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HEALTHCARE MARKET ASSESSMENT OF KSA



White Paper

Healthcare Market Assessment of Kingdom of Saudi Arabia



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GLOSSARY

Abbreviation	Details
ASR	Age Standardised Rate
BMI	Body Mass Index
BN	Billion
CAGR	Compound Annual Growth Rate
CMA	Capital Markets Authority
CVD	Cardiovascular disease
DBP	Diastolic Blood Pressure
FY	Financial Year
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GOSI	General Organisation for Social Insurance
IP	Inpatient
IPO	Initial Public Offering
IVF	In vitro fertilisation
JV	Joint Venture
KFSHI	King Faisal Specialist Hospital International
KFSHRC	King Faisal Specialist Hospital & Research Centre
KSA	Kingdom of Saudi Arabia
MISA	Ministry of Investment of Saudi Arabia
MN	Million
MOH	Ministry of Health
NA	Not Applicable/Available
NCDs	Non-Communicable Diseases
OP	Outpatient
PPP	Public Private Partnership
SAGIA	Saudi Arabia General Investment Authority
SAR	Saudi Riyal
SBP	Systolic Blood Pressure
SME	Subject Matter Expert
SMEH	Scientific and Medical Equipment House
TASI	Tadawul All Share Index
TBD	To Be Decided
UAE	United Arab Emirates
UK	United Kingdom
US/USA	United States of America
USD	United States Dollar

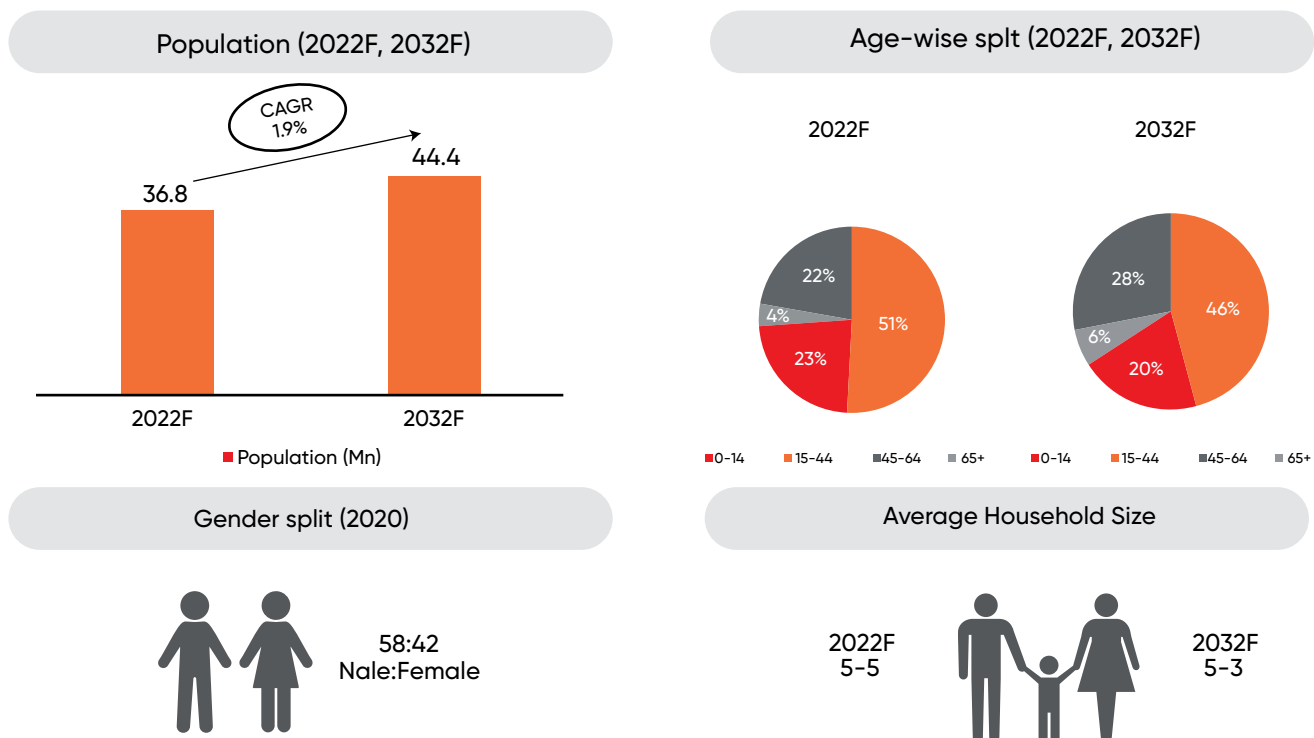
Section 1: KSA General Market Overview

The largest country in the GCC, the Kingdom of Saudi Arabia extends across the majority of the Arabian Peninsula. On its west is the Red Sea and Islam's holiest cities, Makkah, and Medinah. In the country's geographic heartland is a vast arid zone. On the east along the Arabian Gulf, are the country's rich oil fields. Its capital and largest city is Riyadh

1.1 Population Indicators

The most populous country in the GCC, KSA has a population that is expected to reach 36.8 million in 2022. While population grew at a CAGR of 2.5% over 2016–2022, CAGR over 2022–2032 is forecast to be lower at 1.9%. KSA citizens constituted about 61% of the total population in 2020. As with several countries globally, KSA is also expected to see a shift in the composition of its demographic in the coming decade. With decreasing fertility rates and improving life expectancy, the proportion of 45+ year-olds are seen to increase. The 65+ year group is expected to grow the fastest at a CAGR of 6.9%, followed by the 45–64 years age group at a CAGR of 3.7% during 2022–2032.

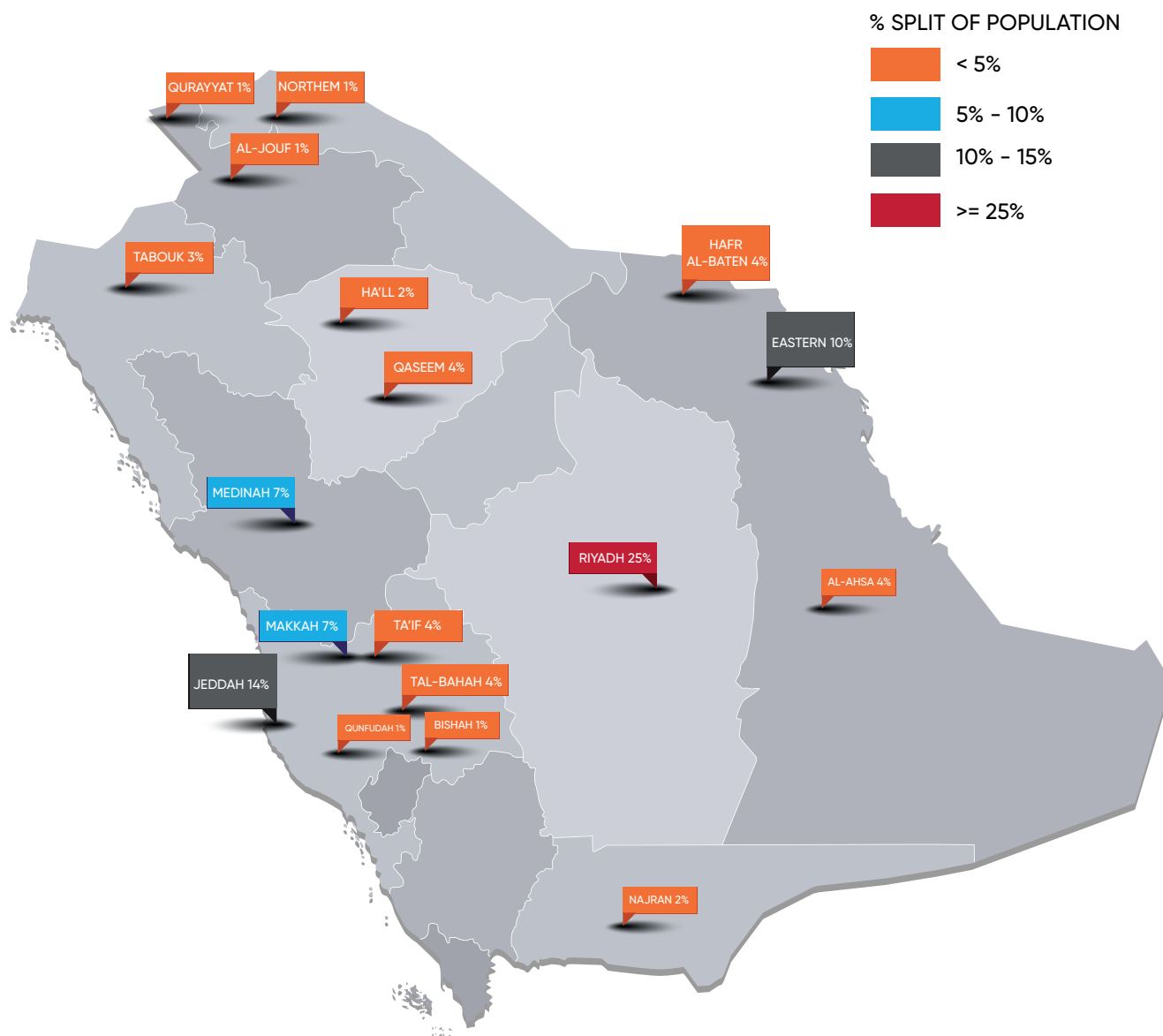
Exhibit 1: KSA Population, Age-wise split, Average Household Size (2022F, 2032F), Gender split (2020)¹



¹ Population data source: Oxford Economics, 2021 Q4 update, General Authority for Statistics, JLL- Healthcare Analysis

In 1992, the Law of Provinces (Regions) was announced to improve provincial administrative standards and development through local authorities. The law divided the Kingdom into 13 regions each of which is headed by a prince from the royal family. From a healthcare delivery perspective, KSA is divided into 20 geographically defined health clusters. A health cluster is an integrated and interconnected network of healthcare providers under a single administrative structure that aims to facilitate beneficiaries' access to health services and move them between several types of care.

Exhibit 2: Health cluster-wise split of population in KSA (2020)³



Riyadh was the most populated cluster with about 8.9 million or a quarter of the country's population as of 2020. Jeddah and Eastern clusters had about 5.0 million and 3.5 million population, respectively, in the same year. Together the three clusters accounted for about half of the country's population.

² Ministry of Health KSA, General Authority for Statistics

³ Population data source: Oxford Economics, 2021 Q4 update, JLL - Healthcare Analysis

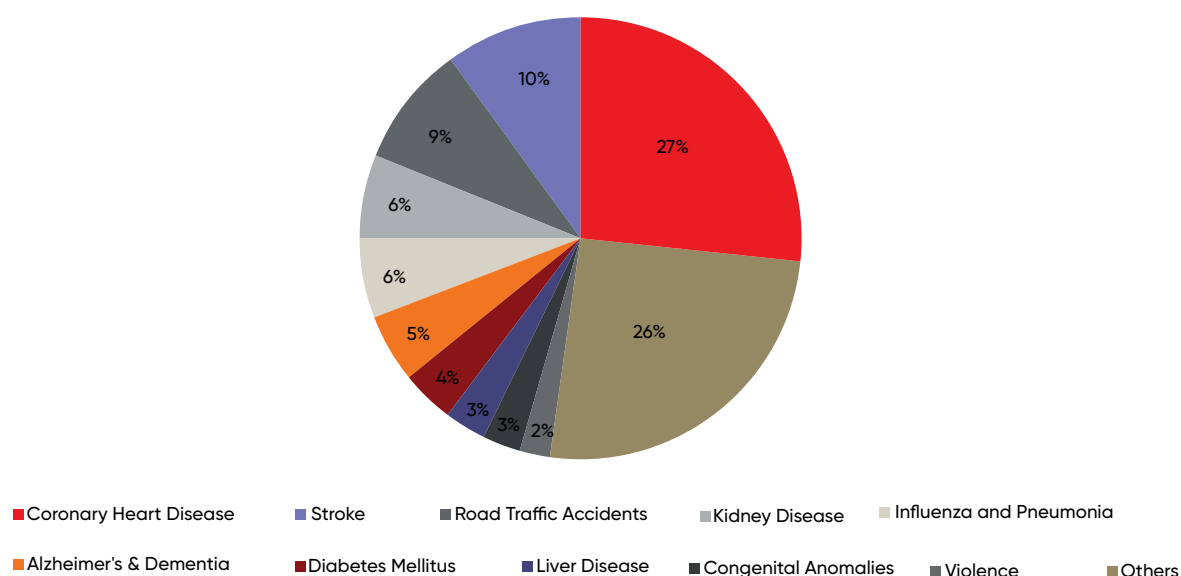
1.2 Public Health Indicators

A growing population, increasing ageing population, and a rise in chronic conditions will pressurise the healthcare system of the country in the coming decade.

1.2.1 Leading causes of death

The top 10 causes of death in 2018 in the KSA are shown below.

