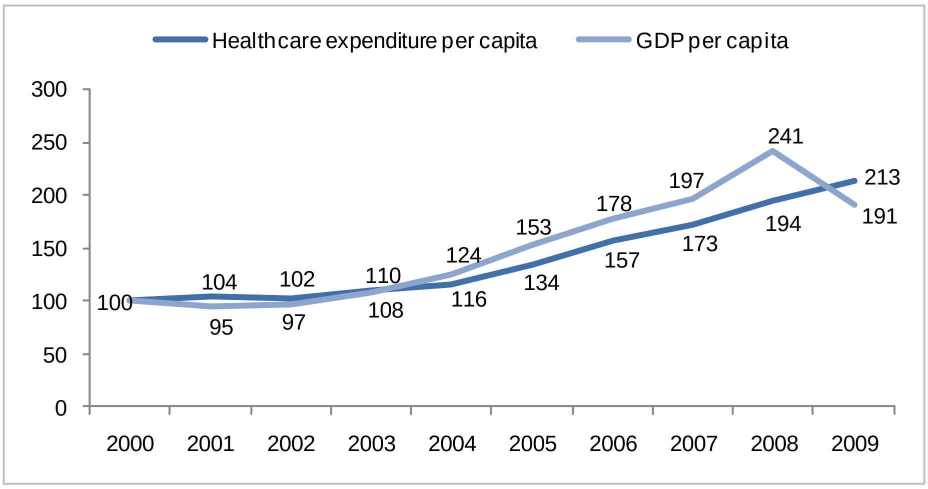
Insurance penetration in GCC grew to 1.3% in 2010 from 0.6% in 2000

According to estimates from Swiss Re, insurance penetration in GCC (gross premium as a percentage of GDP) increased to 1.3% in 2010 from 0.6% in 2000. However, it remains substantially low compared to the global average of 6.9% and emerging markets average of 3.0%. Medical insurance improves affordability of healthcare and, in turn, boosts demand. Furthermore, it enables sustainable quality development of the sector by reducing government burden. It distributes costs between public and private entities as well as provides the right set of business economics to healthcare stakeholders. Medical coverage is likely to increase significantly over the next few years, especially considering that GCC governments have mandated health insurance. Saudi Arabia led this initiative with compulsory medical insurance for expatriates 2006 onward. Expatriate population in GCC is expected to increase over the next five years due to high demand for skilled labor. Most GCC governments are also extending the mandate to include nationals, in line with Saudi Arabia's move in 2008. Other governments are either following or are expected to follow within the next few years; this would significantly drive health insurance and, in turn, the overall healthcare market.

5.4. Rising income levels

Higher income levels in GCC largely facilitate increased spending on healthcare. During 2000–08, per capita healthcare spending in GCC grew in tandem with the rise in income (see exhibit 27). According to the IMF, per capita GDP in GCC is expected to grow 5.4% over 2010–15; this is likely to drive healthcare spending in the region.

Exhibit 27: Comparison of GCC's per capita healthcare spend with per capita GDP*



Source: WHO, IMF World Economic Outlook Database, September 2011

** Both healthcare spend and GDP are re-based to 100*

5.5. Stronger healthcare infrastructure pipeline

Amid rising demand for healthcare in GCC, member nations are witnessing capacity additions in infrastructure to meet demand-supply equilibrium (see exhibit 28). According to Zawya Project Monitor, existing healthcare infrastructure in GCC is valued at more than USD10.2 billion. The value of certain government projects is not disclosed.

GCC nations announced plans to ramp up infrastructure to cater to rising demand

Several GCC nations announced plans to expand infrastructure, which is expected to add to growth. During August 2010, Bahrain's Ministry of Health said it would build 23 new health and medical centers, a cancer center and a new hospital in the Central Governorate. Oman's MoH seeks to invest OMR73 million to extend infrastructure facilities. In January 2011, Kuwait's MoH said it would add 3,500 hospital beds to its current capacity as well as expand laboratories and surgical suites. In June 2011, Saudi Arabia's MoH announced plans to add 700 primary healthcare centers and 121 new hospitals as well as refurbish 66 hospitals over the next five years. However, some of the projects, such as University Hospital in the UAE, Farwaniya Hospital in Kuwait as well as Dilmunia Health Island and Al Areen Medical Centers in Bahrain, are either facing increasing delays or have been deferred given the volatile market conditions and tight credit markets.

Strengthening healthcare infrastructure would boost overall expenditure as well as per capita spending through improved services at new facilities.

Exhibit 28: Top 10 ongoing healthcare infrastructure projects by value^^

Project Name	Country	Project Value USD million	No. of beds
Sidra Medical and Research Center *	Qatar	2,300	412
Razi Hospital	Kuwait	1,200	500
Ibn Sina Hospital	Kuwait	1,100	500
Al Jahraa Hospital	Kuwait	1,100	800
Sowwah Island - Phase 1 - Cleveland Clinic Abu Dhabi^	UAE	1,300	364
Jaber Ahmed Al Jaber Al Sabah Hospital	Kuwait	1,200	1,168
Oman Medical City	Oman	1,000	530
New Mafraq Hospital	UAE	800	688
Al Ain Hospital	UAE	708	690
Al Adan Hospital	Kuwait	650	1,000

*Source: Zawya Project Monitor *Master Project; ^Contract Package, rest are standalone projects; ** Hamad Medical City has a number of hospitals and clinics in its premises; ^^ subject to value being published*

6. Trends

6.1. Improving healthcare standards in GCC

Growing expenditure on healthcare coupled with infrastructure expansion and regulatory reforms continue to improve healthcare standards in GCC. Infant mortality and life expectancy improved across GCC during 1999–2009, except Oman where life expectancy at birth declined to 73.0 from 73.9 years (see exhibit 29). Improved life expectancy is increasing older population's share in the region. This, in turn, would increase demand for healthcare. Furthermore, while healthcare standards in the GCC are improving, lifestyle diseases remain prevalent—the obesity level in each of the GCC countries is at least twice the global average value, five of them (except Qatar) feature in the top 10 countries in the world with the highest prevalence of diabetes.

Exhibit 29: Healthcare standards – periodic change

Country	Infant mortality rate (per 10,000 live births)		Life expectancy at birth, total (years)	
	1999	2009	1999	2009
Bahrain	108	89	73.7	74.9
Kuwait	107	96	73.7	74.5
Oman	188	84	73.9	73.0
Qatar	110	70	76.1	77.9
Saudi Arabia	228	155	71.3	73.6
United Arab Emirates	113	64	74.4	76.4

Source: World Bank

6.2. Rising overall and per capita healthcare cost

Total healthcare cost rises due to increasing use of advanced technology, per capita expenses and import of pharmaceuticals

Cost of healthcare in GCC is soaring in tandem with global prices. Regional factors such as governments' priority to develop health infrastructure, which involves increasing use of advanced technology, are adding to cost. Adopting new medical technologies is estimated to raise healthcare costs by 38–62%[1]. Furthermore, the GCC depends on imports to meet 90% of its pharmaceutical requirement, which causes (medical) import inflation.

6.3. Increasing private sector participation in healthcare

Historically, a large part of healthcare spending in GCC countries has been government-funded. GCC governments have often played various roles – from providing healthcare services to regulating the industry as well as being the ultimate payer for health facilities. With rising medical costs, a fast growing population and higher incidence of health-related problems, GCC governments seek to transform the model through private sector participation – Public-Private Partnership (PPP) as well as purely private ventures.

Enhanced private sector presence through increased facilities and in-management of public facilities

Setting up private facilities reduces the governments' burden to fund capital, while private players as managers of public facilities enhance the quality of services through their expertise. Entry of private players is also expected to modernize existing infrastructure, boost capacity to cater to rising demand as well as enhance operations and efficiency to offer high-quality services at affordable and competitive prices. Kuwait Health Assurance Company is a PPP project that entails building and operating three new hospitals and 15 health clinics besides offering private insurance to expatriates over 2010–14.

[1] Sheila D. Smith, Stephen K. Heffler, and Mark S. Freeland, "The Impact of Technological Change on Health Care Cost Increases: An Evaluation of the Literature" (working paper,2000)

Countries such as Qatar and Bahrain are offering incentives to private players in healthcare by guaranteeing minimum cost coverage. The authorities guarantee reimbursement of cost of minimum patient visits to hospitals even if the minimum number of patient visits is not met. These measures are expected to boost private sector start-ups. Saudi Arabia is promoting private sector investment by offering soft loans over a longer tenor.

6.4. Rising popularity of clinics and ambulatory centers

Establishing small clinics and ambulatory centers to serve untapped markets

Growing number of healthcare providers in GCC are focusing on clinics and ambulatory centers due to their lower capital requirement and quick return on investment. Gulf Healthcare International announced plans to invest USD27 million in the UAE to open six branded clinics and acquire 11 others. Furthermore, companies such as Welcare Group and SEHA Group are opening ambulatory centers. Volume-driven demand for health services in evolving catchment areas, residential pockets and villa communities increases investment attractiveness of healthcare. Demand for healthcare services is particularly high in such areas as the growth in the number of healthcare facilities has generally lagged growth in population. Expanding high-income and expatriate population bodes well for clinics and ambulatory centers due to their close proximity to residential locations and wide array of medical specialties. Besides, the centers include an operation theatre and generally have the facility to transfer a patient to a bigger hospital in case of an unmanageable emergency.

We expect clinics and ambulatory centers to continue gaining traction given the potential demand for healthcare services in such regions and institutional interest in this segment.

6.5. Technological advancement driving healthcare efficiency

Since our last report, GCC nations have increased investment in healthcare technology. Integrating advanced information technology is expected to make the delivery of healthcare services cost effective. In line with Qatar's initiative to upgrade healthcare services by launching an e-health program, Saudi Arabia, the UAE and Oman are resorting to advanced technology.

Saudi Arabia, the UAE and Oman resort to advanced technology to improve cost efficiency and quality

Saudi Arabia aims to transform healthcare delivery through its program – Healthcare Information and Management Systems Society (HIMSS) – by digitally integrating 220 hospitals and 2,000 primary healthcare centers (PHCs). The program, which was re-launched in May 2011, is aimed at deploying e-file and e-medical records in nine years. Immediate benefits of this technology upgrade include interoperable electronic health records (EHR) and cost containment. In addition, the authority seeks to address issues regarding quality of healthcare, health system management and research.

In April 2011, t**he UAE's** MoH said it would launch Phase II of its health information system – Wareed. This was in line with its plan to link 14 public hospitals and 68 affiliate clinics across Dubai and the Northern Emirates through an integrated electronic medical record (eMR) system. It aims to improve the standard of healthcare services in public facilities by electronically connecting them with related authorities. Wareed is designed to automate healthcare process departments such as radiology, pathology, pharmacy, surgery, accident, and emergency and registration. According to the UAE Health Ministry, Phase II of Wareed is expected to facilitate higher accuracy and safety and, thereby, improve efficiency of the overall public healthcare system.

In September 2011, **Oman's** Ministry of Health announced plans to develop an e-health service by linking identity cards to hospital registration. The Directorate General of Health

Services, MoH believes this would establish a centralized database to improve overall efficiency of the healthcare system.

6.6. Medical tourism holds strong potential

GCC members introducing regulations to ensure facilities seek international accreditation

Healthcare providers in GCC are increasingly focusing on the USD50-billion global medical tourism industry. Low-cost advantage compared to developed nations is expected to generate substantial market share for GCC's healthcare industry in the broader global space. For instance, a heart bypass surgery in the UAE costs USD44,000, nearly 66% lower than USD130,000 in the US. Accordingly, GCC authorities are investing heavily to build state-of-the-art facilities in the region. The key infrastructure projects in GCC include Oman City with an investment of USD1.0 billion and Mafraq Hospital in the UAE at USD600 million. Furthermore, the Ministries of Health in GCC are introducing policies to encourage accreditation of existing healthcare facilities by internationally-recognized bodies and, thus, enhance attractiveness of medical tourism. A large number of facilities in GCC have received the Joint Commission International (JCI) accreditation – gold standard in healthcare delivery (see exhibit 30). Currently, the UAE, Saudi Arabia and Qatar are host to most of GCC's JCI-accredited facilities.

