

# GENERIC DRUGS MANUFACTURING

## INVESTMENT OPPORTUNITY SCORECARD

### HEALTHCARE AND LIFE SCIENCES

MAY 2021



# HEALTHCARE AND LIFE SCIENCES

## Generic Drugs Manufacturing

Public / متاح

High Potential

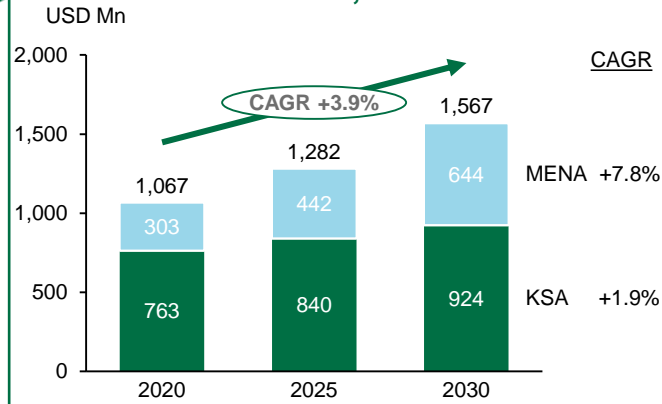
Moderate Potential

Low Potential

**OPPORTUNITY'S DESCRIPTION:** Establish and operate a generic drugs manufacturing facility in KSA to cater local and regional demand

### DEMAND

#### MARKET SIZE, USD MN



#### INVESTMENT HIGHLIGHTS

- Expected investment size: ~USD 394 Mn
- Opportunity to consider different operating models – FDI with 100% ownership or joint venture with local private sector player(s)
- Guaranteed offtake agreement by the government of KSA

### INVESTMENT OVERVIEW

#### VALUE PROPOSITION

- Leverage recent FDI measures such as 100% foreign direct ownership to motivate private sector participation in KSA healthcare sector
- The National Transformation Plan aims to localize 40% of the pharmaceutical sector in KSA and reduce current high import dependency for key products
- KSA pharmaceuticals vision is to accelerate the growth of the local manufacturing cluster and transition into products with higher complexity, with focus on products that are important for national security, to become leading manufacturer and innovator in MENA region
- Capitalize upon strong foundation of healthcare sector through well established ecosystem and incentive schemes for foreign entities entering local market

#### KEY DEMAND DRIVERS

- Expiration of branded drug patents is a major driver for development of the generic drug market in KSA
- Rising prevalence of chronic diseases and the increasing geriatric population in the Kingdom are some of the major demand drivers for pharmaceutical products
- Demand for drugs is projected to increase as the population ages, new pathogenic conditions are diagnosed, and personalized treatment regimen comes to the fore
- Increases in life expectancy, changes in social lifestyles and environmental changes are leading to new and attractive opportunities for generics manufacturers

### MARKET OVERVIEW

#### MARKET READINESS AND COMPETITOR ANALYSIS

- KSA pharmaceutical manufacturing is in early stages of development and characterized by absence of major global players
- Products with highest demand are HIV antivirals, inhibitor antidiabetics and antiepileptics in chemical molecules segment and HIV antivirals, Antipsychotics and antimycotics in APIs
- There is currently only one large API manufacturer in KSA
- KSA has a portfolio of untapped APIs and chemical molecules that could be produced locally

#### GLOBAL TRENDS

- Global generic drugs market size reached ~USD 290 Bn in 2020 and is expected to reach ~USD 412 Bn by 2025, growing at a CAGR of 7.2% between 2020-25
- Due to an ageing population and increasing incidences of chronic diseases, governments across the globe have been making efforts to reduce healthcare costs by promoting the production of generics
- FDA's stringent approval and distribution process restrict the expansion of the generic drugs industry