Exhibit 3: Leading causes of death in KSA (2018)⁴



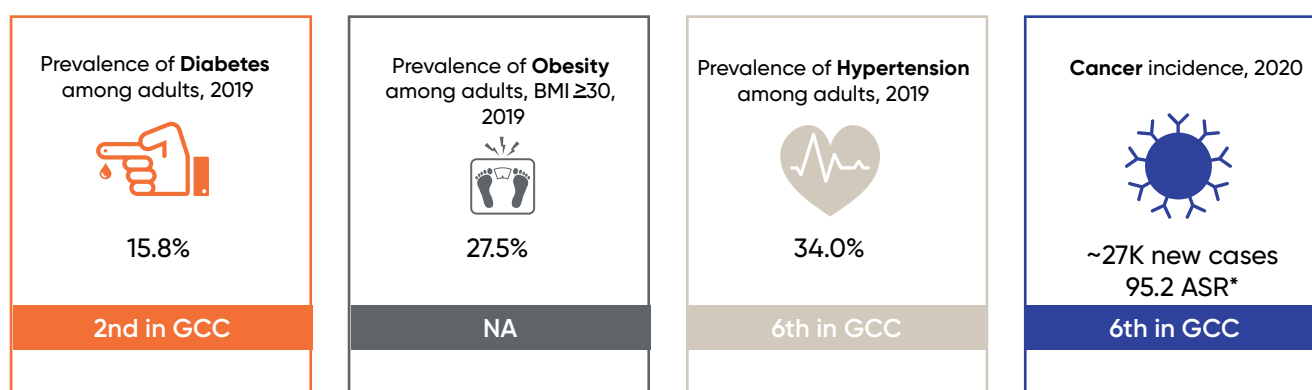
Coronary heart disease and stroke contributed to over a third of the deaths in KSA in 2018.

Road traffic accidents were also observed to be particularly high in KSA, largely due to over speeding and non-adherence to traffic rules. Road traffic accident fatality rates have been 17%-18% over 2018-2020. The Ministry of Health reported 199 post-amputation visits to medical rehabilitation centres and departments of MOH, due to road traffic accidents in 2020. 15% of patients and casualties that Saudi Red Crescent Authority Ambulances offered first aid to and transported in 2020, were road accident patients. As part of the Vision 2030 of the KSA Government, one of the key objectives under the Health Sector Transformation Programme, is enhancing traffic safety.

NCDs Profile

The leading causes of death, as seen above, are related to the high prevalence of NCDs in KSA. Compared to its GCC counterparts, KSA was among the top three in Diabetes and Obesity prevalence. It must be noted that although KSA may rank lower than other GCC countries in terms of prevalence/incidence, as the Kingdom has the highest population in GCC, in terms of number of cases, KSA would be the highest. Top three cancers in 2020 in males were of the colorectum, non-Hodgkin lymphoma, and leukaemia. Similarly, in females, the highest observed cancers were of the breast, thyroid, and colorectum. With a growing ageing population, the NCD burden of the Kingdom is set to rise.

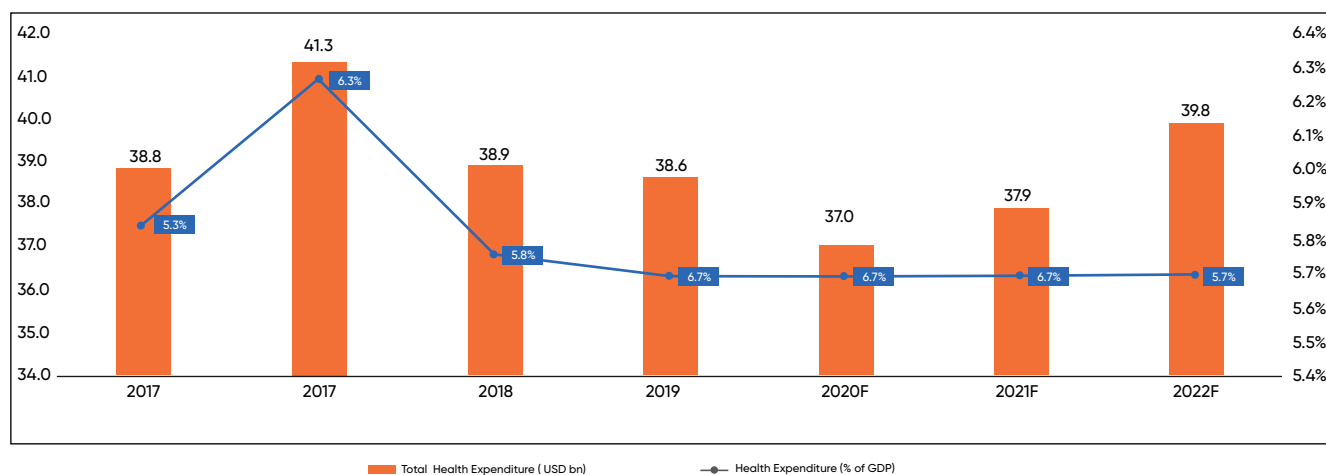
Exhibit 4: Age Standardised Prevalence of Non-Communicable Diseases⁶



1.3 Resources & Indicators

1.3.1 Health Expenditure

Exhibit 5: KSA Total Estimated Healthcare Expenditure (USD Bn) and as % of GDP, (2016–2022F)⁷



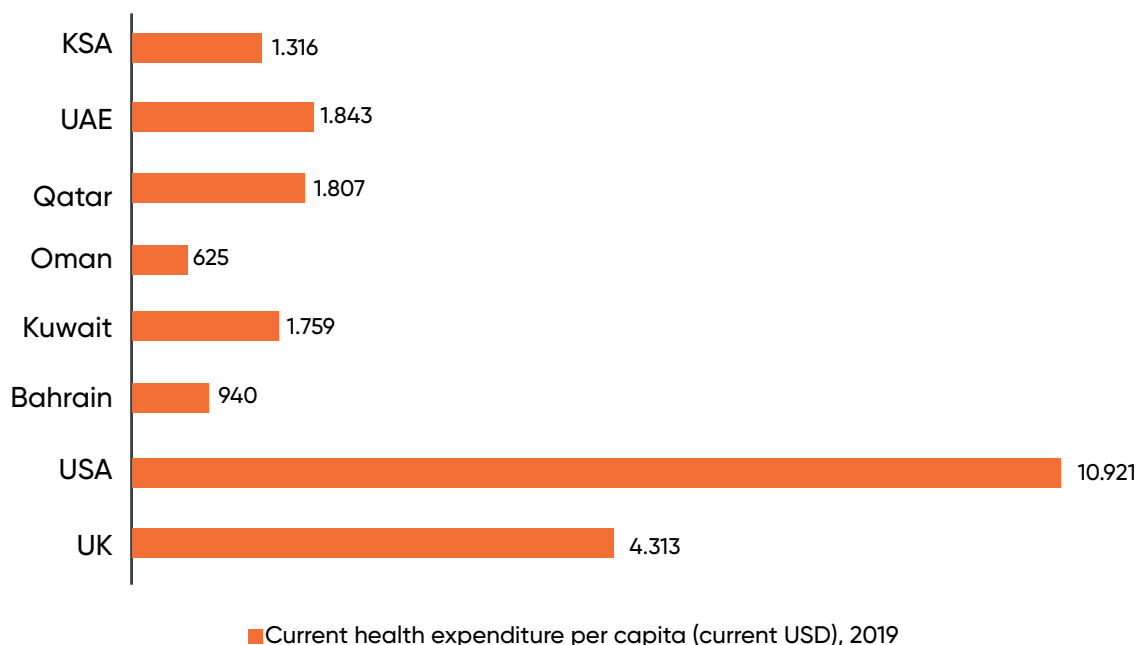
Note: Healthcare market size has been estimated based on total GDP of KSA and share of healthcare expenditure as % of total GDP. The World Bank data for Healthcare expenditure as % of GDP is available till 2019 only. Post that, similar share of GDP has been considered to arrive at total healthcare market size for KSA.

Among the GCC nations, KSA ranked first in terms of health expenditure as a percentage of GDP at 5.7% in 2019. For the fiscal year 2022, the KSA Government announced the allocation of SAR 138 Bn (USD 36.78 Bn) for the Health and Social Development Sector. This was about 19% of the total government expenditure. The KSA Government has been increasing the Health and Social Development Sector expenditure year-on-year since 2017. The percent allocated for Health and Social Development has also been increasing from 13% of total government expenditure in 2017, to reach 19% in 2021. Even though there is growth in expenditure, there is still a gap in terms of spending compared to international benchmarks. Developed countries like the US and UK spent about 19.7% and ~10% of GDP on healthcare in 2020. Efforts of the KSA Government and private sector growth are expected to continue and drive growth of the healthcare market going forward.

Domestic general government health expenditure amounted to 69% of the total healthcare expenditure in KSA during 2019, indicating the significant role of government spending in domestic healthcare of the country. Domestic private health expenditure constituted the remaining 31% of the total healthcare expenditure in 2019.

KSA's per capita spending on healthcare was approximately USD 1,316 in 2019, which was lower than UAE, Qatar, Kuwait, and developed economies such as the US and UK.

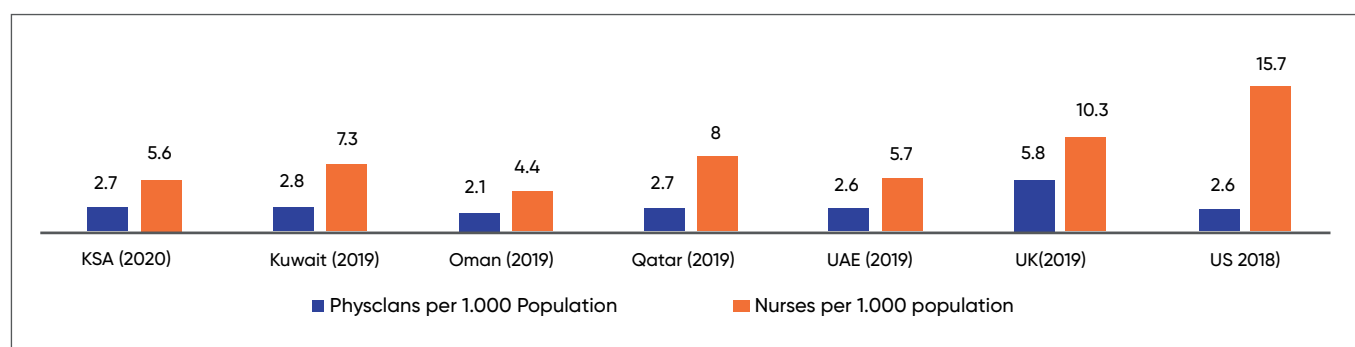
Exhibit 6: KSA Current Healthcare Expenditure per Capita, Current USD (2019)⁸



1.3.2 Manpower per population

KSA had a physician density of about 2.7 per 1,000 population in 2020 and is among the top compared to its GCC counterparts. However, nurse density per 1,000 population of KSA in 2020 was slightly lower compared to that of Kuwait, Qatar, and UAE as per latest available indicators of 2019.

Exhibit 7: KSA Density of Health Workforce per 1,000 Population (latest available)⁹



As part of the Saudiisation initiative of the government to increase participation of local talent in the private sector, two new decisions were announced in 2021 regarding Saudiisation of jobs in certain health specialities and in the medical appliances sector in all regions of the Kingdom. One of the decisions was for localising jobs in medical laboratories, radiology, physiotherapy, and therapeutic nutrition departments in all medical facilities operating in the Kingdom. The second decision applies to Saudiisation in sales and advertising professions in the private medical equipment and appliances sector. The decisions are to come into effect from April 11, 2022 and are expected to create 8,500 jobs for KSA nationals.¹⁰ Physicians and nurses of KSA nationality constituted about 44% and 43%, respectively, of the total of their professions in 2020.¹¹