The **UAE's Ministry of Health** has developed a strategy to attain JCI accreditation for all its health facilities. In addition, the Ministry has formed a team of experts to assist and examine hospitals to achieve this certification. Accordingly, **Qatar's Supreme Council of Health (SCH)** in early 2011 mandated accreditation by an internationally-recognized body all private hospitals within the next four years.

Exhibit 30: Current facilities with JCI accreditation

Country	Ambulatory Care	Clinical Laboratory	Hospital	Primary Care	Critical Care
Kuwait			2		
Qatar			5		
Saudi Arabia	1	1	35	1	
UAE	5	8	35		2

Source: Retire Abroad.

Note: Ambulatory Care: ambulatory care settings include facilities such as free standing medical, dental, and surgical facilities; dialysis and radiology centers; and outpatient chronic care and acute care centers

6.7. Preventive measures to check disease incidence

Regulations promoting healthy living to curb soaring healthcare cost

As soaring healthcare expenses are hurting public finances; governments are introducing measures to promote a healthy way of life as a preventive measure. Dubai Health Authority and Dubai Municipality (DM) banned unhealthy foods in schools through new school canteen guidelines. Qatar plans to introduce a five-year program to promote healthy living and eating habits; this program would include compulsory physical education in schools and food labeling in restaurants.

On the other hand, Saudi Arabia is taking measures to control epidemics in the kingdom. In October 2011, the Saudi Ministry of Health announced plans to launch an e-system to monitor infectious diseases; the program focuses on encouraging the use of preventive medicines, and immunization of citizens (including regular follow-ups) to ensure effective control over diseases.

7. Challenges

7.1. Governments continue to lead in healthcare expenditure

About 71% of healthcare spending in GCC is from public funds

Existing healthcare structure in GCC entails subsidized cost for all residents in some nations, while others have this provision just for nationals. Cumulative healthcare expense in GCC increased 2.7-fold to USD34.3 billion during 2000–09. It is estimated to increase rapidly as the region has one of the fastest growing populations globally coupled with a high incidence of chronic lifestyle-related diseases. Currently, about 71% of total spending on healthcare in GCC is met through public funds. Continued dependence on state financing is mainly ascribed to government policies in the region. While governments subsidize healthcare cost at public facilities, spending at private clinics is an out-of-pocket expenditure. This leads to low utilization rates of private facilities, which in turn questions sustainability. There is urgent need for increasing private sector participation as healthcare expenses are expected to increase substantially.

7.2. Healthcare infrastructure lags international standards

Healthcare infrastructure in GCC continues to lag international standards. This restrains the market from expanding given GCC's strong demand and high income per capita. Besides, government policies have been unable to encourage sufficient private sector investments to expand existing healthcare infrastructure in the region. Europe, North America and other developed regions fare much better compared to most GCC countries. While there is an ongoing focus on primary and secondary healthcare, the tertiary healthcare space requires more attention.

7.3. High capital requirements, long payback period discourage private investors

Investment into hospitals and medical facilities is capital intensive. There is a long gestation period before the facility can start generating revenues and an even longer payback period. Further, although health costs have been rising globally, the scenario in GCC appears accentuated. The region has advanced in terms of number of healthcare facilities and newer and latest technologies, however, as the GCC region depends almost entirely on imports of medical equipment and technology as its medical equipment industry is very small, healthcare costs rise significantly. These factors act as a deterrent to private players who are looking to enter the healthcare sector.

7.4. Shortage of medical staff, high dependence on expatriates

GCC depends heavily on expatriates for healthcare workforce

Existing shortage of medical staff in GCC's healthcare sector is restricting growth. The ratio of healthcare workforce in GCC countries (except Qatar) is nowhere close to that in developed regions. Furthermore, government policies such as the Saudi Ministry of Health's circulation in September 2011 to terminate services of foreign nurses who have completed 10 years of service in Saudi Arabia are expected to add to the shortage of medical personnel.

Concerns about insufficient medical staff have amplified amid high dependence on expatriate medical personnel. High proportion of expatriates in medical staff poses a challenge of difference in culture, medical practices and patient care. In addition, they are subject to high attrition as they view their residence in the GCC as a learning experience for international exposure and later move back to home countries or developed markets for higher paid jobs.

However, government authorities in GCC are adopting measures to develop national human resources to serve its fast developing healthcare sector and overcome shortcomings associated with high dependence on expatriate staff. GCC nations are building education infrastructure to drive more nationals toward a career in healthcare as well as enhance skills of existing personnel (see exhibit 31).

Exhibit 31: Recent updates on healthcare education

Steps	Key Examples
Scholarships to help meet shortage of staff	– Oman's MoH is focusing on training nationals. In September 2011, it announced plans to encourage Omani doctors to pursue specialized courses outside the country with more scholarships. – Scholarships can be availed through King Abdullah Scholarship Program; however, the Saudi Ministry of Health in June 2010 announced a 200% increase in its scholarships for officers.
Expanding education infrastructure	– In December 2010, Saudi Arabia's Education Minister announced plans to build medical colleges and hospitals at all 24 government universities in the country to increase the number of Saudi physicians.
International associations by healthcare players	– In January 2010, the UAE's Al Noor Hospital signed a memorandum with leading US-based pediatric medical center Children's Hospital to develop an educational program to educate physicians in pediatrics, including knowledge exchange and training.
International associations by authorities	– During November 2010, the health ministries of Ireland and Saudi Arabia announced a co-operation in the healthcare sector; this includes training programs for medical staff among other areas. – The UAE and Germany's Ministries of Health signed a co-operation pact in various aspects of healthcare, including training activities in various fields.
Raising standard of skills among national medical staff	– Bahrain's Royal Medical Services, a unit of the Ministry of Defense, signed an MoU for co-operation in training and employment of Bahrainis in the health sector. – During June 2010, Saudi Arabia's Ministry of Health said it would provide comprehensive training to 16,000 health officials in Riyadh, Dammam and Jeddah in collaboration with Institute of Public Administration.

Source: Zawya

Increasing national staff to overcome shortcomings in expatriate personnel

To increase the number of nationals in healthcare jobs, certain GCC countries have introduced additional benefits for them. In July 2011, the UAE's health authority reduced Personal Qualification Requirement (PRQ) for entry-level doctors (Tr1) to two years from three earlier. According to Health Authority Abu Dhabi (HAAD), this is expected to encourage more Emiratis to work in healthcare besides reducing staff shortage. Other governments need to offer similar incentives to alleviate shortage of health workforce.

7.5. Managing cash flows continues to be a concern

GCC governments are in various stages of mandating health insurance. Initially, the regulation was applicable just to expatriates, but now covers the majority of population in certain countries. Healthcare providers must adapt to the transition from cash transactions to payments by insurance providers. Furthermore, healthcare costs have been growing significantly over the past six years; however, most of this cost was borne by patients or governments. The onus would now fall on healthcare providers as the pay cycle of health insurance receivables to these organizations generally runs into months. This may cause a liquidity crunch for organizations and could stall their expansion plans.

7.6. High import of medical treatments

UAE residents spent USD2.0 billion on medical treatment abroad in 2009

GCC governments are spending millions of dollars to sponsor treatments abroad for nationals. These funds could have otherwise contributed to growth and enhancement of the domestic healthcare market. Surveys suggest individuals travel overseas for medical treatments mainly due to unavailability of specialized skills and inexperience among staff locally. According to Abu Dhabi's Chamber of Commerce, the UAE residents spent USD2.0 billion on overseas medical treatment in 2009.

ALPEN CAPITAL

8. Private equity investments in the sector

Investment in GCC healthcare concentrated in the UAE

PE investment in GCC healthcare sector since 2005 totals USD1.9 billion

Underlying demand in GCC's healthcare sector is increasingly attracting private equity (PE) investors. While no major M&As were carried out, PE investments in the sector since 2005 stood at USD1.9 billion (see exhibit 32). Among key PE deals in GCC's healthcare sector, the largest transaction size was USD1.1 billion, which Centurion Investment paid for 40% stake in UAE-based private player NMC Group.

During this period, the UAE led PE investments in GCC with 87% of total funds invested. Kuwait and Saudi Arabia followed with two deals each.

Exhibit 32: Private Equity in GCC healthcare (2005–11 YTD)

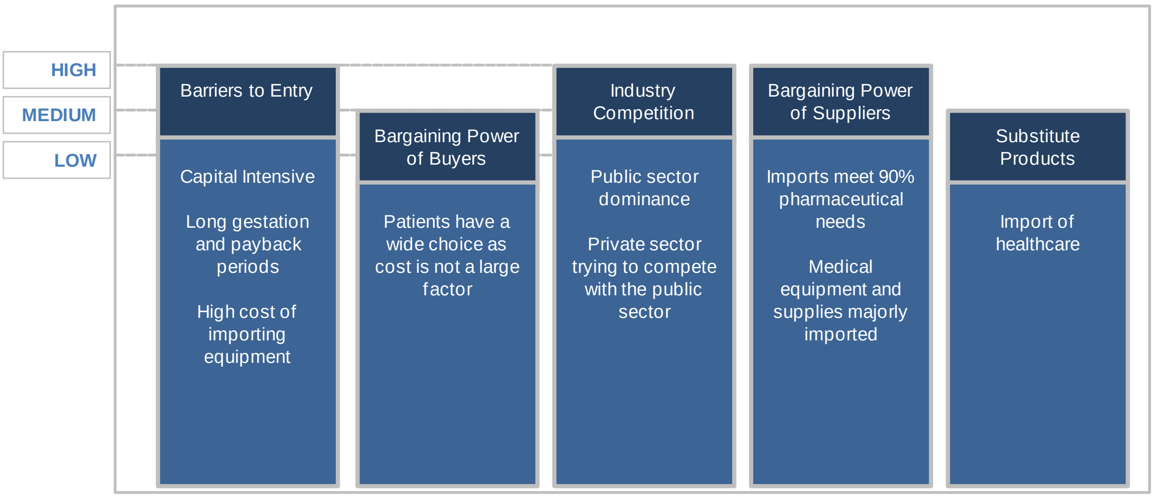
Year	Company Name	Fund Name	Nation	Business	Value (USD million)
2011	NMC Group	Centurion Investment	UAE	Hospitals	1,089.10
2011	National Hospital and New National Medical Center - NMC Group	Al Aseel Investments LLC	UAE	Hospitals	NA
2011	Taiba Hospital - Elaj Services	NBK Capital	Kuwait	Hospitals	NA
2011	Mussalla Medical Centre	Alchemist Healthcare LLC	UAE	Hospitals	NA
2010	Al Noor Medical Company	Ithmar Capital	UAE	Hospitals, Clinics and Pharmacies	272.2
2010	Pro Vita	Shefa MENA Health Fund	UAE	Specialty Care Services	12
2008	Gulf Healthcare International	Global Opportunistic Fund II	UAE	Diagnostics	30
2007	Planet Pharmacies	Global Buyout Fund L.P. & Global Opportunistic Fund II	UAE	Pharmacy	108.1
2007	Saudi Tadawi Healthcare Company	Abraaj Capital Limited	Saudi Arabia	Pharmacy	214
2006	Al Mashafi Group of Hospitals	Shefa Healthcare Fund	Saudi Arabia	Hospitals	NA
2006	Gulf Healthcare International	Global Opportunistic Fund I	UAE	Diagnostics	31
2005	Elaj Medical Services Company	Global Opportunistic Fund I	Kuwait	Specialty Care Services	23.9
2005	Jebel Ali Hospital	Istithmar World Capital	UAE	General Medical and Surgical Hospitals	82

Source: Zawya

The GCC healthcare market is likely to experience further consolidation over the next few years due to growing interests from international players. Favorable regulatory developments are likely to encourage private sector's participation in the region's growing healthcare market which in turn is expected to drive PE investments in the sector. We believe a major portion of these investments would be focused on medical centers and diagnostic labs as they typically require relatively low levels of investments with a quick turnaround time.

