CONSULTING HAUS

QATAR HEALTHCARE SECTOR OVERVIEW

June 2020

HEALTHCARE SECTOR OVERVIEW COVERING THE PERIOD 2019 TO 2023

INTRODUCTION

This healthcare sector overview ("**Overview**") has been prepared by Consulting HAUS LLC and seeks to compare published data from international sources such as Fitch Solutions to data released from the Planning and Statistics Authority ("**PSA**"), Ministry of Public Health ("**MoPH**") and information gathered via primary market interviews with a cross section of market participants in Qatar.

After assessing the various sources of data, and taking into consideration the primary market research, the Overview concludes upon the market outlook for the healthcare sector in the coming years.

Users of the Overview are encouraged to undertake their own independent research before making any business-related decisions based on the content of the Overview.

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AN INTRODUCTION TO CONSULTING HAUS LLC

CONSULTING HAUS LLC IN QATAR

Established a little over a year ago, Consulting HAUS LLC has emerged as Qatar's only boutique corporate finance firm with a focus on supporting SMEs and large corporates. During the first year of operations we oversaw the successful delivery of several strategic engagements including:

- The provision of project management services to the founding board of a bank;
- Supporting successful Tawteen applicants to prepare detailed market, technical and financial feasibility studies;
- Undertaking a number of high-profile valuation assignments including PPA and intangible asset valuations;
- Being appointed as sell-side advisors to a number of companies including a market leading manufacturing company and one of the newest most technologically advanced health centers in Qatar; and
- Restructuring a group of gyms, following which an investor was found to support an expansion plan.

In 2019, we also implemented our virtual CFO services which are specially aimed at supporting SMEs to improve performance, manage cash and drive value.

In 2020, our focus will remain on maximizing the value of our clients' businesses by providing hands on support and being seen as an extension to our clients' management teams.

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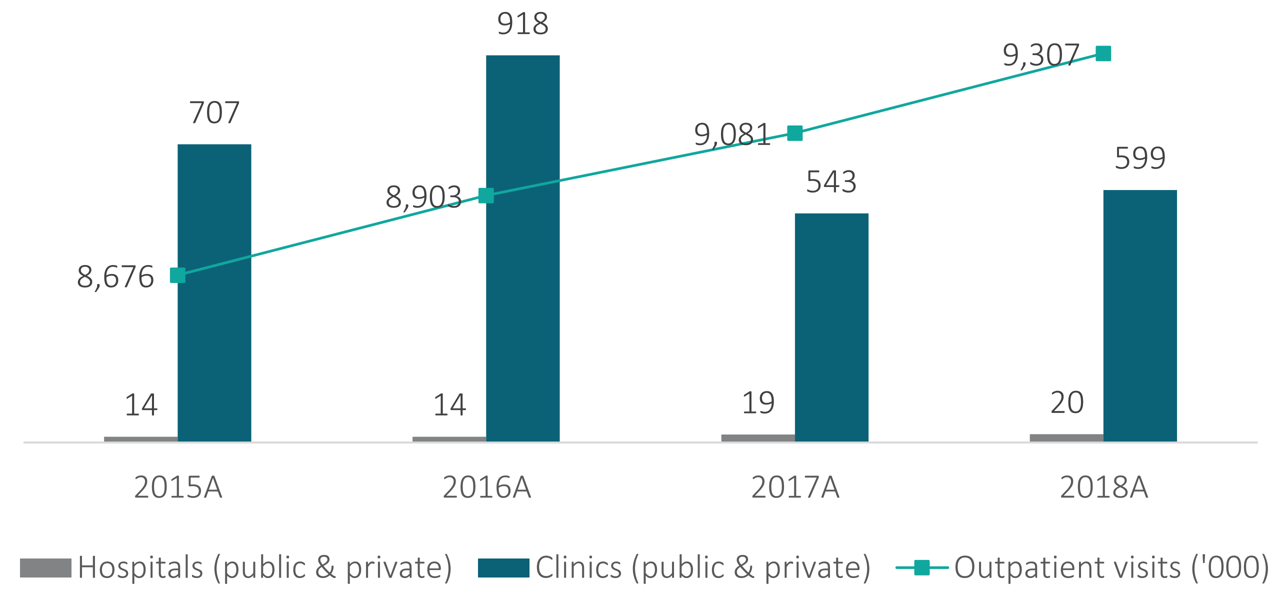
HEALTHCARE SECTOR OVERVIEW