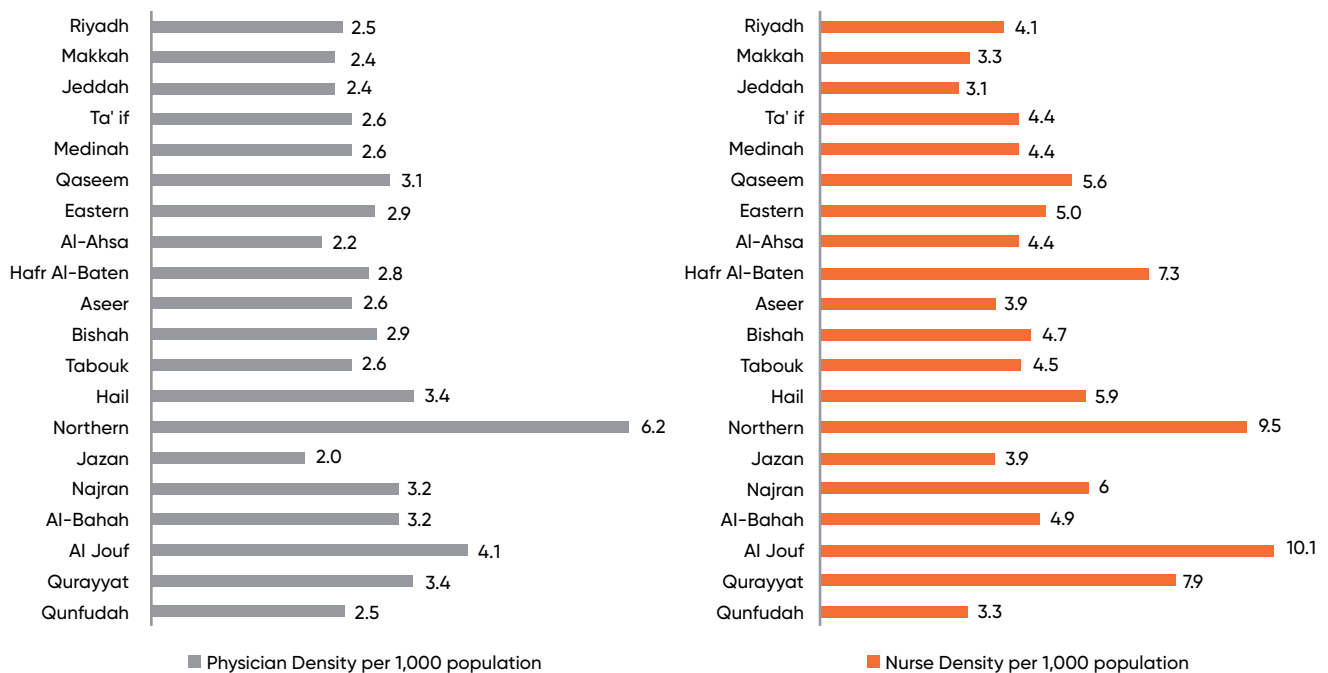
Exhibit 8: Saudiisation and employment requirements for select positions in Healthcare as identified by Ministry of Human Resources and Social Development (MHRSD)¹²

Sector	Total Saudiisation Target of the Sector	Details	
Healthcare	60%	<ul style="list-style-type: none"> Applicable to all companies with employees in: Medical laboratories Radiology Physiotherapy Therapeutic nutrition A minimum pay of SAR 7,000 will be set for specialists and SAR 5,000 for technicians, according to the ministry's statement 	April 11, 2022
Medical Devices and Equipment	<ul style="list-style-type: none"> Sales, advertising, and introduction of medical devices: 40% in the first phase; 80% in the second phase Engineering and technical professions in the medical appliances sector: 30% in the first phase; 50% in the second phase 	<ul style="list-style-type: none"> Targets the professions of: Sales, advertising, and introduction of medical devices Engineering and technical professions in the medical appliances sector A minimum pay of SAR 7,000 will be set for engineers, specialists, and bachelor's degree holders, while SAR 5,000 will be fixed for technicians and diploma holders. 	April 11, 2022

1.3.2.1 Manpower at Health Clusters

The KSA's density per 1,000 population for physicians is 2.7 and nurses is 5.6. Among the health clusters, Northern and Al-Jouf regions recorded the highest densities for physicians and nurses. While major centres like Riyadh, Jeddah, and Makkah recorded below the national average.

Exhibit 9: Region-wise Manpower Density (2020)¹³



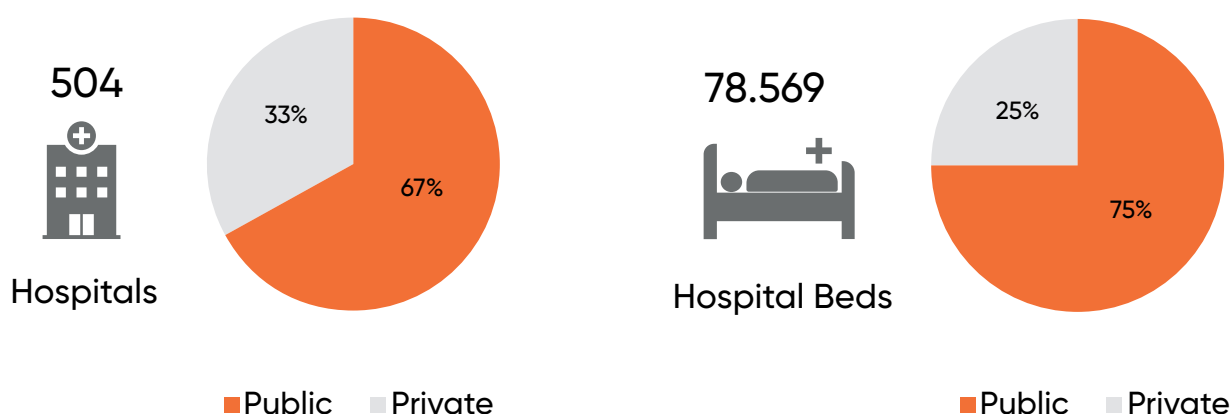
*excluding OGS manpower which constitutes about 19, of Physicians and 23, of Nurses

Section 2: Healthcare Market Overview

2.1 Healthcare Infrastructure

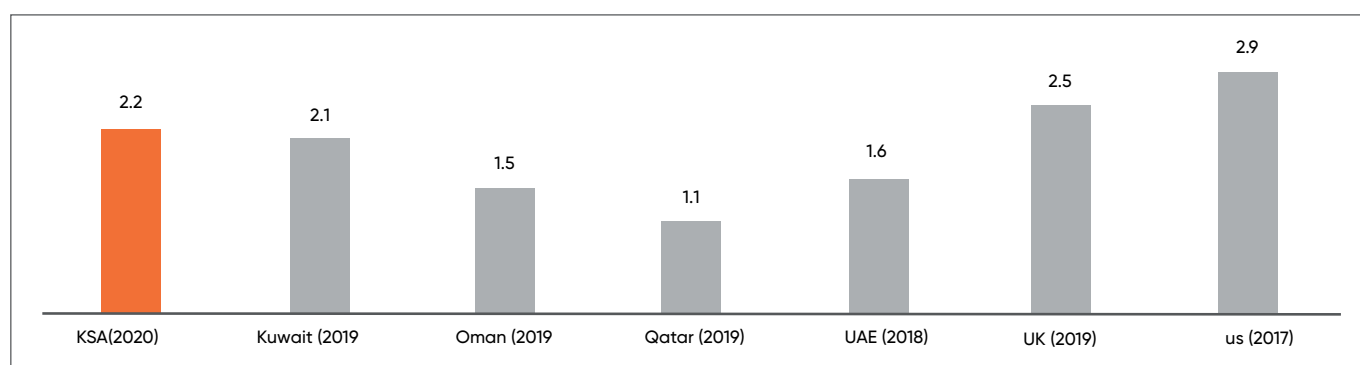
Health services in KSA are provided by three sectors – Ministry of Health, Other Governmental Sector, and Private Sector. This report refers to both the MOH and Other Governmental Sector as the Public Sector. Over the 2016–2020 period, the number of hospitals grew at a CAGR of 1.8%; private and public hospitals grew at a CAGR of 2.4% and 1.5%, respectively.

Exhibit 10: KSA Healthcare Facilities snapshot (2020)¹⁴



The highest concentration of hospitals according to 2020 MOH data, is in Riyadh at about 22%. This is followed by Jeddah at 11% and Eastern region at about 10%. While number of beds is higher in the Eastern region compared to Jeddah.

Exhibit 11: Hospital Bed Density per 1,000 Population¹⁵



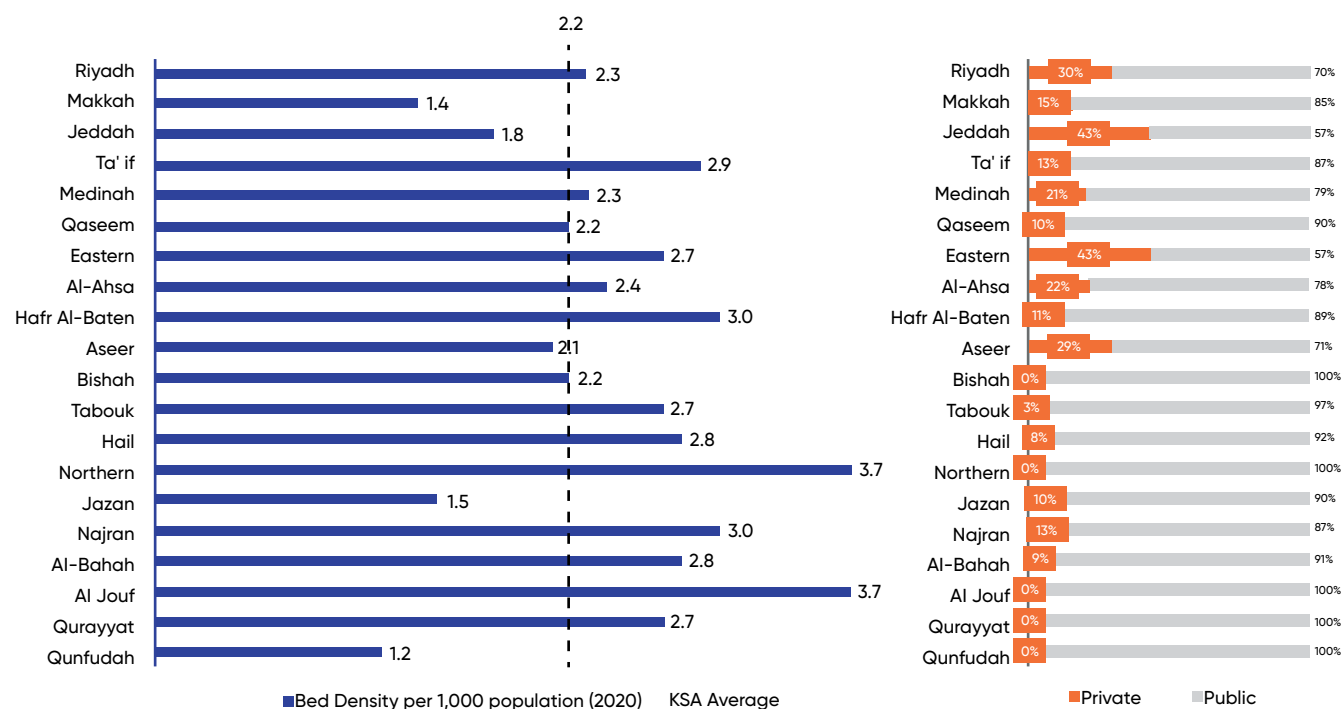
¹⁴ KSA MOH Report

¹⁵ Oxford Economics, 2021 Q4 update, MOH Reports, World Bank, JLL- Healthcare Analysis

Although KSA has a better hospital bed density compared to its GCC counterparts, it has remained at about 2.2 beds per 1,000 population over 2016–2020. Compared to developed economies such as the US and UK, KSA has a lower bed density.

Among the health clusters, Ha'il recorded the highest growth in the number of beds at a CAGR of about 13% during the same period and was among the highest in bed densities compared to other health clusters. Qunfudah and Makkah health clusters were among the lowest in bed densities.

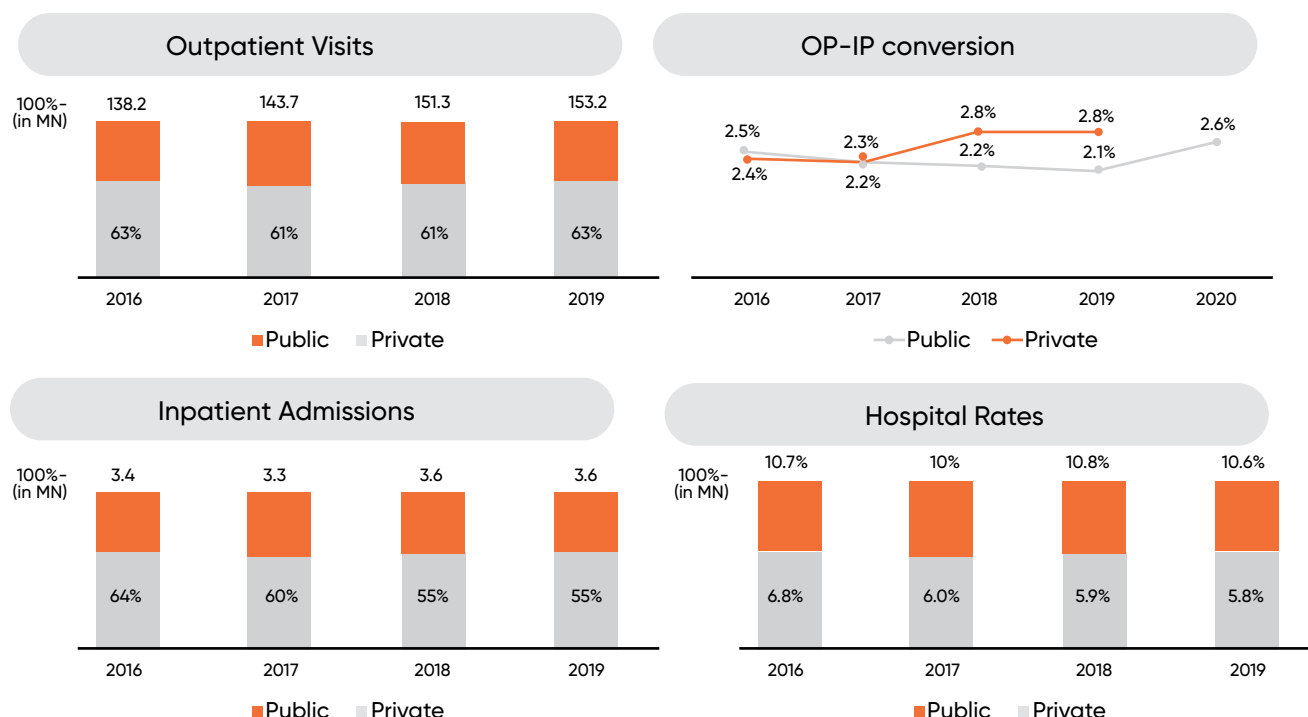
Exhibit 12: Region-wise Bed Density and Private vs. Public sector split in Beds (2020)¹⁶



2.2 Healthcare Service Utilisation

Rising and ageing population, increased life expectancy, rise in lifestyle related and non communicable diseases leads to increased demand for healthcare services.