9. Porter's Five Forces Analysis

Exhibit 33: Industry Forces



Source: Alpen Capital

Barriers to Entry – High

- 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

Macro-economic Indicators

Indicators	Unit	2010E	2013E	2015E
GDP	*USD bn*	22.7	29.0	31.5
Inflation	*%*	2.0	2.5	2.5
GDP per capita	*USD '000*	20.4	24.7	25.8
Population	*'000*	807.1	852.5	881.9

Source: IMF, World Bank

Economic Overview

Oil & gas, finance and manufacturing are the key sectors in Bahrain. According to IMF, Bahrain's GDP increased 4.1% in 2010 compared to 3.1% the previous year. This growth can be ascribed to recovery in the manufacturing, hotel, construction and finance sectors. IMF projects Bahrain's GDP to expand at a CAGR of 3.6% over 2011–15.

Industry Snapshot (2009)

Given its low population base, the market size of Bahrain's healthcare services is the smallest market in GCC. The market expanded at a CAGR of 15% over 2004-09 to reach USD0.6 billion. The outpatient segment accounted for over 83% of the market in 2009, while inpatients accounted for the rest.

Indicator (2009)	
Outpatient Market Size (USD bn)	0.5
Inpatient Market Size (USD bn)	0.1
Total Number of Beds	2,086
Total Number of Inpatient Treatments	104,681
Total Number of Outpatient Visits	5,607,697
Average Length of Stay (days)	5

Source: WHO, MoH

Healthcare status vs. regional average (2009)

Indicator	Bahrain	GCC (Avg)
Life expectancy at birth (years)	74.9	74.1
Healthcare expenditure as % of GDP	4.5	3.8
Healthcare expenditure per capita (USD)	1557.0	1265.9

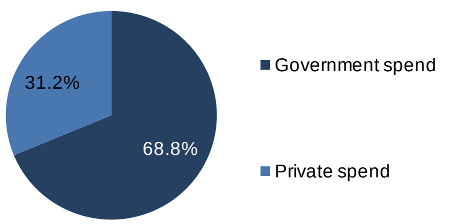
Source: WHO

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

Healthcare expenditure landscape (BHD mn)

Government spend	227	Private spend	103
Ministry of Health	85.4%	Prepaid and risk-pooling plans	26.2%
Social Security Funds	1.3%	Non-profit institutions serving households – NGOs	4.1%
Others	13.3%	Out-of-pocket payments	57.9%
		Others	11.8%

Source: WHO



Key Driving Factors and Trends

- The healthcare services market in Bahrain is witnessing strong growth. With its strategic location next to GCC's largest market – Saudi Arabia, this trend is expected to continue as increasing number of Saudi patients visit the country.
- Lifestyle-related diseases are highly prevalent in the country—Bahrain ranks fifth globally for prevalence of diabetes. Around 28.9% of males and 38.2% of females in the country are obese; this is ascribed to increased consumption of fast food and a predominantly sedentary lifestyle. These diseases are likely to be the key driver for the 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 one-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	4	NA
German Orthopaedic Hospital	1	NA	NA
Taaheal Healthcare	NA	NA	NA

Note: NA is not applicable / not available

Government Initiatives

- The Bahrain Economic Vision 2030 lays special emphasis on health. It aims to transform Bahrain into a leading center for modern medicine that offers high-quality and sustainable healthcare in the region.
- In August 2010, Bahrain's Ministry of Health announced plans to build 23 new health and medical centers, a cancer center and a new hospital in the Central Governorate.
- The nation's 2011–12 budget allocates BHD534 million for health projects and services.
- The government is expected to implement compulsory health insurance for expatriate workers 2013 onward.

Kuwait

Macro-economic Indicators

Indicators	Unit	2010E	2013E	2015E
GDP	*USD bn*	132.5	188.1	210.6
Inflation	*%*	4.1	3.2	3.1
GDP per capita	*USD '000*	37.0	48.3	51.2
Population	*'000*	3,050.7	3,248.5	3,378.0

Source: IMF, World Bank

Economic Overview

Oil & Gas and finance are the main sectors in Kuwait. According to IMF, Kuwait's GDP grew 3.4% in 2010, after contracting 5.2% in 2009, as oil prices rose. IMF estimates the economy to expand 5.7% in 2011 and at a CAGR of 5.0% over 2011–15. The government's long-term development plan includes diversifying the economy away from oil.

Industry Snapshot (2009)

Kuwait's healthcare services market expanded at a CAGR of 18% over 2004-09 to reach USD2.3 billion in 2009. Outpatient segment accounted for 77% of the total market, inpatient accounting for the rest.

Indicator (2009*)	
Outpatient Market Size (USD bn)	1.7
Inpatient Market Size (USD bn)	0.6
Total Number of Beds	6,264
Total Number of Inpatient Treatments	301,808
Total Number of Outpatient Visits	3,312,535
Average Length of Stay (days)	5

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

Healthcare status vs. regional average (2009)

Indicator	Kuwait	GCC (Avg)
Life expectancy at birth (years)	74.5	74.1
Healthcare expenditure as % of GDP	3.3	3.8
Healthcare expenditure per capita (USD)	1498.0	1265.9

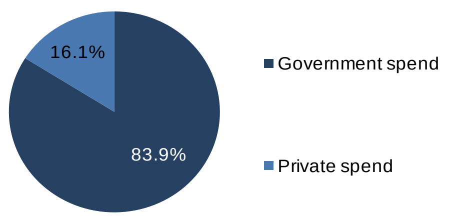
Source: WHO

Kuwait's healthcare expenditure as a percentage of GDP is marginally 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	1,021	Private spend	196
Ministry of Health	100%	Prepaid and risk-pooling plans	8.5%
Social Security Funds	0.0%	Non-profit institutions serving households – NGOs	0.0%
Others	0.0%	Out-of-pocket payments	91.5%
		Others	0.0%

Source: WHO



Key Driving Factors 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—Kuwait ranks eight globally for prevalence of diabetes. Such diseases are likely to be the key driver of the sector over the next decade.
- Population growth coupled with increased 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 almost 20 years to 78 in 2009 from 59.4 in 1960.
- Kuwait features among nations with the highest rate of obesity globally—37.2% of males and 52.4% of females in the country are obese. This is expected to be a major driver of the sector. Overeating energy-dense, high-fat foods and a sedentary lifestyle together increase the risk of obesity.
- Modernization of infrastructure is a key area of focus in MoH's 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, the Kuwait MoH made health insurance compulsory for expatriates in the country.

Key Private Players	Hospitals	Clinics/Medical Centers	Diagnostic Labs
United Medical Services Group	3	6	NA
Al Maidan Clinic	1	6	NA

Note: NA is not applicable / not available

Government Initiatives

- The government forwarded a proposal to set up National Health Authority in the parliament in 2011. NHA would assume overall responsibility of the licensing, certification and accreditation of healthcare facilities in Kuwait, thus enabling MoH to concentrate on policy-related issues.
- 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 and surgical suites.
- The Kuwaiti budget 2011–12 allocates over KWD1 billion as operational expenditure for the public healthcare system.
- Kuwait Health Assurance Company is a Public-Private Partnership (PPP) project envisioned in Kuwait's five-year development plan for 2010–14 to transform its national healthcare system. The project entails building and operating three new hospitals and 15 health clinics apart from providing private insurance to expatriates.

Oman

Macro-economic Indicators				
Indicators	**Unit**	**2010E**	**2013E**	**2015E**
GDP	*USD bn*	57.8	71.7	81.7
Inflation	*%*	3.3	3.0	3.0
GDP per capita	*USD '000*	19.4	21.9	23.4
Population	*'000*	2905.1	3080.8	3198.3

Source: IMF, World Bank

Economic Overview

Real estate and construction are the main sectors in Oman. According to IMF, Oman's GDP grew 4.1% in 2010 compared to 1.1% in 2009. IMF estimates the economy would expand 4.4% in 2011 and at a CAGR of 4.6% over 2011–15. High tourist arrivals and foreign direct investment are expected to contribute to growth in the current fiscal.

Industry Snapshot (2009)

Oman's healthcare services market expanded at a CAGR of 21% over 2004-09 to reach USD1.2 billion in 2009. Outpatients accounted for 92% of the total market, inpatients accounted for the remainder.

Indicator (2009)	
Outpatient Market Size (USD bn)	1.1
Inpatient Market Size (USD bn)	0.1
Total Number of Beds	5,605
Total Number of Inpatient Treatments	294,589
Total Number of Outpatient Visits	16,417,461
Average Length of Stay (days)	3

Source: WHO, MoH

Healthcare status vs. regional average (2009)

Indicator	Oman	(GCC Avg)
Life expectancy at birth (years)	73.0	74.1
Healthcare expenditure as % of GDP	3.0	3.8
Healthcare expenditure per capita (USD)	787.4	1,265.9

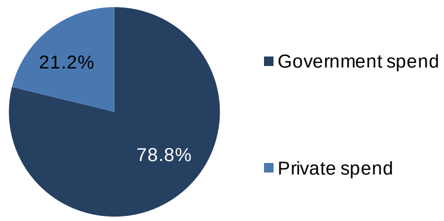
Source: WHO

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	428	Private spend	115
Ministry of Health	77.8%	Prepaid and risk-pooling plans	24.0%
Social Security Funds	0.0%	Non-profit institutions serving households – NGOs	N.A.
Others	22.2%	Out-of-pocket payments	63.5%
		Others	N.A.

Source: WHO



Key Driving Factors and Trends

- Although the government operates the key hospitals in Oman, private sector participation has increased over time. Private health expenditure rose to 21.2% in 2009 from 17.5% in 2007.
- Lifestyle-related diseases such as diabetes, cancer and cardiovascular ailments are highly prevalent in the country—Oman ranks 12th globally for prevalence of diabetes, while about a quarter of adults (26.4%) are obese. This would be the major driver of the sector in the coming years.
- Majan Development Company plans to develop a healthcare city near Muscat with an estimated investment of USD774 million to USD1.0 billion. This is likely to attract medical tourists from western as well as other Arab countries.
- The majority of Oman's healthcare workforce comprises expatriates; however, this is changing due to an aggressive government policy – Omanization. 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	NA	NA	NA

Note: NA is not applicable/ not available

Government Initiatives

- The nation's 2011–12 budget allocates over OMR335 million, up 14.2% YoY, for healthcare services.
- Oman's MoH announced plans to invest OMR73 million to extend existing hospital infrastructure in the country.
- In September 2011, Oman's MoH said it would develop an e-health service by linking identity cards to hospital registration. This would establish a centralized database to improve overall efficiency of the healthcare system.
- The Omani MoH set up Department of Patient Services in 2010 to follow up complaints regarding services at various hospitals. In September 2011, it announced plans to establish a call center to receive reports and complaints for quick redress.

In September 2011, Oman's MoH said it would encourage native doctors to pursue specialized courses outside the country with higher number of scholarships. This policy is termed Omanization.

Qatar

Macro-economic Indicators

Indicators	Unit	2010E	2013E	2015E
GDP	*USD bn*	127.3	187.8	203.2
Inflation	*%*	-2.4	4.4	4.0
GDP per capita	*USD '000*	74.9	98.2	98.2
Population	*'000*	1,508.3	1,615.2	1,629.9

Source: IMF, World Bank

Economic Overview

Oil & Gas and Finance are the major sectors in Qatar. According to IMF, Qatar's GDP grew 16.6% in 2010 compared to 12.0% in 2009. IMF estimates the economy would expand 18.7% in 2011 and at a CAGR of 7.5% during 2011–15 led by massive expansion of its hydrocarbon capacity.