QATAR HAS A TOTAL OF 20 HOSPITALS AND 599 OUTPATIENT CLINICS. IN 2018, TOTAL OUTPATIENT VISITS TO HOSPITALS AND CLINICS WAS 9.3M (UP FROM 9.1M IN 2017)…

OVERVIEW OF HEALTHCARE SECTOR IN QATAR

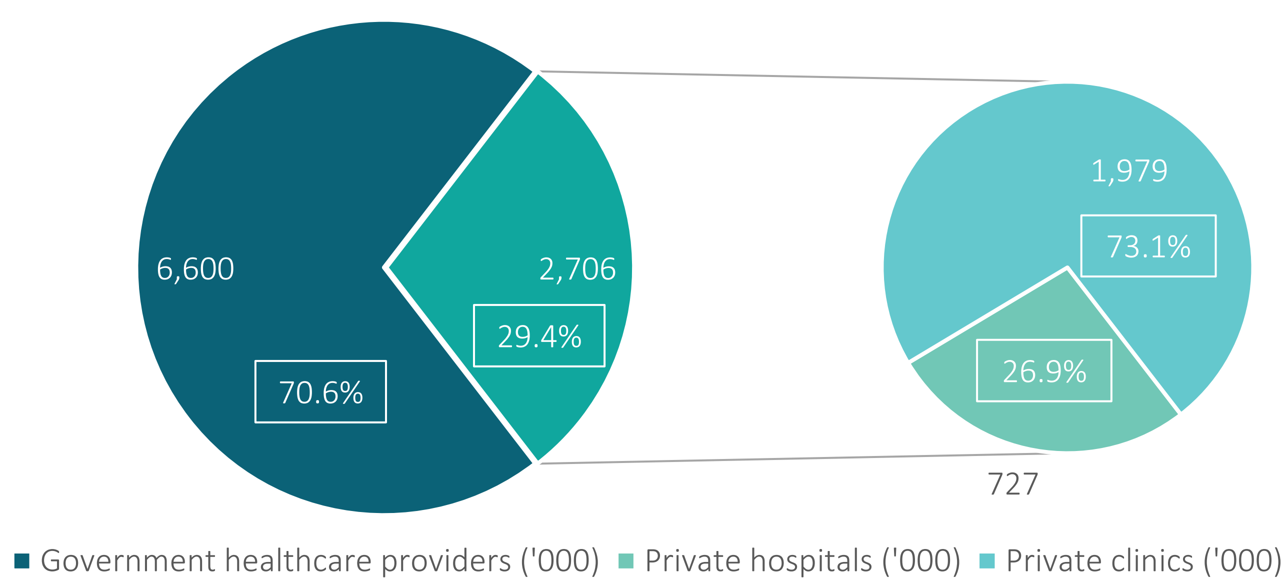
- Healthcare providers in Qatar can be categorized into the following:
  - i. Primary Health Care Corporation health centers;
  - ii. The outpatient (“**OP**”) department within hospitals;
  - iii. Ministry of Interior health centers;
  - iv. Qatar Petroleum health centers;
  - v. MoPH Health Centers operated by the Qatari Red Crescent Society;
  - vi. Private clinics and health centers located throughout Qatar; and
  - vii. Companies clinics.
- The chart (top right) illustrates the healthcare providers (public & private) and the total OP visits in Qatar between the period 2015 to 2018. In 2018, there were 14 government (public) hospitals, 6 private hospitals, 109 OP public clinics and 490 private clinics.
- We note that according the data there was a significant decline in the number of public and private clinics in 2017, yet the total number of OP visits increased. We understand that the drop is likely to be the result of a re-classification of data/clinics rather than an absolute drop in the number of clinics.
- Based on the latest available data, total OP visits in Qatar in 2018 was 9,306,740. OP visits grew at a CAGR 2.4% between 2015 & 2018. Based on the historical average, the average OP visit per capita is 3.4.
- In 2018, government hospitals and clinics together received 6,600,357 (70.9%) of the OP visits, with the remaining 2,706,383 (29.1%) visits going to private healthcare providers. The adjacent chart (bottom right) illustrates the OP visits split by visits to government & private hospitals/clinics.
- Based on the discussion with private clinics, and the data obtained from the MoPH, the most utilized OP services are general/internal medicine (41.1%), pediatrics (11.4%), obstetrics and gynecology (9.5%), orthopedics (8.6%) and others (38.0%).
- According the Qatar Healthcare Develop Plan, the government is aiming to increase the number of hospital beds from 3,535 in 2018 to 4,701 by 2030.