Exhibit 13: Outpatient Visits, Inpatient Admissions, OP-IP Conversion Rates, Hospitalisation Rates (2016–2019/2020)¹⁷



The number of outpatients grew at a CAGR of 3.5% over 2016–2019. Covid lockdowns and hesitancy to visit hospitals amid an ongoing pandemic saw the public sector record a steep fall of ~31% in outpatient visits in 2020. Private sector outpatient and inpatient numbers are not available for 2020. Although KSA's healthcare is mainly driven by the public sector, private sector outpatient and inpatient growth outpaced that of the public sector. Inpatient admissions in the public sector declined at a CAGR of 2.8% over 2016–2019. The OP-IP conversion has been higher in the private sector since 2017.

2.3 Medical Tourism Overview

• Inbound

Of 46 global destinations ranked within the 2020–2021 Medical Tourism Index, KSA ranked 39 for its Medical Tourism Industry. Among cases within the country that were referred to governmental or specialist hospitals, majority were to Riyadh and its clusters.

KSA provides free and integrated health services to pilgrims during Hajj and various seasons through a network of hospitals and health centres that have been established for this purpose, in addition to hospitals and centres operating throughout the year. The 'Hajj Visiting Manpower Participation Service' allows medical and technical staff in selected specialities to apply for participation as part of MOH's hajj visiting manpower.¹⁸

• Outbound

When some of the more advanced medical procedures are not offered or are not available at the best quality in KSA, the country sends its citizens abroad for treatment. According to MOH, 488 patients were sent abroad for specialised treatments in 2020. The top destination for KSA patients in 2020 was US, followed by Germany and UK. The top speciality for treatment abroad was for tumours and cancer treatments, contributing to about 62% of the total cases. This was followed by general surgery, internal medicine, cardiology, and cardiac surgery. These figures are indicative of specialisation gaps that need to be filled in the local healthcare market.

2.4 Growth Drivers and Restraints

The main drivers and restraints that affect private investment in the healthcare sector in KSA are as follows:

DRIVERS	CHALLENGES
<ul style="list-style-type: none"> Growing population and increasing ageing demographic of KSA calls for investment in healthcare specially related to the older demographic such as Long-term care, geriatric, neurosciences, orthopaedics. 	<ul style="list-style-type: none"> The expenditure on healthcare is still majorly borne by the government
<ul style="list-style-type: none"> High prevalence of chronic, non-communicable and lifestyle diseases leading to more need for healthcare services in specialities like Cardiac, Oncology, Orthopaedics, OBGYN, Endocrinology etc. 	<ul style="list-style-type: none"> Limited healthcare insurance coverage.
<ul style="list-style-type: none"> Increasing insurance penetration is leading to increased service utilisation and requirement of healthcare infrastructure in the country. 	<ul style="list-style-type: none"> Comparatively lower availability of skilled healthcare manpower
<ul style="list-style-type: none"> The rise in affluent, health-conscious younger generation is driving demand for high quality, specialised care. 	<ul style="list-style-type: none"> Few specialized institutes dealing with medical research, leading to low entrepreneurial activity around research.
<ul style="list-style-type: none"> The KSA Government seeks to reduce its dependence on oil resources by boosting non-oil sectors. The government allocated a budget of SAR 138 Bn for Health and Social Development in FY2022.¹⁹ Moreover, its move towards privatisation and more favourable investment environment is a major driver for growth of healthcare sector. 	

Section 3: Recent Trends in the Healthcare Market

3.1 Key initiatives by the Government

With the growing demand for comprehensive healthcare services in the Kingdom, the Government has mandated a transformation of the country's healthcare sector. The mandate aims to address multiple existing issues in pre transformation offerings. Dealing with growing demand for healthcare, inadequate supply in identified areas such as primary care and extended care, significant quality gap in services given to patients, unwarranted variation in provision, access, and investment in serving the population, and lack of patient centricity in existing models of healthcare in the Kingdom, are some issues that the mandate focuses to resolve

3.1.1 Vision 2030 – Focus on Healthcare

To address these issues and elevate healthcare delivery in the Kingdom, the government announced Saudi Vision 2030, a comprehensive plan that aims to reform the economic structure of the Kingdom by developing other industries and sectors (including healthcare), ensuring that the economy reduces its dependence on the finite oil reserves in the Kingdom.

The vision also aims at decreasing public expenditure, emphasises on increasing private sector participation in various fields, which reduces the overall financial burden of the government.

During the first five years after the Vision's launch, multiple Vision Realisation Programmes (VRPs) were designed to best achieve the vision through approved objectives, plans, and key performance indicators. While there are multiple VRPs, the three that apply to healthcare are outlined below:

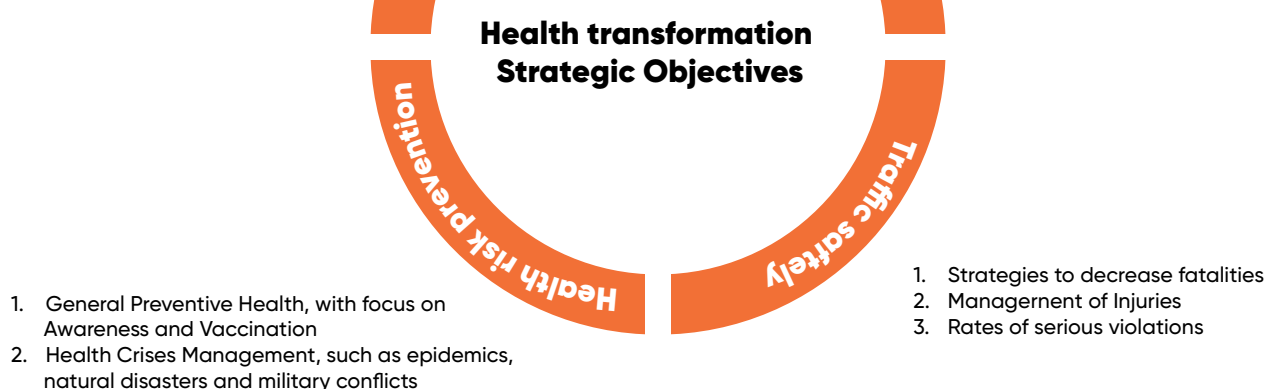
Exhibit 14: Healthcare Related Vision Realisation Programmes:

National Transformation Programme	Privatization Programme	Health Sector Transformation Programme
<ul style="list-style-type: none"> Aims to develop infrastructure that enables all entities achieve the Vision through achieving governmental operational excellence, supporting digital transformation, enabling the private sector, developing economic partnerships, and promoting social development, in addition to ensuring the sustainability of vital resources. Has Eight strategic themes, including Transforming Healthcare. 	<ul style="list-style-type: none"> Aims to improve the quality of services provided by involving the private sector. This will in turn reduce the cost of care on the government. The programme also aims to encourage economic diversity and development, in addition to boosting competition. The programme also seeks to attract Foreign Direct Investment and improve the balance of payments 	<ul style="list-style-type: none"> Programme aimed at transforming healthcare offerings to individual/society-based care offering to Individualize/ society-based care, offering comprehensive services to all. The programme depends on the principle of value-based care to ensure transparency and financial sustainability by focusing on screening and prevention to decrease overall burden. Additionally, the programme aims to improve access to care through increased coverage, enhance geographical presence and distribution of providers, and expand e-health services and digital solutions. The programme will focus on patient satisfaction and outcomes while following the best evidence based international practices. The Health Sector Transformation Programme also works on harmonizing and coordinating between all health sector entities, VRPs and relevant government entities, in addition to aligning and linking with strategic national goals during the transformation journey

Exhibit 15: Health Transformation Strategic Objectives, Saudi Arabia 2018

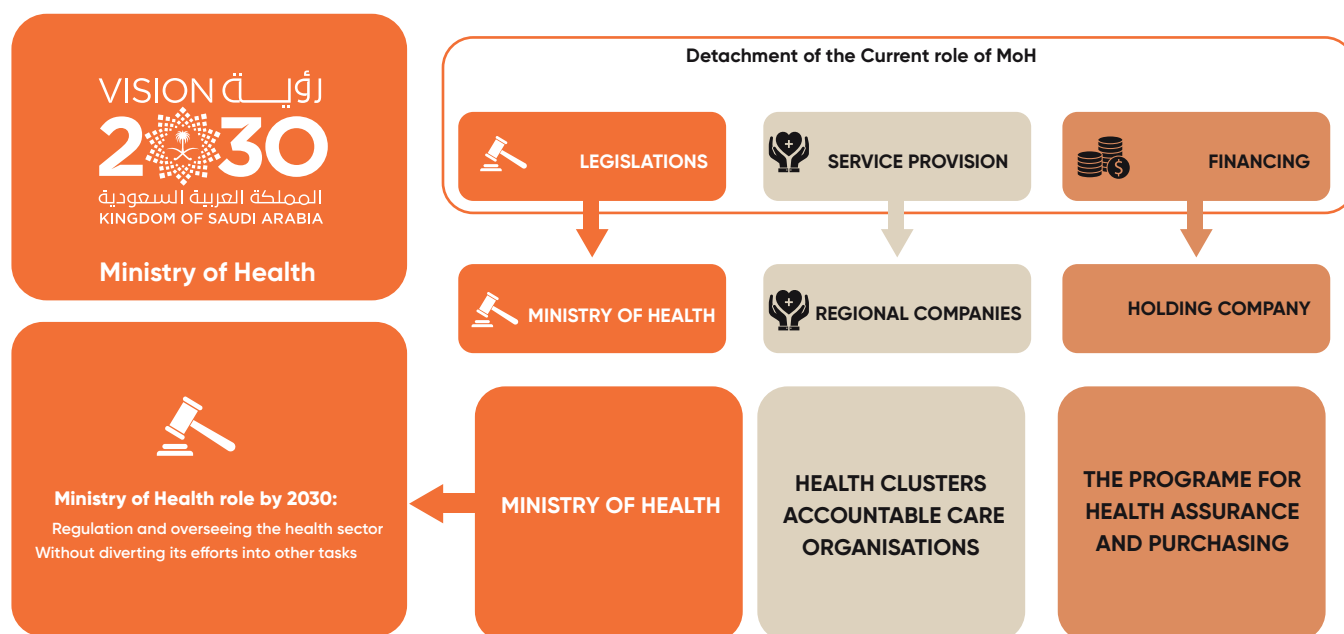
1. Adequate number of beds and infrastructure
2. Availability of staff
3. Geographical distribution of healthcare providers
4. Timely Access to Service
5. Affordability

1. Best quality of services with total cost control
2. Reliable and accountable care
3. Best patient outcomes and effective medical treatment
4. Stakeholder experience



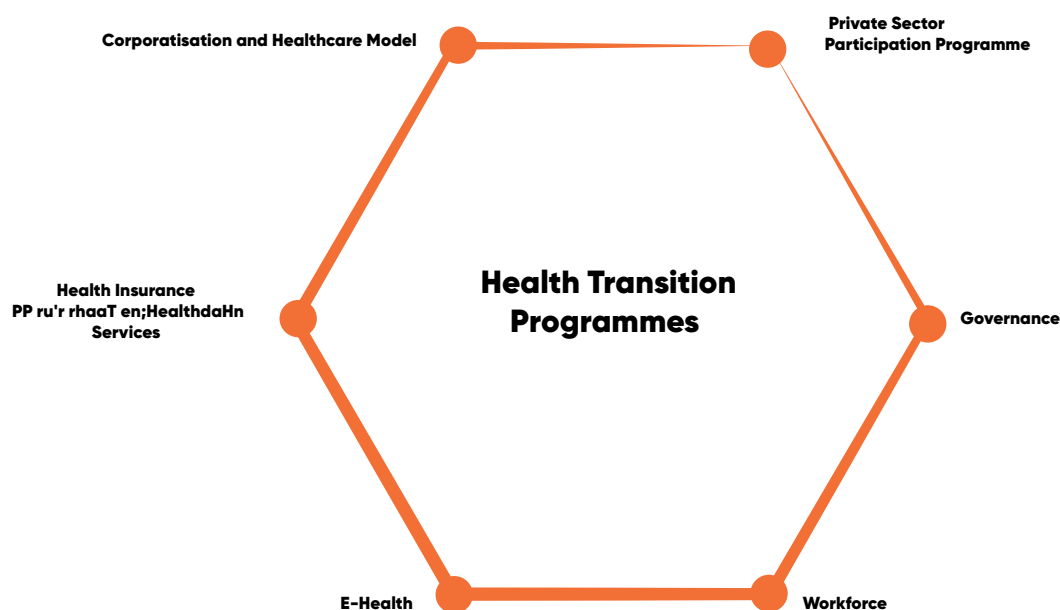
The transformation of the Kingdom's healthcare sector in alignment with Vision 2030 also constitutes the detachment of the three roles currently provided by the Ministry of Health, which will direct the ministry's endeavours towards regulating and overseeing the health sector, without consuming its efforts in other tasks. This process serves as the cornerstone of the sector's development. The service provision role will be undertaken by regional companies, known as clusters, in a concept described as accountable care organisations while a government holding company will take charge of financing service provision.