Industry Snapshot (2009)

Qatar's healthcare services market was the fastest growing market in the GCC region, expanding at a CAGR of 30% over 2004-09, to reach USD2.0 billion. The outpatient segment accounted for 71% of the total market, with the inpatient segment accounting for the rest.

Indicator (2009*)	
Outpatient Market Size (USD bn)	1.5
Inpatient Market Size (USD bn)	0.6
Total Number of Beds	3,237
Total Number of Inpatient Treatments	183,769
Total Number of Outpatient Visits	4,856,952
Average Length of Stay (days)	4.5

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

Healthcare status vs. regional average (2009)

Indicator	Qatar	(GCC Avg)
Life expectancy at birth (years)	77.9	74.1
Healthcare expenditure as % of GDP	2.5	3.8
Healthcare expenditure per capita (USD)	2,090.0	1,265.9

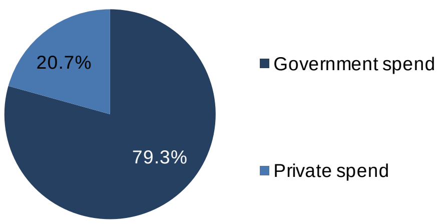
Source: WHO

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	6,980	Private spend	1,819
Ministry of Health	N.A.	Prepaid and risk-pooling plans	N.A.
Social Security Funds	N.A.	Non-profit institutions serving households – NGOs	N.A.
Others	N.A.	Out-of-pocket payments	78.2%
		Others	N.A.

Source: WHO



Key Driving Factors and Trends

- The quality of healthcare services in Qatar has improved over the years and is better than most regional peers. The healthcare sector is 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 of the sector.
  - Qatar ranks sixth globally for prevalence of diabetes.
  - According to International Association for the Study of Obesity, Qatar ranks sixth globally for prevalence of obesity and has the highest rate of obesity among boys in MENA.
- Private sector participation in healthcare in Qatar – now at over 60% of total hospitals – has risen over the years. 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.

Key Private Players	Hospitals	Clinics/Medical Centers	Diagnostic Labs
Medicare Group	1	NA	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 medical infrastructure of the country.
- The Supreme Council of Health, established in 2005, replaced the Ministry of Public Health in Qatar.
- The nation's 2011–12 budget allocates QAR8.8 billion for health projects and services.
- The Qatari government mandated all private hospitals in the country to achieve international accreditation within the next three to four years.
- In December 2010, Qatar's MoH said it would introduce national health insurance scheme within three years under National Health Strategy (NHS) 2011–16 to reduce dependence on public funds for healthcare.

Saudi Arabia

Macro-economic Indicators

Indicators	Unit	2010E	2013E	2015E
GDP	*USD bn*	448.4	620.9	696.3
Inflation	*%*	5.4	4.3	4.0
GDP per capita	*USD '000*	16.3	21.1	22.7
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 producer and exporter of the commodity. According to IMF, Saudi Arabia's GDP grew 4.1% in 2010 compared to 0.1% in 2009. IMF estimates the economy would expand 6.5% in 2011 and at a CAGR of 4.7% during 2011–15 led by rising oil prices.

Industry Snapshot (2009)

Saudi Arabia has the largest healthcare services market in GCC given its high population base. It expanded at a CAGR of 18% over 2004-09 to reach USD12.8 billion. The outpatient segment accounted for 85.9% of the total market while the inpatient segment accounts for the rest.

Indicator (2009)	
Outpatient Market Size (USD bn)	11.0
Inpatient Market Size (USD bn)	1.8
Total Number of Beds	55,932
Total Number of Inpatient Treatments	3,042,465
Total Number of Outpatient Visits	131,183,032
Average Length of Stay (days)	3.0

Source: WHO, MoH

Healthcare status vs. regional average (2009)

Indicator	Saudi Arabia	GCC (Avg)
Life expectancy at birth (years)	73.6	74.1
Healthcare expenditure as % of GDP	5.0	3.8
Healthcare expenditure per capita (USD)	1,150.3	1,265.9

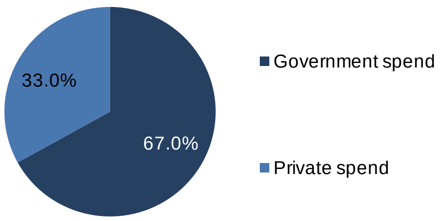
Source: WHO

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	46,107	Private spend	22,745
Ministry of Health	61.4%	Prepaid and risk-pooling plans	32.1%
Social Security Funds	0.0%	Non-profit institutions serving households – NGOs	0.8%
Others	38.6%	Out-of-pocket payments	51.9%
		Others	15.2%

Source: WHO



Key Driving Factors and Trends

- The largest market for healthcare services in GCC, Saudi Arabia is expected to be among the top two fastest growing markets during 2010–16.
- Saudi is 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 one of the key drivers of the healthcare sector in Saudi Arabia—population is expected to have expanded 2.5% over 2000–10 and is likely to increase 3 million over the next five years. Life expectancy in Saudi increased to 73.6 years from 68 over 1990–2009, 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.
    - Saudi Arabia ranks third globally for prevalence of diabetes.
    - Around 18% of all deaths in 2008 were caused by cardiovascular diseases.
    - Obesity is a huge problem in the country, especially among women—29.5% of males and 43.5% of females are obese.
- Given the rising demand for healthcare services, Saudi's government has been aggressively implementing policies to increase private sector participation. Private health expenditure rose to 33.0% in 2009 from 20.8% in 2007.

Key Private Players	Hospitals	Clinics/Medical Centers	Diagnostic Labs
Al-Mouwasat Medical Services	5	NA	NA
Elaj Group	6	31	NA
Magrabi Hospitals and Centers	9	29	NA
Magrabi Hospitals and Centers	9	29	NA
Saudi German Hospitals Group	5	NA	NA

Note: NA is not applicable / not available

Government Initiatives

- Saudi Arabia's Ninth Five-Year Plan allocates SAR273.9 billion for various health initiatives – construction of 121 hospitals, 700 primary healthcare centers and 400 emergency centers.
- The plan targets to improve the number of hospital beds available per 1000 of population to 3.5 and the ratio of physicians per bed to 0.75.
- The nation's 2011–12 budget allocates SAR61.2 billion, up 11.8% YoY, for healthcare.
- The government introduced compulsory medical insurance for expatriates in 2006 as part of its healthcare reform plan.
- In March 2010, Saudi Arabia's MoH said it would to set up an authority to supervise and control private healthcare facilities in the country.
- Healthcare Information and Management Systems Society (HIMSS) was launched in May 2011 to deploy e-file and e-medical records within a framework of nine years.

UAE

Macro-economic Indicators				
Indicators	**Unit**	**2010E**	**2013E**	**2015E**
GDP	*USD bn*	302.0	396.3	440.9
Inflation	*%*	0.9	2.5	2.1
GDP per capita	*USD '000*	57.9	69.5	72.9
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 the key sectors in the UAE. According to IMF, the UAE's GDP grew 3.2% in 2010 after contracting 3.2% the previous year. IMF estimates the economy would expand 3.3% in 2011 and at a CAGR of 4.0% during 2011–15 led by revival in tourism and rising oil prices.

Industry Snapshot (2009)

UAE is the second largest healthcare services market in the GCC region. It expanded at a CAGR of 16% over 2004-09 to reach USD3.9 billion in 2009. The outpatient segment accounted for 75% of the total market while the inpatient makes up for the remainder.

Indicator (2009*)	
Outpatient Market Size (USD bn)	3.1
Inpatient Market Size (USD bn)	1.0
Total Number of Beds	9,353
Total Number of Inpatient Treatments	450,609
Total Number of Outpatient Visits	15,046,144
Average Length of Stay (days)	5

Source: WHO, MoH; Alpen Capital estimates

Healthcare status vs. regional average (2009)

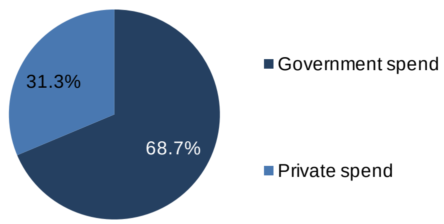
Indicator	UAE	GCC (Avg)
Life expectancy at birth (years)	76.4	74.1
Healthcare expenditure as % of GDP	2.8	3.8
Healthcare expenditure per capita (USD)	1,755.3	1,265.9

Source: WHO

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

Healthcare expenditure landscape (AED mn)

Government spend	17,790	Private spend	7,882
Ministry of Health	22.0%	Prepaid and risk-pooling plans	24.1%
Social Security Funds	0.0%	Non-profit institutions serving households – NGOs	9.9%
Others	88.0%	Out-of-pocket payments	66.0%
		Others	0.0%



Source: WHO

ALPEN CAPITAL

Key Driving Factors and Trends

- The UAE is one of the most organized and fastest growing healthcare markets in GCC. It is expected to record double-digit growth over 2010–16.
- The UAE has six federated 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 of the sector in the coming years.
    - The UAE ranks second globally for prevalence of diabetes
    - Over 40% 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 latest technology in the field of diagnosis, healthcare services, medical devices and other verticals. Private health expenditure rose to 31.3% in 2009 from 30.1% in 2007.
- The UAE is the medical tourism hub of GCC, attracting patients from other GCC 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	3	NA
Belhoul Lifecare	2	NA	NA
DM Healthcare	5	38	NA
Emirates Healthcare Limited	2	2	1
Gulf Healthcare International	NA	3*	15
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

- The UAE's Ministry of Health has mandated all facilities in the country to achieve JCI accreditation to become a global medical tourism hub.
- The nation's 2011–12 budget allocates AED3 billion for health projects and services.
- In April 2011, the UAE's MoH announced plans to launch Phase II of its health information system, Wareed. This would link 14 public hospitals and 68 affiliate clinics across Dubai and the Northern Emirates through an integrated electronic medical record (eMR) system.
- The UAE's Ministry of Health has associations with UNDP and UNICEF primarily to exchange ideas and technical assistance for health-related issues.
- The government was likely to implement compulsory health insurance for workers 2011 onward; however, the decision has been deferred until 2013.

Company Profiles

AL MAIDAN CLINIC — Kuwait

Company Description

Al Maidan Clinic for Oral Health Services Co. (Al Maidan Clinic) is the first specialized private dental clinic in Kuwait. The clinic owns and operates six branches across Kuwait and employs over 60 specialized doctors. The company diversified healthcare services in November 2009 through Al Seef Hospital in Kuwait, which offers a wide range of specialized services.

Al Maidan Clinic is a subsidiary of United Medical Services Company (UMSC). UMSC was established by Al Zumorrodah Holding Company and KIPCO Group, a diversified holding company in the MENA region with over USD20 billion of assets under management.

Business Segments and Service Portfolio

Al Maidan Clinic operates under two major business segments:

- Clinics offering oral healthcare with specialties in dental treatments and
- Hospitals providing medical diagnosis, healthcare consultations and surgeries with various specialties such as cosmetic dentistry, pedodontics, endodontics, periodontics, prosthodontics, orthodontics, dental implantology and restorative dentistry.

Salient Features

- Al Maidan Clinic has dental centers in six most densely populated areas of Kuwait (Sharq, Fahaheel, Farwaniya, Jahara, Hawalli and Sabah Al Salem).
- Al Maidan Clinic is backed by the KIPCO Group, which holds a 57% stake in it through the wholly owned subsidiary United Medical Services Company.
- The company's entry into hospital segment through Al Seef has brought in significant revenues in the first year.
- Al Maidan Clinic leads in innovation in Kuwait – first to introduce globally-acclaimed dental innovations such as BrightSmile and ViziLite in Kuwait.