HEALTHCARE INDICATORS IN QATAR (2015A-2018A)



Source: Planning and Statistics authority,2018

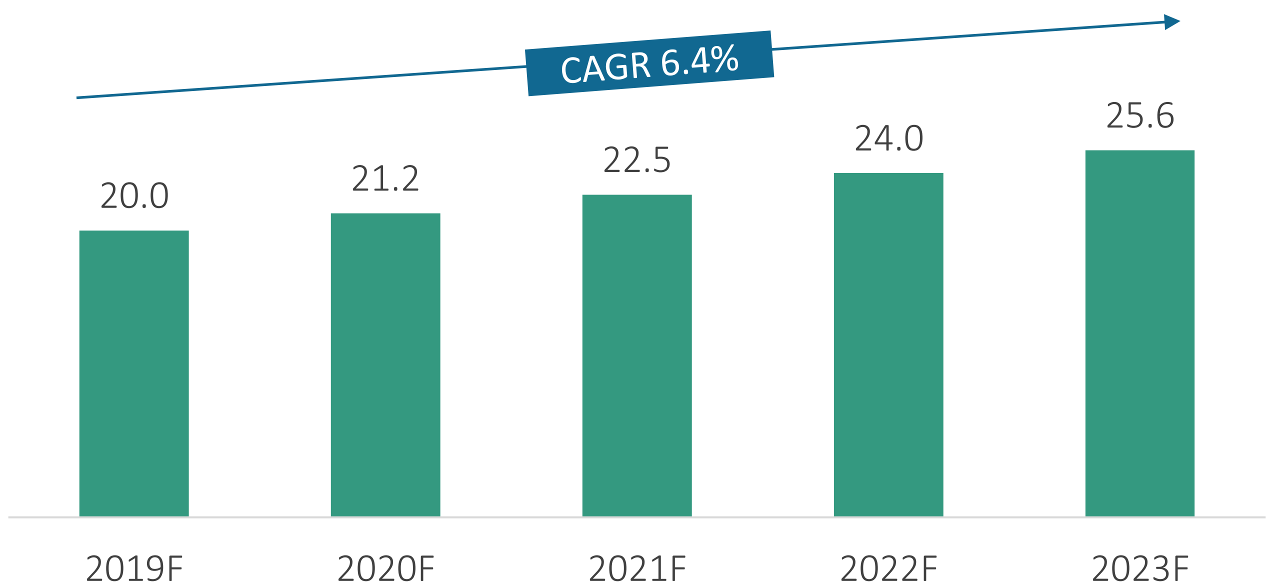
OP VISITS (‘000) SPLIT BY HEALTHCARE PROVIDERS IN 2018A



Source:, MoPH,- healthcare planning and assessment report, QNB capital, interviews & CH analysis 2018