Exhibit 16: Role of MOH in the New Health Transformation, Saudi Arabia (2018)



To achieve this transition, the Kingdom identified multiple transition programmes, as stated in the diagram below:

Exhibit 17: Health Transformation Programmes in Vision 2030



These programmes have opened doors for multiple investment opportunities in key areas identified by the national transformational programme, as below:

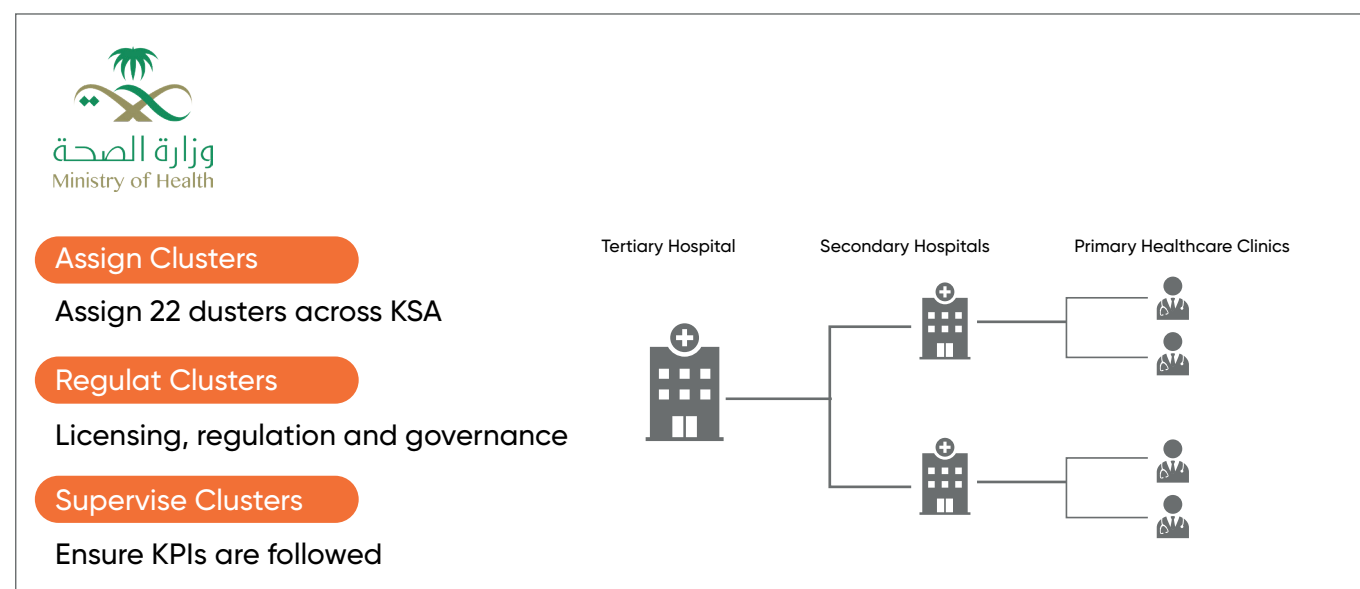
Exhibit 18: Key Investment Areas, Healthcare

Additional private medical facilities	Increased medical insurance	Increased use of information technology	Healthcare Education
Provision of improved training facilities	Enhanced professional development	Local manufacture of pharmaceuticals	

3.1.2 ACOs (Accountable Care Organisations)

As part of the National Transformation Programme and the Ministry's direction towards offloading the provision of care and taking a more active role in regulations and governance, the Accountable Care Organisation initiative was rolled out. Currently under progress and expected to be completed by year 2030, the initiative focuses on grouping current providers into 22 clusters, (previously referred to in Exhibit 2) which are accountable care organisations that are responsible for a population set. Each cluster will comprise a tertiary care hospital, supported by a number of secondary hospitals and numerous primary healthcare centres. The main objective of the MOH is to achieve the continuum of care and reduce and decrease the burden of disease by focusing on primary healthcare, which revolves around promotion of health, prevention of disease, management of illness and rehabilitation.

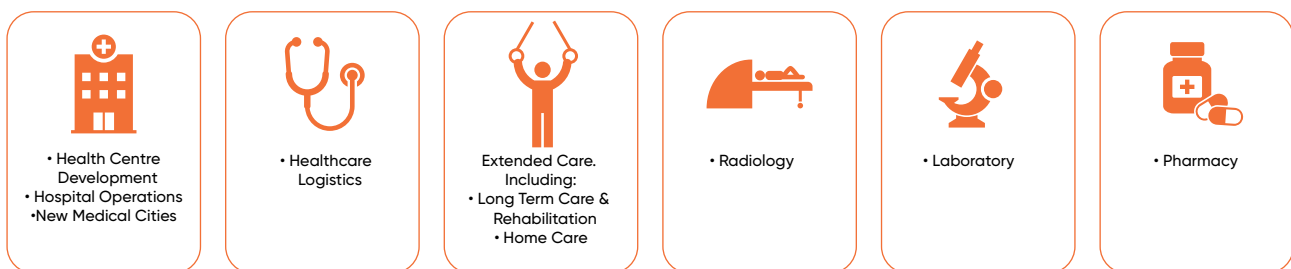
Exhibit 19: Accountable Care Organisations - model



3.1.3 NCP – National Centre for Privatisation

The National Centre for Privatisation & PPP (NCP) is an entity created to enable the privatisation and public private partnerships (PPP) for all 10 targeted sectors within the Vision 2030. Health sector's privatisation process is following the approved timeline set by the Privatisation Supervisory Committee (PSC). The first step is already underway, which is the establishment of a State Holding Company and five regional companies to promote institutional transformation and restructuring within the health sector. PSC did a full-scale study of the health sector, which produced nine different areas that would benefit from privatisation and/or PPP. The areas include:

Exhibit 20: Areas to benefit from privatisation and PPP



The study also involved the following:

- Turning King Faisal Specialist Hospital & Research Centre (KFSH&RC) into a not-for-profit organisation working to advance specialised healthcare and medical research, enhance patient experience and focus on academic medical training.
- Governmental programme to adapt Value Based Healthcare by buying health services and insurances for Saudi citizens.

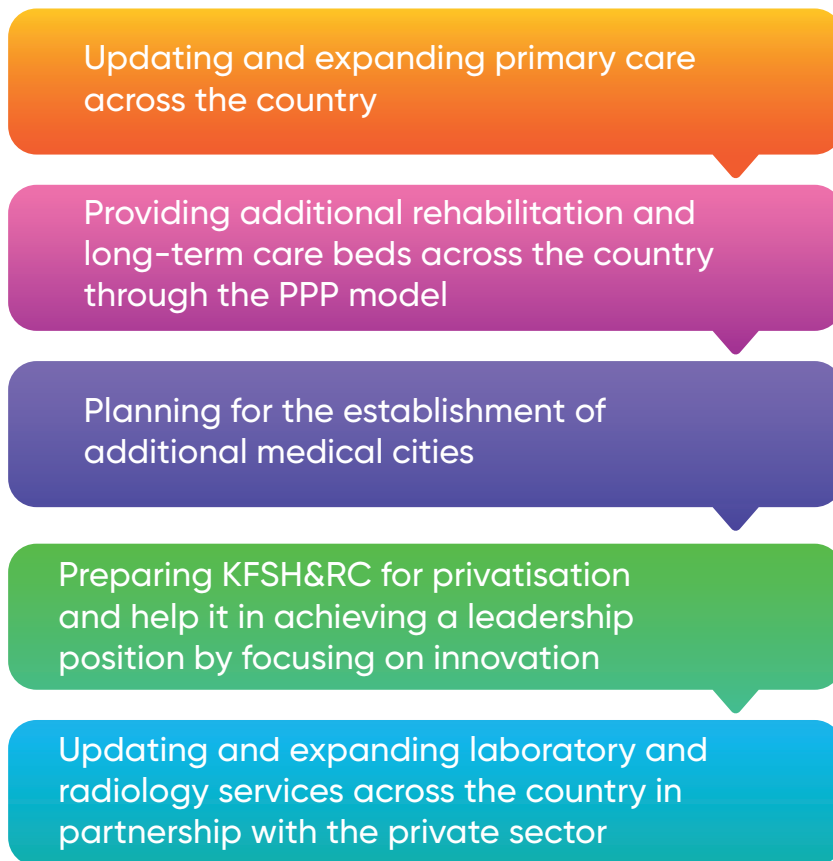
Vision 2030's privatisation of healthcare is to provide the best services and patient care as well as extend its reach and efficiency all over the Kingdom. With advancement and efficacy of the healthcare system, the Kingdom hopes to establish a competitive healthcare market, using best global practices and standards as well as offering sustainable work opportunities to all Saudi nationals.

3.1.4 Focus on privatisation

In April 2018, the Kingdom of Saudi Arabia announced an ambitious privatisation plan, which includes 14 public-private-partnership (PP') investments to be completed across 10 sectors, including healthcare.

The key targets of the privatisation plan in relation to healthcare include:

Exhibit 21: Healthcare Target for Privatization Plan

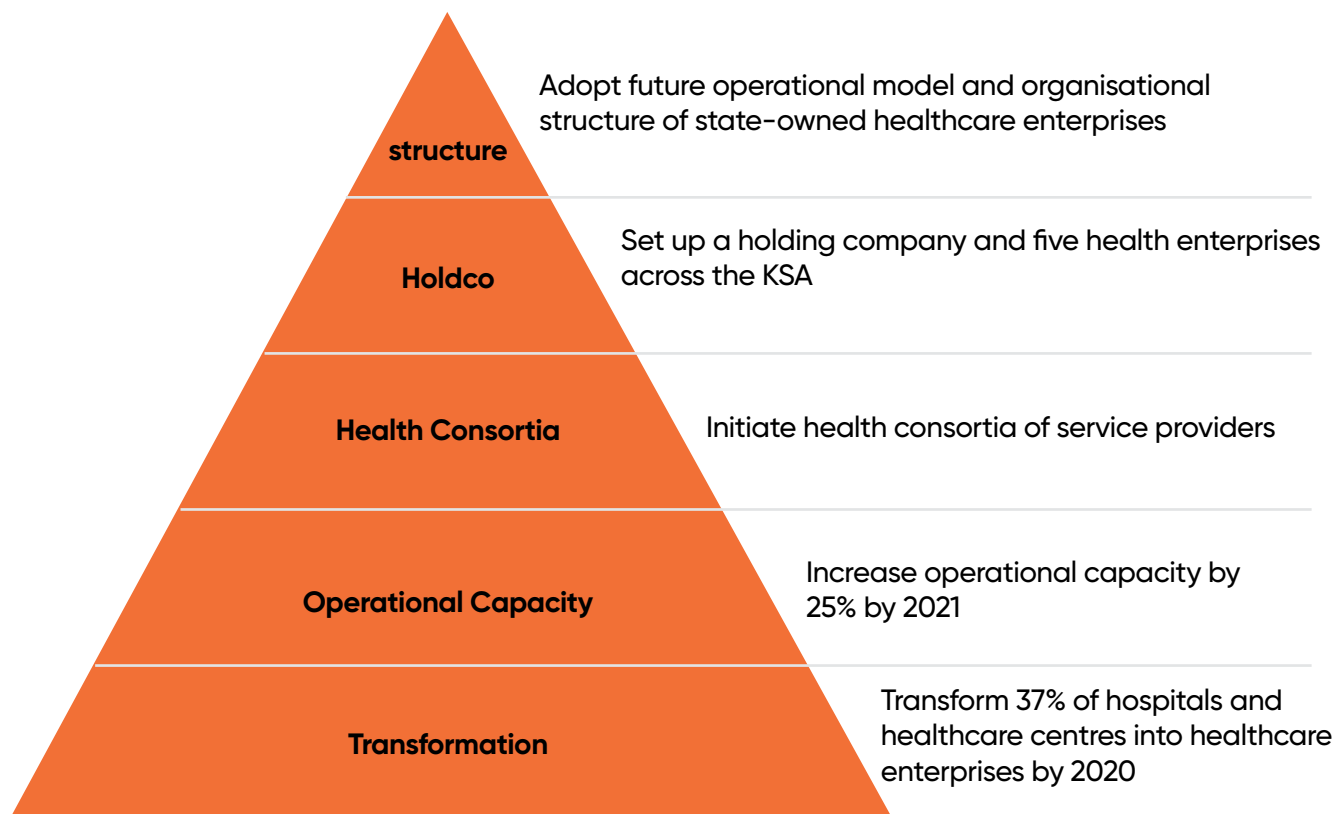


Privatisation is also seen as a key focus area in the Saudi Vision 2030 and the National Transformation Programme (NTP). The strategic objectives stated for healthcare in the NTP include:

- Privatisation of two medical cities through a PPP scheme: King Faisal Medical City in Asir and The Prince Muhammad bin Abdul Aziz Medical City in Al Jouf
- Increasing private sector share of spending in healthcare through alternative financing methods and service providers
- King Faisal Specialty Hospital transformation: King Faisal Specialist Hospital to transform into an independent entity by the second quarter of 2022. It is still to keep maintaining its role as an entity hosting multiple internationally recognised centres of excellence, a leading research centre in addition to its leading role in academic and clinical training. As part of that, King Faisal Specialist Hospital & Research Centre (KFSHRC) has formed the King Faisal Specialist Hospital International Holding Company (KFSHI). KFSHI, being the investment arm of KFSHRC, supports its commercialisation strategy, by pursuing profitable strategic investments in healthcare and related sectors thereby contributing to KFSH&RC's financial sustainability. This along with the overall strategy to cater to patients paid for by insurance and other payor types in the Kingdom, support KFSHRC's plan to become independent.