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## SUPPLY

### SCALABILITY AND LOCALIZATION

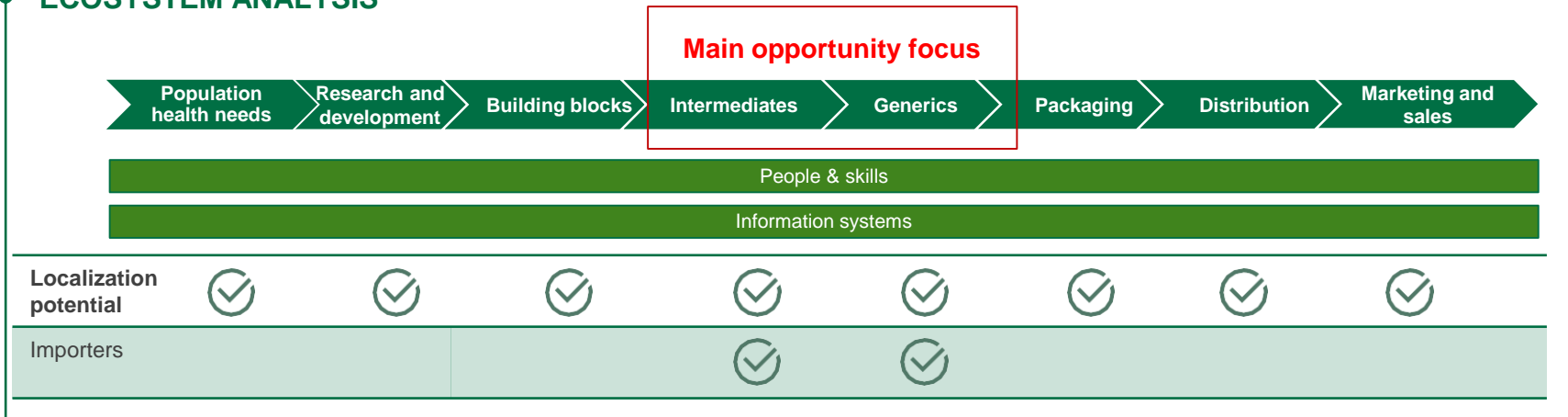
Grade: Low Medium **High**

- Localization is possible due to the availability of chemicals needed – from SABIC and Aramco
- Ability to serve large unmet local demand and further expand geographical footprint by leveraging KSA's geographical advantage and trade agreements with neighboring countries creating favorable export ecosystem
- Low cost of construction, labor wages, utility fees combined with availability of trained resources to support low capital and operating expense for the investor and maximize investment returns

### IMPORT DEPENDENCY

- Currently KSA imports over 81% of the generic drugs consumed locally creating large scope for reducing import dependency

### ECOSYSTEM ANALYSIS



### KEY STAKEHOLDERS



INVEST SAUDI Sources for Cost of Doing Business: EIU, World Bank

## ENABLING FACTORS

### ENABLERS

- Up to 50% tax credit on Saudi national worker's payroll and training cost for 10 years
- HRDF covers monthly salaries for 30-50% of Saudi employees (extra 10% for females) for 2 years, provided it does not exceed USD 4,000
- On-the-job training program for Saudi nationals under Tamheer program

### COST OF DOING BUSINESS IN KSA

Factor	Ranking Amongst Regional Peers
Ease of getting credit (0 – 100)	50
Electricity tariffs for industrial players	\$48 /MWh
Productivity adjusted wages	\$3.3 /hour
Logistics Performance Index (1 – 5)	3.2
Customs Clearance Index (1 – 5)	2.7

Bottom 25% | Top 75% | Top 50% | Top 25%

# DEFINITIONS

#	SCORECARD SECTION	DEFINITIONS
1	<b>Market size</b>	Size of market in value/volume in KSA and/or Region (MENA/GCC) covering future projections based on available estimates from published /government sources
2	<b>Demand drivers</b>	A select number of factors that will influence future demand for the related product/service
3	<b>Investment highlights</b>	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	<b>Value proposition</b>	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	<b>Market readiness</b>	An overview of KSA market structure, market maturity and level of participation by local and global players
6	<b>Competitor analysis</b>	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	<b>Global trends</b>	Latest business developments within the sector/product category
8	<b>Scalability and localization</b>	Ease of scaling the business across the value chain or into new adjacent products or geographies that would maximize the opportunity's investment returns and the ability and potential to locally manufacture the product and its components
9	<b>Import dependency</b>	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	<b>Value chain analysis</b>	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	<b>Key stakeholders</b>	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	<b>Enablers</b>	Factors that enable investment in the underlying opportunity
13	<b>Cost of doing business in KSA</b>	Key factors that position KSA as a competitive destination for investment in the region. Productivity adjusted wages do not include cost of \$1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance

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