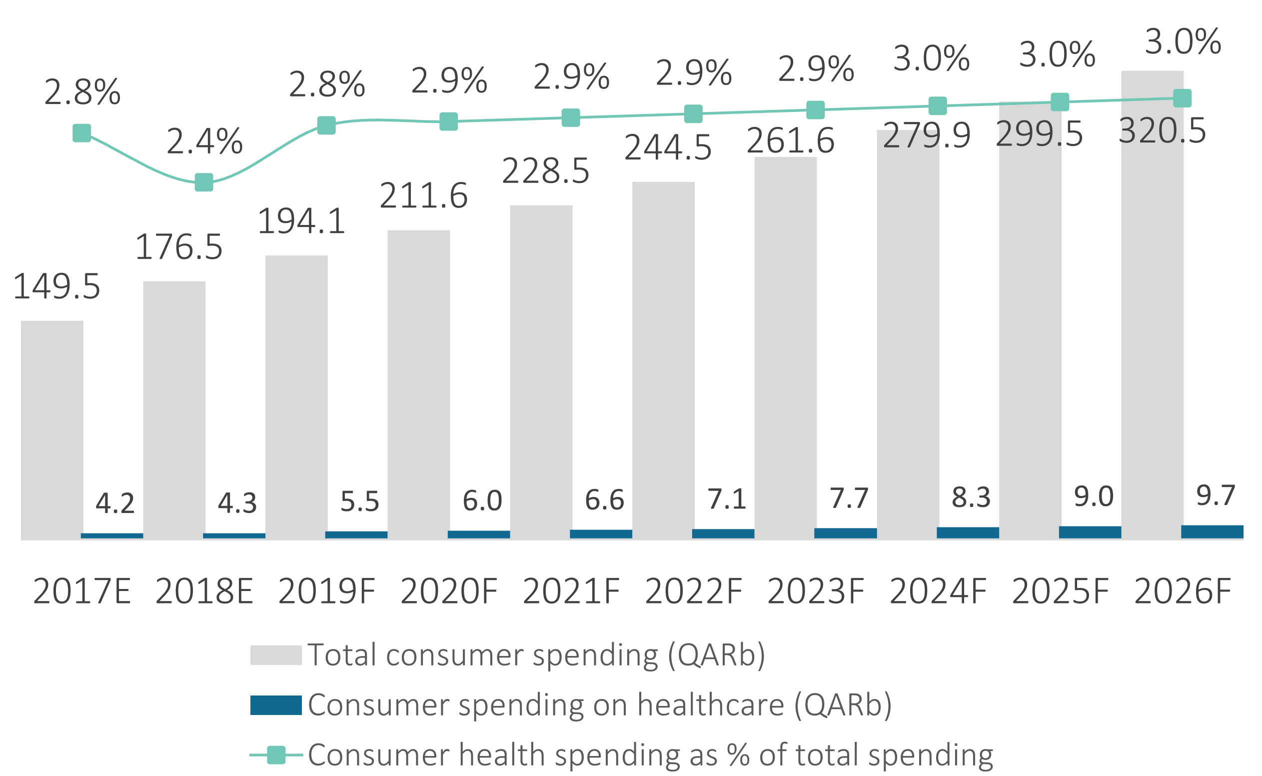
CONSUMER EXPENDITURE ON HEALTHCARE IS EXPECTED TO OUTPACE OVERALL CONSUMER SPENDING BY APPROXIMATELY 10.2% OVER THE PERIOD 2017 TO 2026...