Under the new system, state-owned enterprises would provide services once organisational structures have been completed. Meanwhile, the institutional transformation programme will continue to support service providers to launch continuous improvement projects, to boost transparent monitoring of health facilities, in terms of speed and quality access to services, ensure efficient professional development and accountability based on practical and therapeutic outputs, without any disruption to current health services during the institutional transformation phase. The immediate focus for the Ministry is to:

Exhibit 22: Ministry of Health Objectives

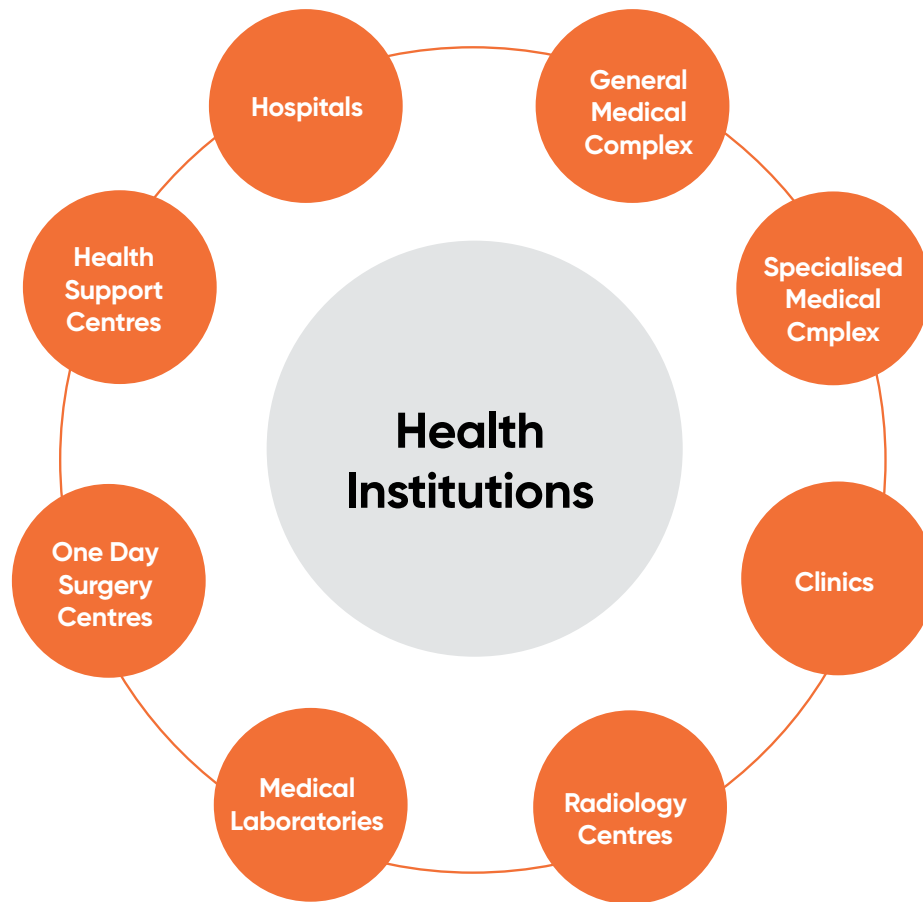


3.1.5 Influx of foreign investment

The KSA Private Healthcare Institutions Law (the Law) was amended in 2016 by virtue of a Royal Decree to attract foreign investment into the Kingdom's healthcare industry. The amendments, although touching on only two Articles of the Law, are expected to pave the way for foreign healthcare entities/companies to establish private healthcare institutions (PHI) with 100% foreign ownership.

PHI are defined broadly under Article 1 of the Law as: "Every health institution which is owned by the private sector and is prepared for providing treatment, diagnosis, nursing, medical tests or rehabilitation, or intended for convalescent residence including the following":

Exhibit 23: Types of Healthcare Institutions



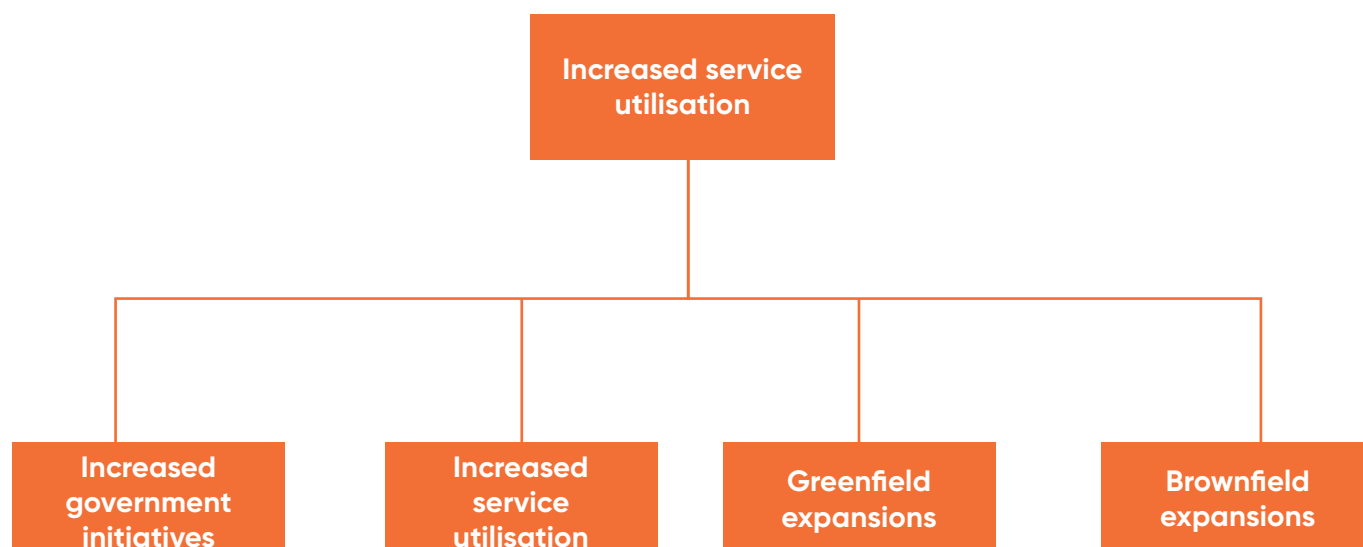
Prior to this amendment, foreign PHI ownership was restricted to hospitals alone and required a minimum number of beds depending on the hospital's location and area served; all other forms of PHI required Saudi ownership, thereby limiting the scope of foreign investment in the healthcare industry only to major cities.

This has driven foreign investors and medical healthcare groups to view the Kingdom as a lucrative market, with multiple players exploring various ways to enter the healthcare market and grow, such as CMC, Mediclinic, and others. The amendment will allow more foreign investors to be a part of the Kingdom's transformation as it moves towards having private sector service providers build and operate government owned health institutions across the Kingdom. The direct impact expected is an improvement in the overall quality of healthcare providers and institutions, which is in line with the Kingdom's Vision 2030.

3.2 Shift Towards Private Sector in Healthcare Delivery

The Ministry of Health (MOH) in the KSA is undergoing a transformational shift "from being an operator and regulator to solely being a regulator". This has been resulting in profound growth of the private healthcare sector, as mentioned in the exhibit below.

Exhibit 24: Various parameters of increased private sector role in healthcare delivery



3.2.1 Increased Government Initiatives

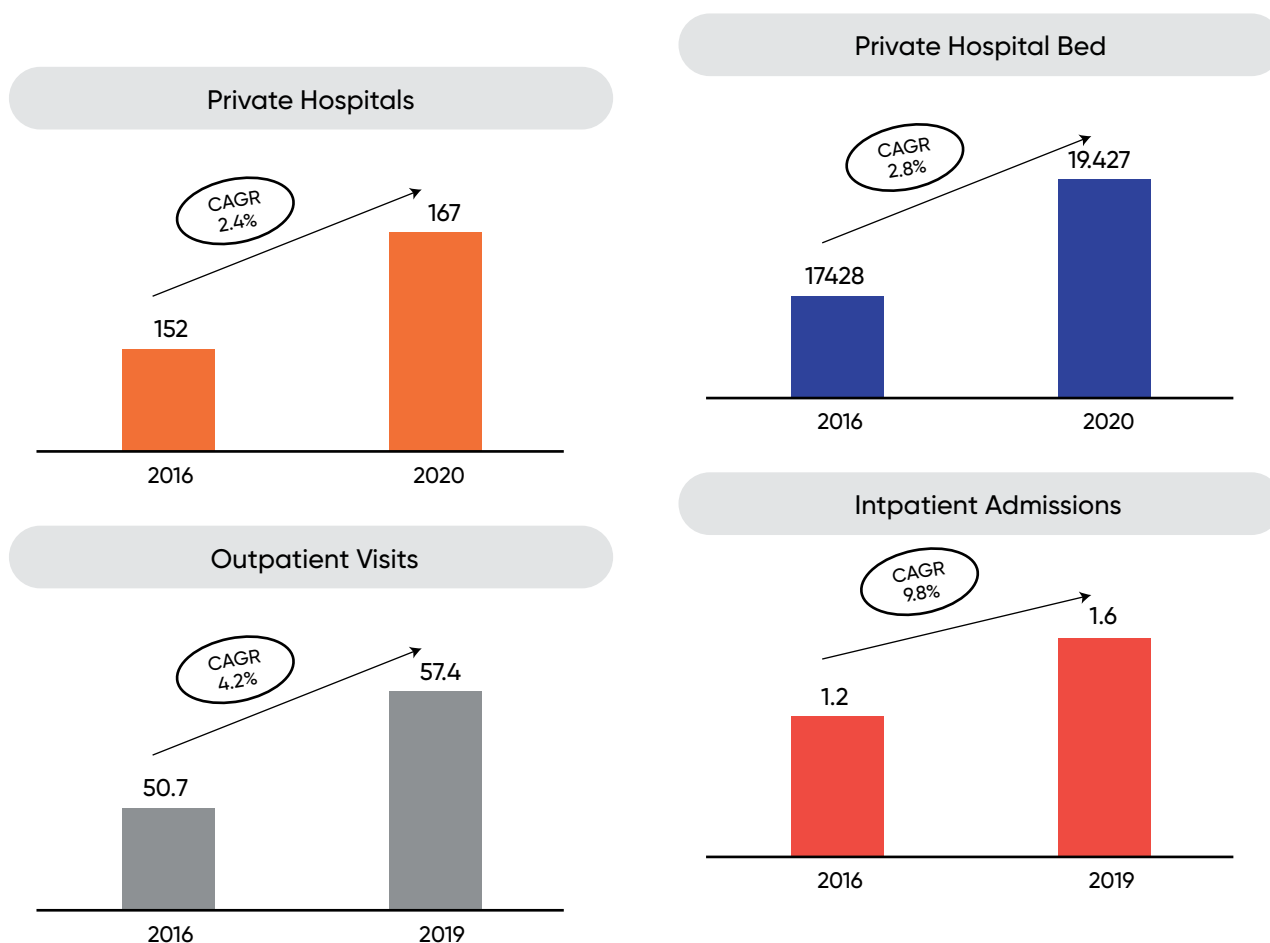
There has been increasing focus on bolstering the private healthcare sector in the KSA with many initiatives being undertaken by the Government, e.g. -

- MOH has launched several PPP initiatives in line with its National Transformation Programme, seeking to expand and improve the country's healthcare sector through foreign and domestic private investment.
- In 2017, the Saudi Arabian General Investment Authority- SAGIA (now known as Ministry of Investment of Saudi Arabia - MISA) provided for 100% ownership to foreign investors in the healthcare sector.
- In 2020, the Government also made a budgetary allocation of SAR 167 Bn (~USD 45 Bn) towards the privatisation of 295 hospitals by 2030, improvement of medical education and digitisation of patient records.