Recent Developments and Future Plans

- In May 2010, Al Maidan Clinic raised funds to pay off its term loan. It offered 100 million rights shares at KWD0.1 each. It raised KWD10 million through this 200% rights issue.
- In May 2009, Burgan Bank and Maidan Clinic entered into a partnership to offer special privileges to the bank's customers.
- In April 2009, Al Maidan Clinic sold 30% stake in United Laboratories Company (for KWD531,975) and 10% stake in United Food and Nutrition Company (for KWD52,500) to United Medical Services Co.
- In April 2009, Al Maidan Clinic sold 10% stake in United Pharmaceutical Company to International Health Services for KWD140,000.

Snapshot	
Year established	1987
Ownership	Public
No. of clinics	6
No. of hospitals	1
No. of beds	120

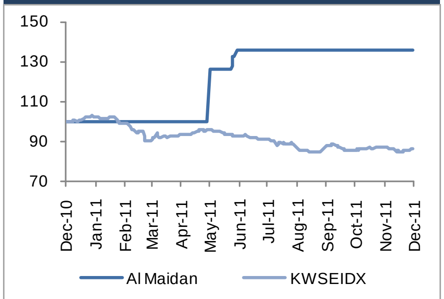
Current price (KWD)	0.79

Price as on 06 June 2011
** Not traded since then*

Stock Details	
Bloomberg ticker	MIDAN:KK
52 week high/ low	0.79/0.58
Market Cap (USD)	427,489,177
Enterprise value (USD)	444,212,828
Shares outstanding (mn)	0.15

Source: Bloomberg

Share Price Chart



Valuation Multiples	2010	Current
P/E (x)	NM	NM
P/B (x)	11.5	16
EV/S (x)	10.3	6.7
Dividend Yield (%)	NM	NM

Source: Zawya

Shareholding Structure, 2010	
United Medical Services Company	56.84%
Mohammed Jawad Behbehani	11.13%
Public	32.03%
Total	**100.00%**

Source: Zawya

Financial Performance

(USD 000s)	2009	2010	% Change	1H 2010	1H 2011	% Change
Revenue	21,491.0	43,046.0	(100.0)	17,924.0	35,515.0	98.0
COGS	16,114.0	35,638.0	(321.0)	(16,126.0)	(30,192.0)	87.0
Operating Income	1,013.0	(16,984.0)	NM	(9,115.0)	(3,329.0)	(63.0)
Operating Margin (%)	5.0	(39.0)		(51.0)	(9.4)	
Net Income	1,369.0	(22,569.0)	NM	(11,829.0)	(5,821.0)	51.0
Net Income Margin (%)	6.0	(52.0)		(66.0)	(16.4)	
ROE (%)	6.0	(62.0)		(214.0)	(36.7)	
ROA (%)	1.0	(16.0)		(18.0)	(8.0)	

- *Half yearly revenues rose 98% in 1H 2011 from 1H 2010.*
- *Operating income decreased a considerable 63% over the same period.*
- *Net income went up 51% in 1H 2011 from 1H 2010.*

Source: Company Data, Zawya

AL-MOUWASAT MEDICAL SERVICES Saudi Arabia

Company Description

Al-Mouwasat Medical Services commenced operations as Al-Mouwasat Dispensary in 1975. It was registered as a limited liability company in 1997 before being converted into a joint stock company in 2006. The company is engaged in the ownership, management, operations and maintenance of hospitals, medical centers, medicine warehouses and pharmacies.

In 2006, Mouwasat acquired a 51% stake in Eastern Medical Services Company. The company has presence in major Saudi Arabian cities – Dammam, Al-Qatif, Jubail, Al-Ahsa, Al-Khobar, Riyadh and Madina.

Business Segments and Product Portfolio

Mouwasat operates five hospitals apart from outpatient clinics and dispensaries. The hospitals and clinics offer internal medicine, obstetrics and gynecology, pediatrics, orthopedics, dermatology, venereology, general surgery, ophthalmology, ENT, cardiology, vascular, psychiatry, neurology, dentistry, plastic surgery and physiotherapy.

Salient Features

- The company serves a broad client base since 1996, including big names like Saudi Aramco, SABIC, General Organization of Social Insurance and others.
- Most of Mouwasat's hospitals are JCI accredited or in the process of being accredited.
- It has several cooperation agreements with international medical bodies, which gives it exposure to latest available services and applied treatments in the medical field.

Recent Developments and Future Plans

- In 2011, Mouwasat signed a co-operation agreement with Care Fertility (UK) to inaugurate a fertilization, embryology and infertility treatment center at its hospital.
- In the same year, Mouwasat announced a plan to build a SAR275 million hospital at Dhahran, which would commence operations in April 2012. The Ministry of Finance has agreed to finance 35% of the construction cost.
- In 2010, Mouwasat bought land in Riyadh for SAR30 million. According to a press release, the 11,600 square meter plot would be used for the hospital's future expansion.

Snapshot	
Year established	1975
Ownership	Public
No. of hospitals	5
No. of beds	754

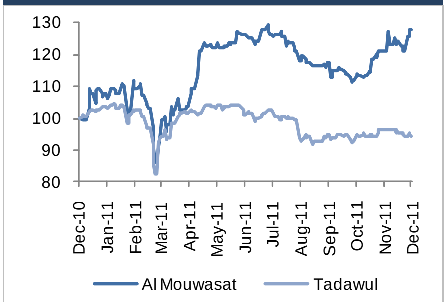
Current price (SAR)	84.25

Price as on 09-12-2011

Stock Details	
Bloomberg ticker	MOUWASAT:AB
52 week high/ low	86.75/57.00
Market Cap (USD)	556,622,137
Enterprise value (USD)	555,657,946
Shares outstanding (mn)	25

Average Daily Turnover (000's)	SAR	USD
2011 YTD	5,355	1802
2010 CY	6,757	1428

Share Price Chart



Valuation Multiples	2010	Current
P/E (x)	15.9	15.01
P/B (x)	3.3	3.3
EV/S (x)	3.3	3.2
Dividend Yield (%)	2.7	2.4

Source: Zawya

Shareholding Structure, 2010	
Md. Sultan Hammad Al Subaie	17.50%
Nasser Sultan Fahad Al Subaie	17.50%
Suleiman Al Saleem (private)	17.50%
HSBC Saudi Arabia Limited	10.50%
Credit Suisse Saudi Arabia	7.80%
Public	29.20%
Total	**100.00%**

Source: Zawya

Financial Performance							
(USD 000's)	**2009**	**2010**	**% Change**	**1H 2010**	**1H 2011**	**% Change**	
Revenue	137,989.0	156,706.0	14.0	78,018.0	88,467.0	13.0	▪ *Half yearly revenues rose 13% from USD78mn in 1H 2010 to USD88.5mn in 1H 2011.* ▪ *Operating income increased a modest 8% over the same period.* ▪ *Net income went up 19% in 1H 2011 from 1H 2010.*
COGS	(70,870.0)	(82,805.0)	17.0	(40,845.0)	(45,583.0)	12.0	
Operating Income	32,310.0	45,735.0	42.0	21,535.0	23,338.0	8.0	
Operating Margin (%)	23.4	29.2		28.0	26.0		
Net Income	28,537.0	31,626.0	11.0	17,905.0	21,234.0	19.0	
Net Income Margin (%)	20.7	20.2		23.0	24.0		
ROE (%)	22.3	20.7		25.7	26.5		
ROA (%)	14.9	13.3		16.0	17.4		

Source: Company Data, Zawya

AL NOOR MEDICAL COMPANY — UAE

Company Description

Established in 1985, Al Noor Medical Company is a conglomerate providing healthcare services and medical supplies through hospitals, medical centers and pharmacies.

The company operates with 300 beds in three secondary care hospitals, three primary care clinics and 10 pharmacies.

Snapshot	
Year established	1985
Ownership	Private
No. of hospitals	3
No. of clinics	3
No. of beds	300

Major shareholders
Dr Kassem Al Om
Sheikh Mohammed Bin Butti Al Hamed
Enaya Group Ithmar Fund II (Ithmar Capital)

Source: Zawya

Business Segments and Services Portfolio

Al Noor Medical Company owns and operates general hospitals, clinics and pharmacies as well as distributes pharmaceuticals and medical supplies. The company offers medical services such as internal medicine, dermatology, cardiology, dentistry, neurology, physiotherapy, diagnostic and other services. The company's surgical services comprise ENT, neurosurgery, cosmetic surgery, cardiac surgery and critical care units. Women & children health services include obstetrics & gynecology, a fertility center, pediatrics and vaccination.

- Hospitals (Abu Dhabi, UAE) – Al Noor Hospital (Khalifa, 2001); Al Noor Hospital (Airport Road, 2007) and Al Noor Hospital (Al Ain, 2006)
- Satellite Clinics (Abu Dhabi, UAE) – Al Noor Hospital Clinic and Pharmacy (Mussafah, 2002); Al Noor Hospital Clinics and Pharmacies (Madinat Zayed, 2004) and Al Noor Hospital Clinics and Pharmacies (Mirfa City, 2008)

Salient Features

- The three hospitals are JCI and ISO accredited.
- Al Noor was awarded the Gold Sheikh Khalifa Excellence award for contribution to healthcare.
- Al Noor is part of the European Foundation for Quality Management (EFQM), a non-profit membership foundation, which helps organizations continually improve performance.

Recent Developments and Future Plans

- Al Noor Medical Company's IPO, which was expected in 2011, has been rescheduled to 2012 due to current lackluster IPO market in the region.
- In June 2010, Ithmar Capital, a leading private equity firm in GCC with AUM over AED2.4 billion, announced a strategic partnership with Al Noor Medical Company.

BELHOUL LIFECARE UAE

Company Description

Established in 2004, Belhoul Lifecare is an integration of all healthcare facilities and services offered by Belhoul Investment Office (BIO). Previously Belhoul Group Holdings, it is a diversified holding company catering to the healthcare, education, construction, light manufacturing, trading & distribution and food & beverages sectors.

BEH and Belhoul Specialty Hospital are owned by Belhoul Lifecare, the healthcare services division of Belhoul Investment Office (BIO).

Snapshot	
Year established	2004
Ownership	Private
No. of hospitals	2
No. of beds	70

Major shareholders
Belhoul Investment Office

Source: Zawya

Business Segments and Product Portfolio

Belhoul Lifecare comprises Belhoul Specialty Hospital and Belhoul European Hospital:

- Belhoul Specialty Hospital – 60-bed tertiary care hospital providing advanced diagnostic, interventional and therapeutic facilities
- Belhoul European Hospital (BEH) – Capacity of 10 beds and 29 doctors; first daycare hospital in the UAE; offers comprehensive medical facilities through 19 clinics with expertise in diagnostic & surgical procedures and innovative healthcare solutions

Both the hospitals offer diverse inpatient and outpatient services for cardiology, dentistry, dermatology, ENT, gastroenterology, laparoscopic surgery, general practice, inpatient, internal medicine & endocrinology, obstetrics & gynecology, ophthalmology, orthopedic surgery, pediatrics, plastic surgery, psychiatry, pediatric surgery and urology.

In addition, the group offers allied services such as radiology, laboratory, pharmacy and physiotherapy as well as various health packages.

Salient Features

- The hospitals are both JCI accredited.
- It follows European healthcare standards.

Recent Developments and Future Plans

Belhoul Specialty Hospital and Belhoul European Hospital won awards at the “Dubai Quality Appreciation Programme” for 2010.

DM HEALTHCARE UAE

Company Description

Established in 1987 by Dr. Azad Moopen, DM Healthcare is a healthcare conglomerate operating hospitals, diagnostic and medical centers, and pharmacies in the Middle East and India and was earlier known as Dr. Moopen's Group. It is one of the largest private healthcare groups in the region.