QATAR HEALTHCARE SPENDING (QARb) 2019F – 2023F



Source: Fitch Solutions

ANALYSIS OF CONSUMER SPENDING (2017E-2026F)



Source: Oxford Economics

HEALTHCARE SPENDING ANALYSIS

- Healthcare spending is defined as government and private spending on medical products and services (this includes both infrastructure and consumer expenditure). The growth in healthcare spending during the forecast period 2019 to 2023 is driven by the following factors:
  i. Government's investment in healthcare projects, such as Hamad Medical Corporation;
  ii. Private sector investment;
  iii. The rising demand for medical treatments; and
  iv. The rising demand for health services as a result of population growth.
- Based on the latest estimates by Fitch Solutions, healthcare spending is expected to grow at a CAGR of 6.4%, outpacing GDP growth of 4.9% over the period 2019 to 2023.

CONSUMER SPENDING ANALYSIS

- Based on the latest estimates by Oxford Economics, total consumer spending in Qatar as of 2018 was QAR176.5b, out of which, healthcare expenditure constituted 2.4%, equating to QAR4.3b.
- Consumer spending on healthcare is projected to grow at a CAGR of 9.8% over the period 2017-2026. At this rate, the growth in healthcare spending by households is almost 10.2% higher than growth in overall consumer spending.
- Spending on healthcare as a percentage of total consumer spending is projected to remain at an average of c.2.9% largely due to the following:
  i. Free healthcare service offered by the government for Qataris and subsidized healthcare services for expatriates; and
  ii. Increased insurance coverage resulting in low burden of healthcare costs on consumer.

QATAR HAS THE HIGHEST HEALTHCARE SPENDING PER CAPITA ACROSS THE GCC…

GCC HEALTHCARE STATISTICS - 2018

	QATAR	SAUDI ARABIA	UAE	OMAN	BAHRAIN	KUWAIT
Healthcare expenditure (USDb)	5.2	40.7	13.6	2.8	1.9	5.0
Healthcare expenditure (% of GDP)	2.7%	5.2%	3.3%	4.0%	4.9%	3.7%
Healthcare expenditure per capita (USD/2018)	1,866	1,206	1,409	649	1,213	1,200