3.2.2 Increased service utilisation

Private sector growth is being reflected in its increased share of healthcare infrastructure and service utilisation, as shown in the next page:

Exhibit 25: Increased share of private sector role in healthcare sector (2016-2019/2020)

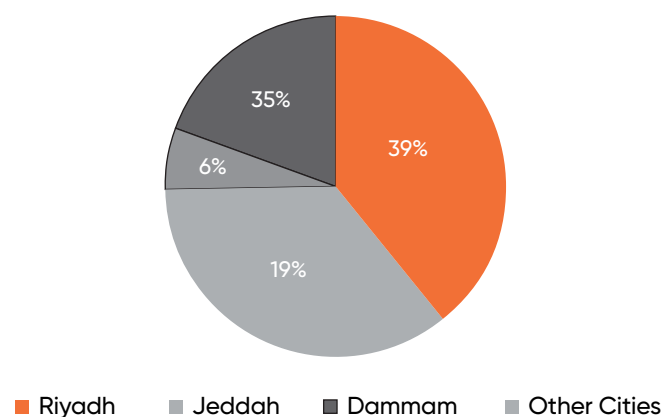


Going further, the private sector is expected to strengthen in the region with many greenfield and brownfield projects, as discussed under.

3.2.3 Greenfield expansion

There are ~70 planned healthcare projects in the KSA. Of these ~44% are in the private sector with majority being in key cities like Riyadh, Jeddah, and Dammam, as shown below:

Exhibit 26: Planned private healthcare projects in the KSA (2022-2026)²⁰



Other cities with key healthcare projects include Makkah, Medinah etc. Key private players including large healthcare groups are expanding in the region with a large pipeline of healthcare projects for the future. Key planned and announced investments by private players are mentioned below.²¹

²⁰ Various company websites, JLL - Healthcare Research & Analysis

²¹ MEED, JLL - Healthcare Research and Analysis

Exhibit 27: Projects by key healthcare players in the KSA (2020–2026)

Investor	Project	Country Region	City/ Town	Net Project (Value (USD Mn	Project Status
2022					
Al Batterjee Holding	Batterjee Medical City: General Hospital	Makkah Province	Makkah	295	Execution
Middle East Healthcare Company	Saudi German Hospital	Riyadh Province	Riyadh	40	Execution
Al Murjan Group	Al Murjan Medical Centre	Makkah Province	Jeddah	213	Execution
Dallah Healthcare	Dallah Hospital Main Building in Al Nakheel Governorate	Riyadh Province	Riyadh	16	Execution
2023					
Sulaiman Al Habib Medical Group	Shamal Al Riyadh Healthcare Hospital	Riyadh Province	Riyadh	240	Execution
Sulaiman Al Habib Medical Group	Gharb Al-Takhassusi: Maternity and Paediatric Hospital	Riyadh Province	Riyadh	19	Execution
Sulaiman Al Habib Medical Group	Sulaiman Al Habib Hospital in Al Sahafa	Riyadh Province	Riyadh	426	Execution
King's College	King's College Hospital	Makkah Province	Jeddah	85	Execution
Sulaiman Al Habib Medical Group	West Jeddah Hospital	Makkah Province	Jeddah	77	Execution
Soliman Fakeeh Hospital	Soliman Fakeeh Hospital	Al-Medinah Province	Medinah	45	Execution
2024					
Sulaiman Al Habib Medical Group	Al-Kharj Hospital	Riyadh Province	Al Kharj	96	Execution
Mouwasat Medical Services	Mouwasat Hospital in Yanbu Industrial City	Al- Medinah Province	Yanbu	86	Bid Evaluation
Sulaiman Al Habib Medical Group	Al Muhammadiyah Hospital in Jeddah	Makkah Province	Jeddah	83	Execution
2025					
Sulaiman Al Habib Medical Group	Medinah Hospital in Mitam	Al- Medinah Province	Medinah	100	Study
Haif Company	Olaya Hospital	Riyadh Province	Riyadh	110	Design
DAG / SAJCO	Dallah Integrated Healthcare Hospital	Makkah Province	Jeddah	250	Design

3.2.4 Brownfield expansion

Private players are also expanding through the brownfield route with many high value deals being undertaken in the healthcare sector in last few years. Some of the recent transactions are mentioned below.

Exhibit 28: Recent M&A transactions in the KSA (2018-2022)²²

Investor	Year	Target Company	Type of facility	Deal Value (USD Million)	Share (%) Acquired	EBITDA Multiple	Description of the deal
Jadwa Healthcare Opportunities Fund	2016	United Eastern Medical Services (UEMedical)	Multiple hospitals of multiple specialised healthcare formats	NA	42%	NA	United Eastern Medical Services is a UAE-based integrated healthcare group that specialises in the women, fertility, and children's healthcare segments across the KSA and UAE.
United Eastern Medical Services (UEMedical)	2019	Al Muhaideb Dental Clinics Group	Specialised healthcare format	136	NA	NA	UEMedical acquired a controlling stake in Al Muhaideb Dental Clinics Group in Saudi Arabia which has assets including 46 dental clinics in Riyadh, Jeddah, Abha, Makkah and Al Qassim.
Hassana Investment Company	2019	NMC Health	General Hospital	NA	NA	NA	Hassana is the investment arm of the General Organisation for Social Insurance (GOSI) in the KSA. NMC and GOSI agreed to a well-defined long-term sustainable growth plan for the JV.
Dallah Healthcare	2020	Makkah Medical Centre	Specialised healthcare format	43	78.6%	NA	Acquisition of majority stake is part of Dallah's expansion strategy in Makkah region.
Amanat Holdings	2021	Cambridge Medical and Rehabilitation Centre (CMRC)	Specialised healthcare format	232	100%	NA	Amanat Holdings has acquired CMRC, a leading post-acute care and rehabilitation (PAC) provider in the UAE and KSA from TVM Capital Healthcare.
Undisclosed	2022	NMC Health	Multiple hospitals	NA	NA	NA	NMC Health sold 53% of its stake in Saudi Medical Care Group (SMCG), marking its final international asset sale as the company prepares to complete its administration process. The company expects the transaction to be completed by the second half of 2022, without identifying the buyer or specifying the deal value.

²² Various company websites, JLL - Healthcare Research & Analysis

Healthcare expansions are also being fuelled by recent and planned IPOs. The KSA's IPO market proved to be more resilient than expected in 2020 during the COVID-19 pandemic. Key SMEs are of the opinion that sectors like healthcare, energy, retail, and technology will have a strong pipeline of IPOs in coming years. Many recent and planned IPOs in the healthcare sector are mentioned below:

Exhibit 29: Recent and planned IPOs in healthcare sector in the KSA

Company	Establishment Year	Key assets and operations	Listing Year	Offered shares of total and % (number)	Share value	Capital raised	Other details
Dr. Sulaiman Al Habib Medical Services Group Co. ²³	1995	Operates hospitals, outpatient clinics, pharmacies, and medical labs throughout the KSA as well as in Dubai and Bahrain	2020	5.25 million shares (or 10% of the total offered shares amounting to 52.5 million) were allocated to the retail investors	SAR 50	USD 700 Mn	A total of 224,440 retail investors subscribed to 5.25 million shares at a total value of nearly SAR 1.9 billion
AME Company for Medical Supplies (AME)	2009	Headquartered in Jeddah, AME is a medical supplies company that distributes, and markets medical products, supplies, equipment, and devices used mainly in the field of cosmetics and plastic surgery in the KSA	2022	Company's current capital is SAR 70 million, divided into seven million shares with a nominal value of SAR 10 per share.	Price guidance per share: SAR 50	NA	The company was transformed to a Saudi joint stock company in June 2021. AME Co. for Medical Supplies' IPO prospectus was issued in December 2021.
Arabian International Healthcare Holding Co. (also known as Tibbiyah, owned by Al Faisaliah Group) ^{24, 25}	1973	Leading healthcare provider in the KSA	2022	25% stake of its total ~USD 53 million capital ~5 million shares	SAR 82	NA	The CMA approved the IPO in Dec 2021. Tibbiyah allocated 20% of the total offered shares to qualified retail investors in March 2022
Al Nahdi Medical Co. (50% owned by Jeddah-based investment firm Sedco Holding) ²⁶	1986	One of the largest retail pharmacies in the country that manages and operates a network of pharmacies with more than 1,100 outlets across ~145 cities and one in UAE	2022	30% of total, ~39 million shares	SAR 153	The company raised about USD 1.36 Bn in KSA's largest IPO since oil giant Saudi Aramco went public in 2019.	KSA's Capital Market Authority (CMA) approved the share offering in Dec 2021. Nahdi Medical Co. made a strong market debut in March 2022 opening 16.8% above its initial public offering price. ²⁷ The successful listing of Al Nahdi represents a rare IPO by a pharmacy chain and ranks it among one of the largest in the industry.

²³ Argam: Saudi Arabia to see more IPOs in tech, retail, healthcare; set for bumper 2021 • ²⁴ Zawya: Saudi CMA approves listing of Al Nahdi Medical, SHL in new wave of IPOs

²⁵ Arab News: Al Faisaliah Group's Tibbiyah Holding to offer 25% stake in IPO on Nomu • ²⁶ Gulf Business: Saudi pharmacy chain seeks \$1.3bn in top IPO since Aramco

²⁷ Reuters: Saudi pharmacy firm Nahdi soars on debut after \$1.36 billion IPO

Company	Establishment Year	Key assets and operations	Listing Year	Offered shares of total and % (number)	Share value	Capital raised	Other details
Planned IPOs							
Al-Dawaa Medical Services Company ²⁸	1993	One of the largest pharmaceutical retail companies in the KSA, has a chain of over 800 pharmacies across the country together with online and wholesale channels	TBD	30% stake of its capital of SAR 850 Mn, equivalent to 25.5 million shares	SAR 65-73	Seeking to raise about USD 500 Mn from the IPO	The CMA approved the IPO in Dec 2021. The company would be listed on Tadawul's main market. The shares will be offered for subscription to retail and institutional investors. 100% of the offer shares will be offered to institutional investors, with a clawback to retail investors of up to 10% of the offered shares.
Scientific and Medical Equipment House (SMEH, A member of the Arifi Group of Companies) ²⁹	2001	One of the leading companies specialised in building and operating health facilities in the KSA	TBD	30% of the company's capital (SAR 200 Mn) with 6 million shares	SAR 62	NA	Would be listed on KSA main index, TASI. Members of the eligible party are to subscribe to a minimum of 100,000 shares, limited to a maximum of 999,999 shares.

3.3 Large, planned developments in the KSA acting as key drivers for healthcare investments

There are many large current and planned infrastructure developments in the country like mega projects, mixed-use projects etc. These developments are expected to provide a large population base, which acts as a major healthcare driver. In addition, social developments like retail, healthcare, education etc. need to be planned along with these projects. Therefore, the healthcare market is expected to get a boost owing to these planned developments.

Key upcoming mega development projects in the KSA include ROSHN project, Neom City project, Diriyah Gate Development Authority project, Diplomatic Quarter (DQ) project, Jeddah Economic project etc. These mega projects are expected to drive growth of the healthcare market.