DM Healthcare currently comprises 121 units providing primary, secondary and tertiary healthcare with management and consultancy services across the UAE, Bahrain, Oman, Qatar, Saudi Arabia and India.

Snapshot	
Year established	1987
Ownership	Private
No. of hospitals	5
No. of medical centers	38

Business Segments and Product Portfolio

DM Healthcare has 5 hospitals, 38 medical centers and 78 pharmacy outlets across GCC and in India. The group has two brands under its portfolio - Aster and MedCare.

Medcare Hospital – It is a 67 beds premium general medical hospital in Dubai. It is a JCI accredited hospital. The Hospital has a fully equipped emergency department, 25 Outpatient consultation rooms, delivery suites, endoscopy room and a day surgery unit among othes.

Aster Hospital – It offers secondary and selected tertiary care services such as general medicine, pediatrics, dentistry, to specialty services like endocrinology, cardiology, neurology, gastroenterology, pulmonology, dermatology, etc.

Aster Medical center - These clinics previously known as 'Medcentres' now have been consolidated under one identity of Aster Medical Centre.

Aster Diagnostic center - Support doctors by giving accurate investigative reports in time.

Aster Pharmacies - The pharmacy network previously known as 'Medshop' has now taken the new identity of Aster.

Salient Features

- DM healthcare has more than 24 years of experience in healthcare services.
- The group's diagnostic center segment achieved JCI accreditation.
- The group was chosen Healthcare Company of the Year 2010 at the Arabian Business Awards.

Recent Developments and Future Plans

- In June 2011, DM healthcare announced the opening of its medical center in Al Rayyan, Qatar.
- In May 2011, the Company announced the opening of a medical center in Sharjah.
- In 2008, the Company acquired majority stake in Aadhar Hospital, Kolhapur, India.
- In 2010, DM Healthcare initiated its mega project – DM MedCity – in Cheranellur, Kochi.
- DM Healthcare plans to expand to 300 units by the end of 2015.
- The Medcare Hospital plans to double inpatient capacity to 150 beds.

ELAJ GROUP 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, the UK and GCC countries (except Bahrain). The group has six hospitals in Saudi Arabia.

Snapshot	
Year established	1993
Ownership	Private
No. of hospitals	6
No. of medical centers	31

Shareholding Structure, 2010
Abdulhadi Al Qahtani and Partners for Marine and Oil Field Services

Source: Zawya

Business Segments and Product Portfolio

The group currently holds the following companies:

- Elaj Medical Services Company – Operates specialty care centers offering services in areas of andrology, male and female infertility, dermatology, allergy, 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 – A daycare surgery center providing facilities for individual physicians to perform surgeries for patients; integrated with all Elaj centers for updated information on patient records.
- Medsys Primary Care Units – A group of primary healthcare units providing quality primary care.
- Al Borg Laboratories – A full-service, pathologist-directed clinical reference laboratory; largest single source of specialized laboratory testing in the Middle East.
- Medrec – Provides online recruitment and career management services.
- PromoMed – Provides a virtual healthcare delivery paradigm through the Internet to facilitate communication among providers, healthcare organizations and patients.

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 present in Saudi Arabia, the largest healthcare market in GCC.

EMIRATES HEALTHCARE LIMITED UAE

Company Description

Established in 1984 and formerly known as Welcare World, Emirates Healthcare Limited (EHL) is a joint venture between the South African private hospital group Medi-Clinic, the Dubai-based Varkey Group and General Electric. EHL currently operates and manages some of the well-known healthcare facilities in the region.

Snapshot	
Year established	1984
Ownership	Private
No. of hospitals	2
No. of beds	330
No. of clinics	2
No. of diagnostic centers	1

Major shareholders	
MediClinic	50.40%
Varkey Group	44.40%
General Electric	5.20%

Source: Zawya

Business Segments and Product Portfolio

The group's portfolio comprises Welcare Hospital, Welcare Clinic Mirdif, Welcare Clinic Al Qusais, Emirates Diagnostic Clinic, Welcare Ambulatory Care Center and Welcare Diagnostic and Treatment Centre in Muscat, Oman.

- Welcare Hospital – A 120 bed hospital offering specialized treatment in the areas of anesthesia / pain management, cardiology, critical care medicine, dentistry, dermatology, ENT, emergency medicine, endocrinology, family medicine, gastroenterology, nephrology, pulmonology and respiratory ailments, obstetrics & gynecology, ophthalmology, physiotherapy and sports medicine, pathology, pediatrics, orthopedics, plastic surgery, neurology, radiology and imaging, rheumatology, surgery and urology.
- Welcare Diagnostics & Treatment Center – Multi-specialty outpatient clinic employing more than 26 doctors, nurses, technicians and other support staff. It offers broad range of medical specialties along with an imaging department with 3D and 4D ultrasound, x-ray, mammography and bone mineral densitometry, clinical laboratory and pharmacy.
- The City Hospital – A 210 bed multi-disciplinary modern hospital offering treatments in cardiology, radiology, gynecology, trauma, endocrinology, advanced diagnosis and many others .
- Welcare Clinic (Qusais) – Established in July 2007, it is a modern, multi-specialty family clinic with a wide array of cross-referral services such as inpatient treatment at the Welcare hospital.
- Emirates Diagnostic Clinic and Welcare Ambulatory Care Center are the other major medical centers under the group.

Salient Features

- Welcare is the first private hospital in Dubai to receive the Dubai Quality Appreciation Award and the ISO 9001:2000 certification.
- Welcare and City hospitals are both JCI accredited.
- The hospitals under the chain benefit from being a part of the Mediclinic group, as it allows them to be abreast of the cutting-edge technologies in the field from around the world.

Recent Developments and Future Plans

- In January 2011, Emaar Health Group collaborated with EHL to expand its healthcare portfolio.

GULF HEALTHCARE INTERNATIONAL UAE

Company Description

Gulf Healthcare International (GHI), established in 2006, is a healthcare provider based in Dubai. The company was established as a joint venture between the Global Capital Management and the Dubai based Varkey Group. In the year 2011, JP Morgan Private Equity Ltd replaced the Varkey Group's shareholding and also made a strategic investment of AED 100 Million in the Company. Working through a variety of subsidiary businesses, it has both B2B and B2C activities primarily in medical diagnostics and primary care. The Company operates a variety of subsidiary businesses, primarily in medical diagnostics and primary care space.

Snapshot	
Year established	2006
Ownership	Private
No. of polyclinics	3
No of diagnostics centers	15

Major shareholders	
Global Capital Management Limited	86.72%

Source: Zawya

Business Segments and Product Portfolio

GHI owns a total of 19 business units, including Medsol Diagnostics Laboratories and three polyclinic brands – Amber, Atria and Adara.

- Medsol Diagnostics, the diagnostic arm of GHI, is a leading network of 15 diagnostic pathology laboratories across the region.
- Amber Clinics offer diagnosis services across multiple 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 Clinics is a community-focused clinical group catering to the working population in Dubai and Kuwait.
- Occupational Health International is a partnership between Gulf Healthcare International and Occucare International. The company offers occupational health medical services for high volume, pre-employment and annual medical investigations.

Salient Features

- Gulf Healthcare International is a majority Kuwaiti-owned private equity backed business.
- The acquisition of Dr. Joseph's Clinics, a well known local brand is expected to add substantial business to the group.

Recent developments and future plans

- In September 2011, GHI announced plans to open six new clinics under a new brand Amber Clinics over the next six months. Through this initiative, the company aims to offer affordable healthcare to the mid-income segment. The first Amber clinic was recently launched in Dubai in August 2011.
- The company is also planning to acquire new laboratories and clinics, offer additional radiology services, and maximize presence by linking independent businesses within a single, powerful brand platform.

GULF MEDICAL PROJECTS COMPANY UAE

Company Description

Incorporated in 1979 and domiciled in Sharjah (UAE), Gulf Medical Projects Company (GMPC) operates along with two subsidiaries: Al Zahra Private Hospital Company Limited (wholly owned) with an inpatient capacity of 100 beds and Al Zahra Private Medical Center. Gulf Medical Commercial Agencies is an associate firm.

Business Segments and Services Portfolio

Al Zahra Private Hospital Company Ltd. offers a broad range of outpatient as well as inpatient medical, surgical, dental and diagnostic services. Services cover anesthesiology, cardiology, dentistry, dermatology, laser skin surgery, gastroenterology, internal medicine, neurology, gynecology, orthopedics, pediatrics, neurosurgery and primary care (general/family practice).

Al Zahra Private Medical Center was established in September 1993. The diagnostic center offers outpatient services in all major medical and surgical disciplines, dentistry along with ancillary services like physiotherapy, radiology and clinical laboratory.

Their latest venture, Al Zahra Private Hospital Dubai is currently being constructed.

Gulf Medical Commercial Agencies are also involved in the trading and dealership of medical equipment and appliances.

Recent Developments and Future Plans

- In June 2011, GMPC reported H1-2011 financial statements reflecting a 116% surge in bottom line to AED14.3 million compared with AED6.6 million in H1-2010
- GMPC is coming up with an additional 16 floor facility to accommodate more clinics and inpatient facilities.

Snapshot	
Year established	1979
Ownership	Public
No. of hospitals	1
No. of beds	100
No. of medical centers	1

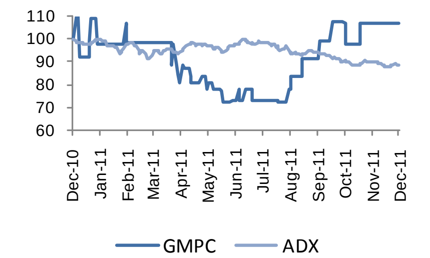
Current price (AED)	1.93

Price as on 27-10-2011
** Not traded since then*

Stock Details	
Bloomberg ticker	GMPC:UH
52 week high/ low	1.95/1.3
Market Cap (USD)	317,218,169
Enterprise value (USD)	422,430,105
Shares outstanding (mn)	603

Average Daily Turnover (000's)	AED	USD
2011 YTD	520	142
2010 CY	491	134

Share Price Chart



Valuation Multiples	2010	Current
P/E (x)	22.8	17.2
P/B (x)	1.8	1.7
EV/S (x)	4.8	4.4
Dividend Yield (%)	2.6	2.6

Source: Zawya

Shareholding Structure, 2010	
Salem Abdullah Salem Al Hosani	24.27%
HH Sheikh Majid Bin Faisal Bin Khaled Khaled Al Qasimi	21.88%
HH Sheikh Mohammed Bin Faisal Bin Khaled Khaled Al Qasimi	19.81%
Al Salem Company	9.81%
HH Sheikh Faisal Bin Khaled Khaled Al Qasimi	8.20%
Public	16.03%
Total	**100.00%**

Source: Zawya

Financial Performance

(USD 000's)	2009	2010	% Change	1H 2010	1H 2011	% Change
Revenue	88,960.0	87,288.0	(2.0)	44,849.0	51,199.0	14.0
COGS	(46,319.0)	(50,069.0)	8.0	(23,201.0)	(27,813.0)	20.0
Operating Income	32,039.0	26,451.0	(17.0)	16,066.0	17,566.0	9.0
Operating Margin (%)	36.0	30.3		35.9	34.3	
Net Income	24,392.0	13,834.0	(43.0)	6,626.0	14,304.0	116.0
Net Income Margin (%)	27.4	15.9		14.8	28.0	
ROE (%)	15.5	7.8		8.1	15.7	
ROA (%)	6.7	3.6		3.6	7.1	

- *Half yearly revenues increased 14% from USD44.8mn in 1H 2010 to USD52mn in 1H 2011.*
- *Net income rose considerably 116% in 1H 2011 from 1H 2010.*
- *ROA and ROE both nearly doubled from 1H 2010 to 1H 2011.*

Source: Company Data, Zawya

KIMS Group — Bahrain

Company Description

Kerala Institute of Medical Sciences (KIMS) Group is an international healthcare group that operates multicentre hospitals & clinics. Currently, the group has operations in 5 countries including GCC and India. The KIMS Group commenced operations in healthcare through their first 450 bed hospital in Trivandrum, India. The group now consists of four hospitals with 800 beds.