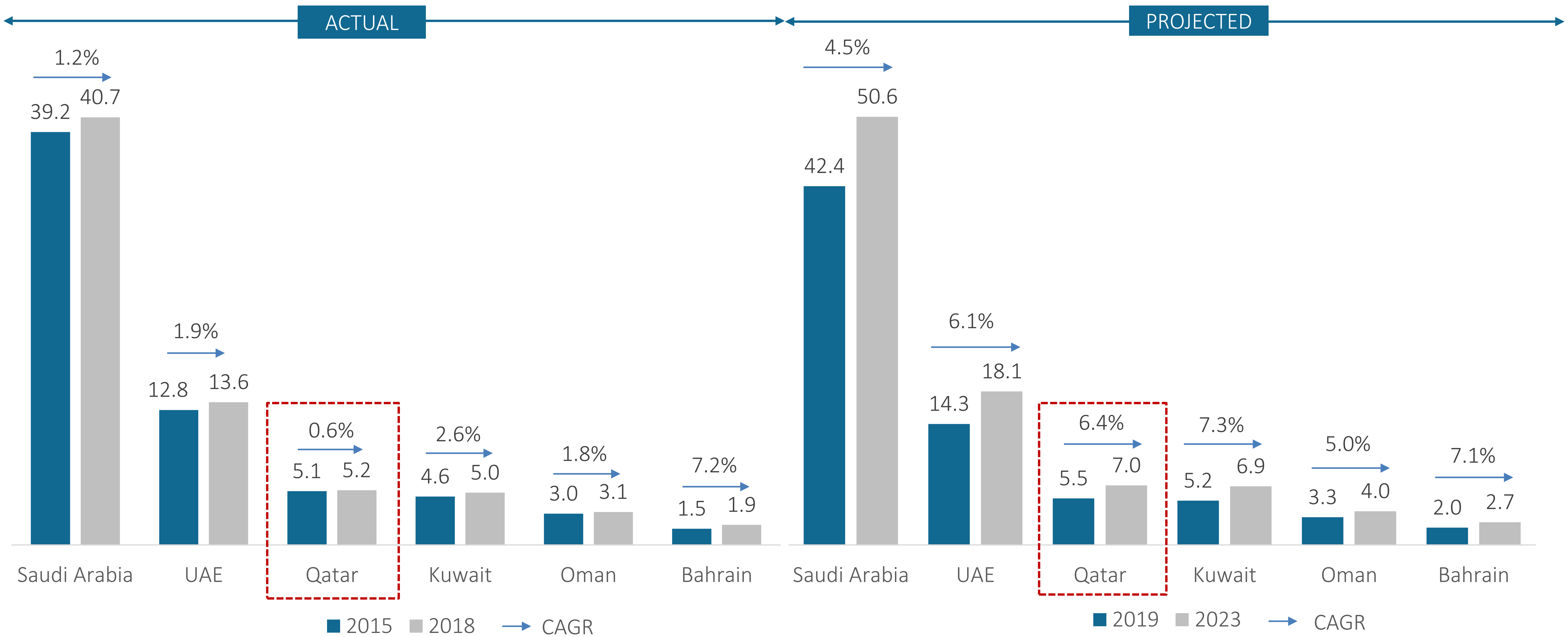
Source: Fitch Solutions

QATAR HEALTHCARE SPENDING COMPARED TO OTHER GCC COUNTRIES

- Healthcare expenditure in Qatar is among the highest in the GCC, in terms of nominal value, but as a portion of GDP, it is the lowest due do its sizeable GDP. Healthcare expenditure represented 2.7% of GDP in Qatar in 2018, compared to 5.2% in Saudi Arabia, which is the highest among GCC countries, followed by Bahrain then Kuwait (4.9% and 3.7% respectively).
- We note that according the data, Qatar has the highest healthcare expenditure per capita, at USD1,866, which is almost 32% higher than the UAE, which has the second highest expenditure per capita among GCC countries.

QATAR'S HEALTHCARE EXPENDITURE IS FORECAST TO OUTPACE MOST GCC COUNTRIES IN THE COMING YEARS…

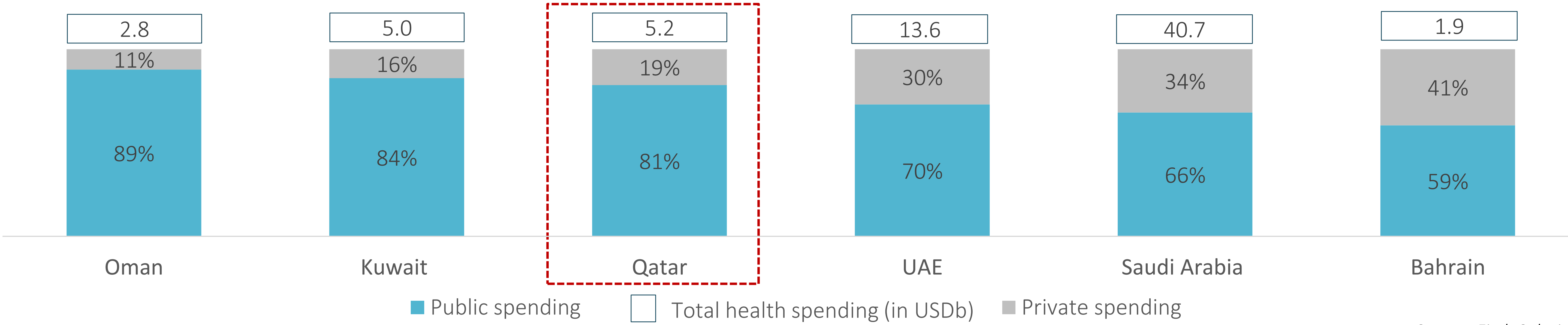
GCC COUNTRIES HEALTHCARE EXPENDITURE (USDb): ACTUAL VS. PROJECTED



- During the period 2015-2018, Qatar's healthcare expenditure grew at a CAGR of 0.6%, which was the lowest among GCC countries. Bahrain showcased the highest CAGR at 7.2%, followed by Kuwait at 2.6% over the same period.
- Qatar's healthcare expenditure is forecast to grow at CAGR of 6.4% from 2019 to 2023, which is the third highest among GCC countries. The main driver for growth is the government's commitment to healthcare infrastructure projects to ensure there are adequate healthcare services and hospital beds to service the growing population.
- Qatar is taking several key initiatives to develop the healthcare sector in the upcoming years, by improving the overall healthcare infrastructure and encouraging private sector involvement.