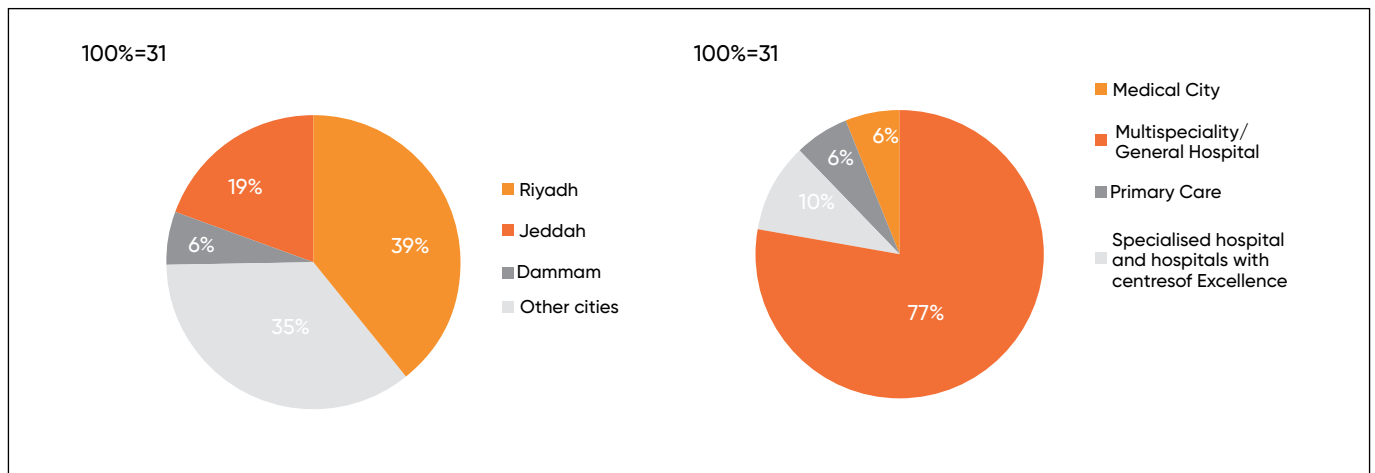
²⁸ Arab Business: Saudi pharma major Al-Dawaa Medical Services Company plans IPO

²⁹ Arab News: Saudi Scientific & Medical Equipment House sets IPO price range, book-building imminent

3.4 Market Shift Towards Specialised Formats

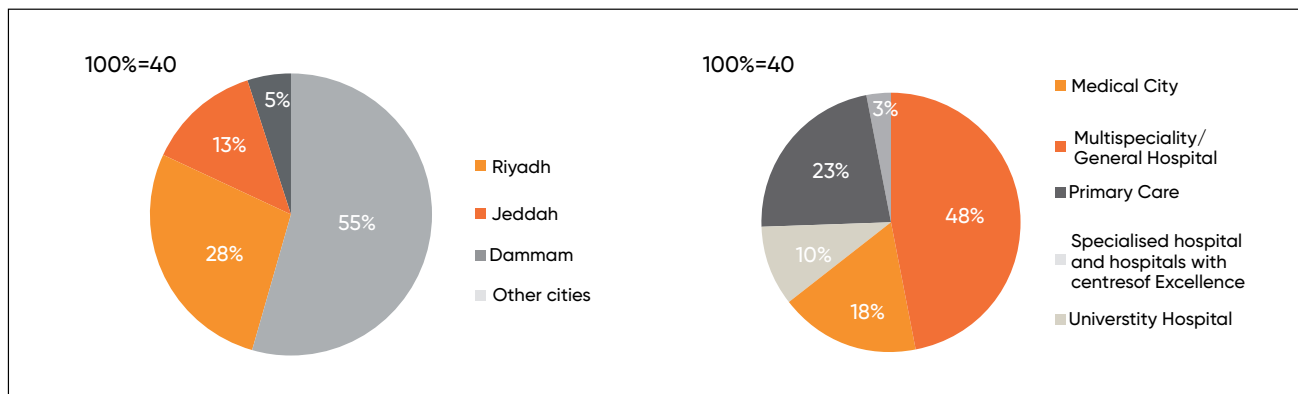
Analysis of upcoming supply in the KSA's private healthcare sector indicates that majority of the new projects are in the key cities of Riyadh and Jeddah. Also, more than 75% projects are for multi-speciality/general hospitals, with many established private players focusing on this format e.g., Sulaiman Al Habib Hospital in Riyadh, Haif Company Olaya Hospital in Riyadh, Al Murjan Group Hospital in Jeddah, King's College Hospital in Jeddah etc. A few private players have announced investment in specialised care segments e.g., Sulaiman Al Habib Maternity and Paediatric Hospital in Riyadh.

Exhibit 30: Upcoming healthcare projects by region and format in the private sector



Public sector healthcare projects are quite geographically distributed with ~55% projects being in cities other than Riyadh, Jeddah, and Dammam. Also, public sector has many large, planned healthcare developments, like medical cities and university hospitals along with many specialised hospital formats projects including SABIC - Riyadh Behavioural Care Hospital, Ministry of Health - Mental Health Hospital in Abha, MOH - Jizan Obstetrics and Gynaecology Hospital, Royal Commission of Riyadh City - Hittin IVF Infertility Hospital etc. The MOH is also planning for PPP projects in several areas, starting with extended care facilities and medical cities in selected clusters.

Exhibit 31: Upcoming healthcare projects by region and format in the public sector

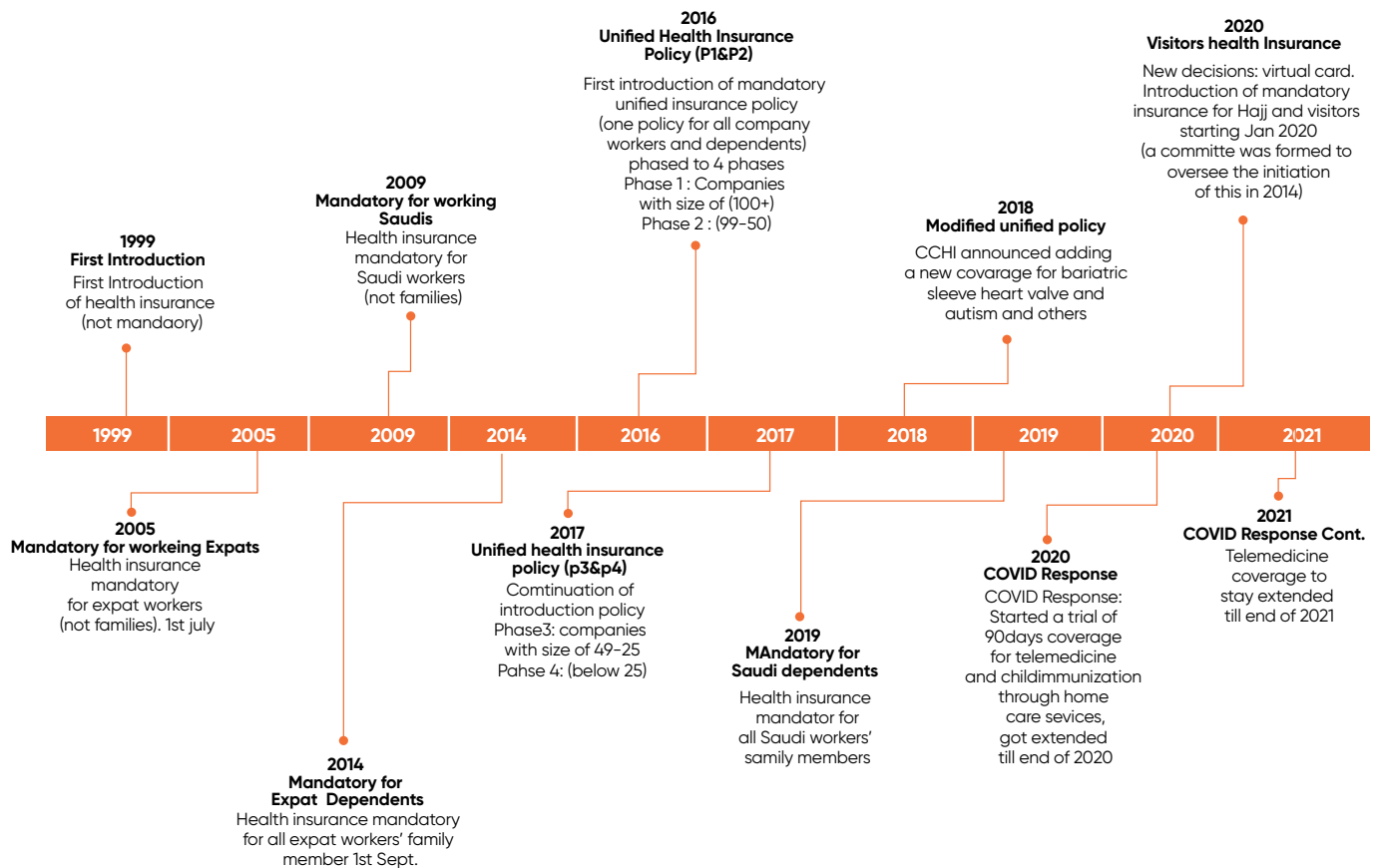


Going further, significant opportunities exist in the comparatively lesser developed regions of the KSA along with special specialised formats.

3.5 Medical Insurance Growth

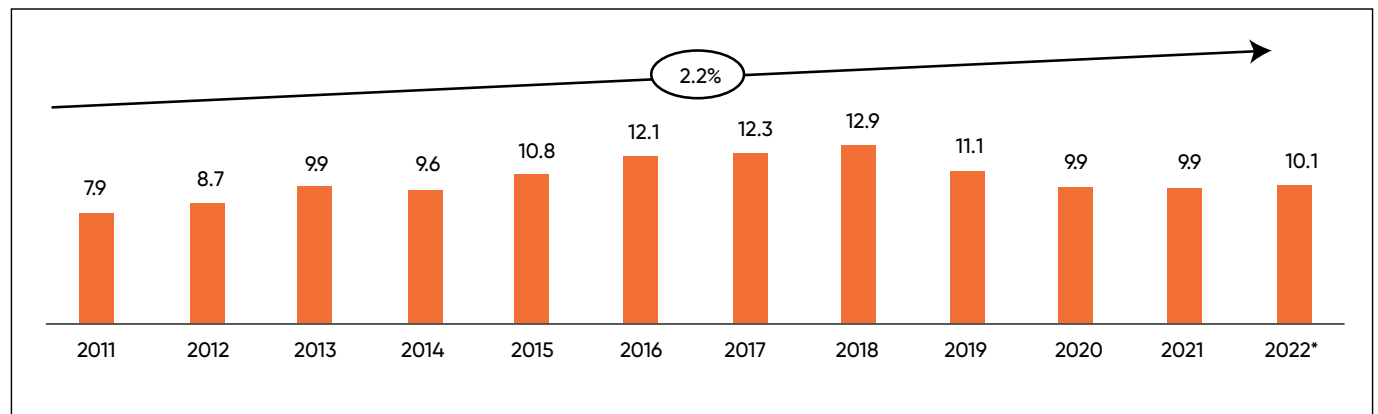
In 2016, KSA began the implementation of a mandatory unified health insurance scheme aimed at ensuring that all citizens and residents of KSA are medically insured.

Exhibit 32: Roll out strategy of mandatory insurance in KSA



- In July 2016 KSA began implementing the mandatory unified health insurance scheme, with the goal of ensuring that all expats and nationals residing in KSA are covered by health insurance.
- This initiative is ensuring major issues in terms of healthcare accessibility are resolved for all residents of the Kingdom.

Private health insurance coverage has been increasing in the country, as mentioned below:

Exhibit 33: Total Private insured population in KSA in Million (2011–2022)³⁰

The numbers of privately insured population grew at a CAGR of 2.2% to include approximately 10.1 million population in 2022. The insurance market saw a dip in its penetration in the year 2019, attributed to the implementation of expatriate visa renewal fees, which led to a few expatriates leaving the country. As of 2022, ~29% of the total population had access to private insurance. Going further, with many initiatives to increase health insurance coverage, the share of insured population is expected to increase.

³⁰ CCHI, *2022 numbers are as of 1st March 2022, as published by the Saudi Council for Cooperative Health Insurance (CCHI)

Section 4: Summary and Conclusion: Market Potential

A large youth base and a rapidly ageing population with prevalence of chronic diseases are expected to triple healthcare demand in the next 10 years.³¹ Rising prevalence of chronic diseases, untapped potential for localisation, and a well-established regulator ensuring ease of doing business, all add to the value proposition of investing in the healthcare market of KSA.

Going further, market growth will be driven by the following key opportunities:

- PPP initiatives: Healthcare remains a top priority in the KSA with increasing private sector participation through various PPP initiatives leading to growth of the healthcare infrastructure
- Specialised healthcare formats like Dental, Dermatology, Extended care etc.
- Establishment of medical cities and COEs in specialties like Cardiac sciences, Orthopaedics, Oncology etc.
- Primary healthcare: Focus on family and community medicine along with preventive health and wellness
- Healthcare retail segment
- Local manufacturing capabilities in pharmaceuticals, medical equipment, and consumables
- Medical research in new areas of healthcare applications like Stem cell in specialties like Oncology, Organ transplant, Immunology etc.

Healthcare providers that have a high focus on high-end technology (clinical and IT) will have an advantage in the market as upgraded clinical technology helps significantly in attracting patients as well as star doctors and staff in addition to ensuring best patient outcomes. Ensuring smooth patient pathways and patient flow within healthcare facilities will help providers in differentiating their service offerings and being aligned with KSA's healthcare transformation vision. Increasing insurance penetration in future would boost the healthcare market access. The standardisation of healthcare delivery through establishment of New Model of Care will further ensure quality of care in the Kingdom. Opportunity also exists in the underserved health regions of the KSA, like development of healthcare clusters in Riyadh 3rd region, Baha region, Asir region and Alqunfudhah region etc. Also, there are greenfield projects coming up in underserved regions, like Abha Private Hospital project, Sulaiman Al Habib group's Al-Kharj Hospital etc. signifying growing opportunities in remote areas as players are increasingly investing in these underserved regions. Growth in these markets is also expected to drive the overall growth in the healthcare market in the Kingdom.