Snapshot	
Year established	2002
Ownership	Private
No. of hospitals	4
No. of medical centers	4
No. of beds	800

Business Segments and Product Portfolio

- Royal Bahrain Hospital (December 2010) – 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 multi-specialty hospital offering specialized services such as 24-hour emergency & trauma care, radiology & imaging clinical laboratory, physiotherapy and rehabilitation, telemedicine, 24-hour pharmacy, opticals, health check-up and special corporate services.
- KIMS Hospital, Trivandrum (January 2002) – 450-bed multi-specialty hospital specializing in ayurveda, anesthesiology, oncology, blood bank, cardiac, child and adolescent psychiatry, dentistry, dermatology, cosmetology, endocrinology and diabetes, ENT and laryngology, etc.
- KIMS Hospital & Surgical Center, Kochi (June 2011) – 125-bed hospital with over 25 specialties and sub-specialties for inpatient and outpatient services.
- KIMS Bahrain Medical Center (July 2004) – Provides quality outpatient, diagnostic and personal primary care to the population of Bahrain.
- KIMS Qatar Medical Center (June 2009) – The third project of KIMS Group in the Middle East; offers services such as general medicine, general surgery, pediatrics, gynecology, orthopedics, dental surgery, ENT, physiotherapy, audiology and speech therapy; has an attached retail pharmacy.
- KIMS Pinnacle Comprehensive Cancer Center – A joint venture between KIMS and Reliance Medical Resources Inc.; aims to provide high-quality cancer care.
- KIMS Sun City's Medical Center, Saudi Arabia – A multi-specialty outpatient clinic offering a broad range of medical treatment services.

Salient Features

- KIMS Group' hospitals have achieved national (National Accreditation Board for Hospitals & Healthcare Providers - NABH), as well as international (Australian Council on Healthcare Standards International – ACHSI) accreditations.
- The group has also implemented a modern Hospital Information System (HIS), which allows efficient and paperless operations.

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.

ALPEN CAPITAL

MAGRABI HOSPITALS AND CENTERS — Saudi Arabia

Company Description

Magrabi Hospitals & Centers, founded in 1955 by Dr. Akef Magrabi, is a private company that owns and operates specialized hospitals and clinics. The company is the first and largest sub-specialized medical care network in Saudi Arabia. The company has been expanding presence across the Middle East & Africa over the last few years.

Snapshot	
Year established	1955
Ownership	Private
No. of hospitals	9
No of medical centers	29

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

Source: Zawya

Business Segments and Product Portfolio

Magrabi's portfolio comprises 9 hospitals and 29 centers in Saudi Arabia, the UAE, Egypt, Yemen, Qatar and Oman. The company primarily operates through the following three 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, pediatric dentistry, etc.

ENT – Diagnosis and treatment as well as head and neck disorders.

Salient Features

- Magrabi is the only accredited private ophthalmologic institute in Middle East & Africa recognized by Fellowship of the Royal College of Surgeons UK (FRCS).
- 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 July 2008, The Company achieved the highest evaluation in JCI, an international quality accreditation.
- In February 2008, Magrabi announced plans to expand operations across Saudi Arabia with an investment of SAR800 million.

ALPEN CAPITAL

MEDICARE GROUP — Qatar

Company Description

Qatar-based Medicare Group, formerly known as Al-Ahli Specialized Hospital Company, operates and promotes specialized hospitals and clinics, including eye clinics, and offers integrated medical services since 2004

The major hospital under the group, Al-Ahli Hospital operates with 250 beds. 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 in Doha and operates two subsidiaries: 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 the first mover advantage having built a strong reputation over years.
- Medicare is located in the capital city of Doha, which accommodates almost 80% of Qatar's population.

Recent Developments & Future Plans

- In July 2011, Medicare began accepting female patients along with male expatriates arriving in Qatar for medical commission tests.
- For the first time in the country, the company's surgical team performed the latest incisionless technique to cure gastroesophageal reflux disease (GERD) in March 2011.
- In February 2009, Medicare was the first company in the Middle East to acquire 'Somaton Definition AS+', which is the highest performance CT scanner from Germany-based Siemens.
- Al-Ahli Hospital is aiming to expand the existing bed count with another 100 beds before 2014. The hospital also plans to collaborate with foreign hospitals and engage top doctors and surgeons.

Snapshot	
Year established	2004
Ownership	Public
No. of hospitals	1
No. of beds	250

Current price (QAR)	26.5

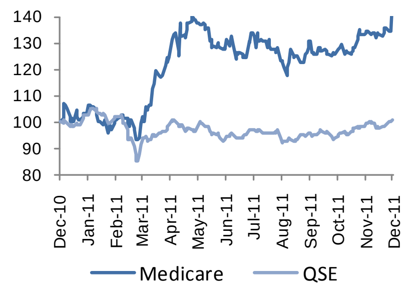
Price as on 08-12-2011

Stock Details	
Bloomberg ticker	MCGS:QD
52 week high/ low	27.0/16.7
Market Cap (USD)	204,401,945
Enterprise value (USD)	193,196,785
Shares outstanding (mn)	28.14

Average Daily Turnover (000's)

	QAR	USD
2011 YTD	1,671	459
2010 CY	2,266	622

Share Price Chart



Valuation Multiples

	2010	Current
P/E (x)	14.2	12.9
P/B (x)	0.9	1.0
EV/S (x)	2.5	2.5
Dividend Yield (%)	4.3	1.0

Source: Zawya

Shareholding Structure, 2010	
HH Sheikh Thani Abdullah Thani Al Thani and sons	45%
Public	55%
Total	**100.00%**

Source: Zawya

Financial Performance

(USD 000's)	2009	2010	% Change	1H 2010	1H 2011	% Change
Revenue	52,140.0	67,588.0	30.0	31,813.0	40,803.0	28.0
COGS	(34,144.0)	(39,423.0)	15.0	(18,259.0)	(22,382.0)	23.0
Operating Income	(2,680.0)	10,670.0	NM	3,109.0	5,392.0	73.0
Operating Margin (%)	(5.1)	15.8		9.8	13.2	
Net Income	25.0	12,516.0	NM	4,662.0	6,651.0	43.0
Net Income Margin (%)	0.05	18.5		14.7	16.3	
ROE (%)	0.01	6.2		4.8	6.6	
ROA (%)	0.01	5.6		4.3	6.0	

Source: Company Data, Zawya

- *Half yearly revenues rose 28% in 1H 2011 to USD40.8mn.*
- *Operating income increased a considerable 73% over the same period.*
- *Net income went up 43% in 1H 2011 from 1H 2010.*

NMC HEALTHCARE UAE

Company Description

NMC Healthcare was established in 1975 as New Medical Center in Abu Dhabi. It has evolved into an integrated healthcare company, with healthcare facilities including three specialty hospitals, two medical centers and one family clinic in the UAE; one hospital (Alexandria New Medical Center) in Egypt; and medical suites in Dubai Healthcare City. It operates a total of 450 beds currently. The company is also developing a multi-specialty hospital in Fujairah.

NMC owns UAEXCHANGE, a leading global remittance and foreign exchange company established in 1980 for providing affordable and efficient fund transfer facilities to the expatriate population in the UAE. NMC Group is engaged in healthcare services, trading of pharmaceuticals and medical equipment, financial services, hospitality, real estate, trading and media services. In addition, the company operates businesses such as hotels and restaurants, distribution of jewelry, general food and consumer products and development and maintenance of software among others.

Snapshot	
Year established	1975
Ownership	Private
No. of hospitals	5
No. of medical centers	2
No. of beds	450

Major shareholders
Centurion Investment Company
Dr Bavaguthu Raghuram Shetty
Abdullah Humaid Ali Al Mazroui

Source: Zawya

Business Segments and Product Portfolio

The Group's healthcare portfolio includes the following:

- NMC Specialty Hospital, Abu Dhabi is a multi-disciplinary hospital (120 beds) that offers super-specialty and other services. It employs over 100 doctors and 400 paramedics. It has the largest laboratory among private sector hospitals in Abu Dhabi.
- NMC Specialty Hospital, Dubai is a 100-bed hospital, which offers modern facilities including heart mapping system, multi-slice CT scan, MRI and a cardiac catheterization laboratory.
- New Medical Center, Sharjah offers medical care to people in the southern emirates, especially Sharjah and Ajman. The hospital is fully equipped to provide ambulatory (OPD) care through its well-equipped departments across all specialties.
- New National Medical Center, Mussafah, established in 1999, operates departments such as general practice, pediatrics, gynecology & obstetrics, dental and urology; other facilities include laboratory, radiology and ultrasonography.
- NMC Specialty Hospital, Al Ain is a multi-specialty healthcare facility. The hospital, which commenced operations in 2007, houses nearly 100 beds, including 5 OPD rooms.

Salient Features

- NMC enjoys an early-mover advantage in Abu Dhabi, with 36 years of experience in the healthcare sector.
- The company raised USD1 billion by selling 40% stake to Centurion Investments. This fund would be utilized for expansion purposes.
- NMC recently marked its footprint in Egypt, the second-largest healthcare market in MENA, by acquiring a hospital in that country.

OMAN MEDICAL PROJECTS COMPANY — 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 partly owns Muscat Private Hospital (MPH), a 78-bed acute private hospital established in October 2000. The hospital has approximately 200 employees, including more than 60 doctors.

OMPC's major shareholders are Saudi Medicare Company Limited (50.1%), and Oman and Emirates Investment Holding Company (41.0%). MPH is managed by Allied Medical, a subsidiary of UME Group, which is an international hospital management group with more than 27 years of experience in the Middle East.

Business Segments and Product Portfolio

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

MPH offers broad range of in-patient and out-patient facilities – 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 a 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 sold 22.3 million shares at OMR0.1 each through a rights issue. The company raised OMR2.3 million through this issue.
- The company renewed its management agreement with Allied Medical (which was to expire in October 2010) until October 2015.
- MPH plans to open seven new departments, including a sports injury clinic, an expanded heart center as well as a breast center and weight loss services center.

Snapshot	
Year established	1996
Ownership	Public
No. of beds	78

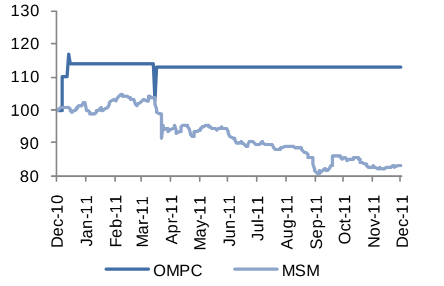
Current price (OMR)	0.079

Price as on 24-03-2011
** Not traded since then*

Stock Details	
Bloomberg ticker	OMPS:OM
52 week high/ low	0.08/0.07
Market Cap (USD)	17,081,601
Enterprise value (USD)	28,582,832
Shares outstanding	83,245,778

Average Daily Turnover (000s)	OMR	USD
2011 YTD	2.9	7.6
2010 CY	2.8	7.4

Share Price Chart



Valuation Multiples	2010	Current
P/E (x)	NM	NM
P/B (x)	0.6	0.6
EV/S (x)	1.5	1.3
Dividend Yield (%)	NM	NM

Source: Zawya

Shareholding Structure, 2010	
Saudi Medicare Company	50.08%
Oman and Emirates Investment Holding Company	41.00%
Public	8.92%
Total	100.00%

Source: Zawya

Financial Performance

(USD 000's)	2009	2010	% Change	1H 2010	1H 2011	% Change
Revenue	20,080.0	20,433.0	1.8	11,023.0	12,225.0	11.0
COGS	(15,765.0)	(15,880.0)	0.7	(8,125.0)	(9,084.0)	12.0
Operating Income	126.0	499.0	296.0	660.0	977.0	48.0
Operating Margin (%)	0.6	2.4		6.0	8.0	
Net Income	(382.0)	(407.0)	(6.5)	360.0	732.0	103.0
Net Income Margin (%)	(1.9)	(2)		3.3	6.0	
ROE (%)	(1.6)	(1.50)		2.6	4.9	
ROA (%)	(0.83)	(0.86)		1.5	2.9	

- *Half yearly revenues went up 11% from USD11mn in 1H 2010 to USD12.2mn in 1H 2011O*
- *Operating income increased a considerable 48% over the same period.*
- *Net income rose 103% in 1H 2011 from 1H 2010.*
- *ROA and ROE almost doubled from 1H 2010 to 1H 2011.*

Source: Company Data, Zawya

SAUDI GERMAN HOSPITALS GROUP — Saudi Arabia

Company Description

Saudi German Hospitals Group (SGH), owned by the Batterjee family, commenced operations in healthcare in 1988 with its first 300 bed private hospital in Jeddah. The multi-functional healthcare company operates its hospitals with the support of many German medical schools, universities and faculties.

The group, a healthcare developer, is one of the largest private healthcare providers in the MENA region with five operating hospitals and three hospitals under final stages of construction. SGH builds its own hospitals by engaging its 1000+ construction staff. The group finances its developments with the support of local government and development banks.

Snapshot	
Year established	1988
Ownership	Private
No. of hospitals	5
No. of beds	1,600

Major Shareholders	
Sobhi Abduljalil Batterjee	57.39%
Dr Khaled Abduljalil Batterjee	17.17%
Abduljalil Ibrahim Batterjee	8.78%
Thorayya Mohyeddine Nazer	8.25%

Source: Zawya

Business Segments and Product Portfolio

SGH operates five hospitals – one each at Jeddah, Aseer, Riyadh and Madinah (all in Saudi Arabia), and one in Sana'a (Yemen). Several new hospital projects in Hail (Saudi Arabia), Dubai (UAE), Cairo (Egypt) and Addis Ababa (Ethiopia) 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 the state of the art Hospital Information System (H.I.S) providing fully automated services to patients, staff and the management.
- SGH Riyadh, which started operations in 2001, is one of the few Saudi Arabian hospitals that support paperless operations. The hospital has 300 beds and is fully computerized.
- SGH Aseer, which started operations in March 2000, is a 400 bed hospital
- SGH Sana'a, which started operations in June 2006, is a 300 bed hospital. The Group equity partners in the Sana's Hospital are prominent Government and Semi Government Institutions in Yemen
- SGH Dubai (UAE), a 300-bed multi-specialty tertiary hospital, is under construction and expected to start operations in the first quarter of 2012.

Salient Features

- SGH hospitals works in collaboration with large European, American and Middle East universities, thus staying abreast of and maintaining best medical standards.
- SGH is the sole hospital group in the region having JCI accreditation for all its hospitals.
- The group is growing at an impressive rate of one hospital per year along with 16% increase in employee count.
- The Group has set up the first private medical college in Jeddah, Saudi Arabia. The Group also has nursing institutes in Saudi Arabia.

Recent Developments and Future Plans

- SGH aims to design, finance, construct and operate 30 world-class hospitals, and create 50,000 jobs by 2015.
- In May 2008, SGH and Grameen Healthcare Trust of Bangladesh signed a cooperation agreement to build 'Al Sabeel-Grameen Hospital', a 50-bed medical facility for the poor and disadvantaged in Dhaka.
- SGH plans to build three hospitals in Lahore and Nigeria, and develop 14 hospitals across Africa.
- In 2007, SGH received a USD37 million financing from IFC to support construction of hospitals in Sana'a and Cairo.

UNITED MEDICAL SERVICES COMPANY — Kuwait

Company Description

Established in 2003 and headquartered in Kuwait, United Medical Services Company (UMS) is a specialized healthcare firm, with operations across the GCC region.

One of the largest private medical services providers in the country, UMS is a closed Kuwaiti shareholding company, with present paid-up capital of KWD24.5 million. It employs 1,500 people, including around 650 medical staff.

Snapshot	
Year established	2003
Ownership	Private
No. of hospitals	3
No. of beds	400
No of clinics	6

Major Shareholders
Action Group Holding Company
Al Zummorrodah Holding Company
Al Zummorrodah Investment Company
United Health Care Company

Source: Zawya

Business Segments and Product Portfolio

UMS' subsidiaries include Maidan Dental Clinic, International Health Services, United Laboratories Co., Kuwait Medical Services Co., United Pharmaceutical Co., United Food & Nutrition, United Medical Technologies, Advanced Technology Co. and Bubyan United Hospital.

- Bubyan United Hospital - established in 2004, is a 150-bed medical insurance hospital in the Dhajeej area in Al-Farwaniya. The hospital plans to increase its current capacity to 400 beds. However, the expansion project was put on hold due to external factors related to government legislations.
- Al Seef Hospital - is Kuwait's newest private hospital, specializing in women's, children's and family treatment services in both outpatient clinics and inpatient beds. It is a 120-bed hospital.
- International Hospital **-** includes 140 inpatient beds and extensive outpatient and diagnostic services. It has the infrastructure to expand to 200 beds in the future.
- Maidan Dental Clinic - established in 1987, owns and operates six clinics across Kuwait.

UMS is primarily engaged in following activities:

- Building, establishing and managing hospitals and healthcare facilities projects (medical centers)
- Providing an integrated full range of medical services through its group network of subsidiaries and associates, including dental, medical, laboratory, pharmaceuticals, medical technologies, consumables & equipment, and hospital

Salient Features

- Al Seef Hospital (subsidiary) is Kuwait's exclusive private hospital that performs 'flatfoot' surgeries, and early diagnosis and surgeries for cancer tumors.
- Head and neck surgeries are also exclusively performed at Maidan Clinic (subsidiary).

Recent Developments and Future Plans

- In May 2009, Burgan Bank and Maidan Clinic entered into a partnership to provide the bank's premier customers with specialized healthcare services, including discounts and other attractive offers.

ZULEKHA HEALTHCARE GROUP

Company Description

Zulekha Hospital was established in 1992 in Sharjah as a 30-bed set up with basic facilities for gynecology, obstetrics, surgery, medicine and pediatrics. It later expanded its capacity to 75 beds.

Zulekha Healthcare Group has now expanded into a professionally managed multi-specialty facility comprising an additional hospital in Dubai, four medical centers and three pharmacies. The group provides specialized treatment in over 20 disciplines (ranging from gynecology to cosmetology).

Snapshot	
Year established	1992
Ownership	Private
No. of hospitals	2
No. of beds	149

Shareholding Structure
Zulekha Dawoud (private)
Adnan Talyani (private)

Source: Zawya

Business segments and service portfolio

- Hospitals – Zulekha Hospital, Sharjah (75 beds & 35 doctors) and Zulekha Hospital, Dubai (74 beds).
- Medical Centre – Zulekha Medical Centre (Qusais, Dubai) and Zulekha Medical Centre (Dhaid, Sharjah).
- Pharmacies – Al Rafea (Qusais, Dubai) and Zulekha Hospital (Sharjah & Dubai).
- In addition to the above, the group also provides online healthcare assistance.

Salient Features

- First group in the UAE to get accredited by JCI (Joint Commission International), USA.
- Zulekha has an online hospital management system which automates the administrative functions, improving efficiency of its operations.

Recent Developments and Future Plans

- The Group is planning to establish a Cath Lab in Zulekha Hospital (Dubai), an IVF Lab, trauma centre, and cosmetology and skin care centre.
- The Group has plans to expand capacity at its premises in Sharjah, UAE. Alongside, it also announced plans to enter India by setting up a 200 bed hospital in Nagpur, India
- The Group also has three educational institutions in India.

Appendix

Exhibit 34: List of ongoing healthcare infrastructure projects by value

Project Name	Country	Project Value USD million	No. of beds
Qatar Foundation - Sidra Medical and Research Center *	Qatar	2,300	412
Mubadala - Sowwah Island - Phase 1 - Cleveland Clinic Abu Dhabi^	UAE	1,300	364
Kuwait MPW - Jaber Ahmed Al Jaber Al Sabah Hospital	Kuwait	1,200	1,168
Medical City	Oman	1,000	530
ADHSC - Al Ain Hospital	UAE	708	690
Abu Dhabi Health Services Company - New Mafraq Hospital	UAE	600	688
Ashghal - Hamad Medical City	Qatar	534	N.A.**
Mubadala - Arzanah - Arzanah Medical Complex	UAE	500	78
Health Management - Al Jalila Children's Specialty Hospital	UAE	370	200
DHA - Al Maktoum Accident and Emergency Hospital	UAE	350	300
KFSHRC - King Faisal Specialist Hospital and Research Center Expansion	Saudi Arabia	345	464
KOC - Ahmadi Hospital and Residences	Kuwait	306	300
UAE Ministry of Public Works - Sheikh Khalifa Hospital	UAE	220	248
United Eastern Medical Services - Danat Al Emarat Women and Children's Hospital	UAE	205	260
Kuwait MOH - Al-Razi Hospital Expansion	Kuwait	98	192
Iranian Hospital - Iranian Hospital Extension	UAE	81	220
Saudi Ministry of Health - Jeddah East Hospital	Saudi Arabia	70	300
Saudi Arabia MOH - Prince Saud Al Jalawi Hospital	Saudi Arabia	60	200
Saudi Arabia MOH - Al Laith and Al Mekhwat Hospitals	Saudi Arabia	46	200
Oman MOH - Samail General Hospital	Oman	26	N.A.
Abu Dhabi Health Services Company - Special Security Hospital	UAE	N.A.^^	125
Kuwait MOH - Al-Amiri Hospital Expansion	Kuwait	N.A.^^	360
MOH - Cancer Center	Kuwait	N.A.^^	600

*Source: Zawya Project Monitor *Master Project; ^Contract Package; Rest are standalone projects*

*** Hamad Medical City has a number of hospitals and clinics in its premises; ^^Bid results not announced yet*

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DISCLAIMER:

Boubyan Petrochemicals Co. (K.S.C.)

US$ 100,000,000

Term Credit Facility

Bukhatir Group

Bukhatir Investments Limited

US$ 245,000,000

Syndicated Term Loan Facility & Commodity Murabaha

ETA

Emirates Trading Agency LLC

&

ETA Star Holding Limited

US$ 200,000,000

Syndicated Term Loan Facility

Al Khaliji Commercial Bank, QSC

US$ 100,000,000

Medium Term Credit Facility

Oman Insurance Co. (P.S.C.)

US$ 100,000,000

Syndicated Working Capital Revolver Facility

Berber Cement Company

US$ 130,000,000

Musharaka Sukuk

Union Taxi LLC

Strategic Joint Venture

Axiom Telecom LLC

with

Pantaloon Retail (India) Ltd

Strategic Joint Venture

Mohammed Jalal & Sons W.L.L.

US$ 65,000,000

Syndicated Secured Term Loan Facility

Al Bannai Group

Acquisition of

fono

Acquisition

ANC Group of Companies

USD 21,000,000

Acquisition Financing

SCHMIDLIN

Participants

Al Hilal Bank

Commercial Bank International

Al Jazeera Steel Products Company S.A.O.G.

(Listed on Muscat Securities Market)

Acquisition of Strategic Equity Stake

by

Global Buyout Fund LP

Connecting you with the right opportunities.

Debt Advisory • Mergers & Acquisition Advisory • Equity Advisory

ALPEN CAPITAL

Investment Banking

Bahrain | Doha | Dubai | Mumbai

Muscat | New Delhi