QATAR'S CURRENT STRATEGY INCLUDES ENCOURAGING THE PRIVATE SECTOR TO INVEST IN THE HEALTHCARE SECTOR TO SUPPORT THE NATIONAL TARGETS…

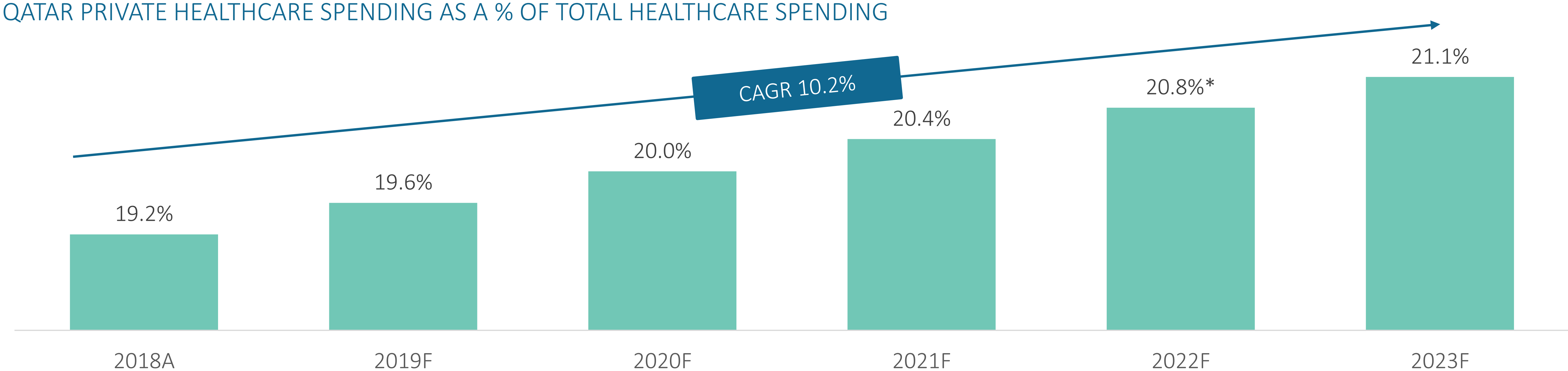
BREAK-UP OF HEALTHCARE SPENDING IN GCC COUNTRIES (USDb/2018)



Source: Fitch Solutions

- Public healthcare spending in Qatar accounts for 81% of total health spending, which is the third highest among GCC countries, and is materially higher than UAE, Saudi Arabia and Bahrain (70%, 66% and 59% respectively).
- The Qatari government is increasing its efforts to promote private sector involvement in the healthcare sector. It is anticipated that the ratio of private healthcare spending will grow by a CAGR of 10.2% from 2018 to 2023 which will reduce the public-private spending gap in the coming years.

QATAR PRIVATE HEALTHCARE SPENDING AS A % OF TOTAL HEALTHCARE SPENDING



Source: Fitch Solutions

**Government target is to reach 25.0% by 2022 however, the target may not be achieved. According to Fitch Solutions, the private sectors contribution to the sector will be 20.8% by 2022*

QATAR'S HEALTHCARE DEVELOPMENT PLAN INCLUDES THE DEVELOPMENT OF THE HEALTHCARE SECTOR'S HARD AND SOFT INFRASTRUCTURE…

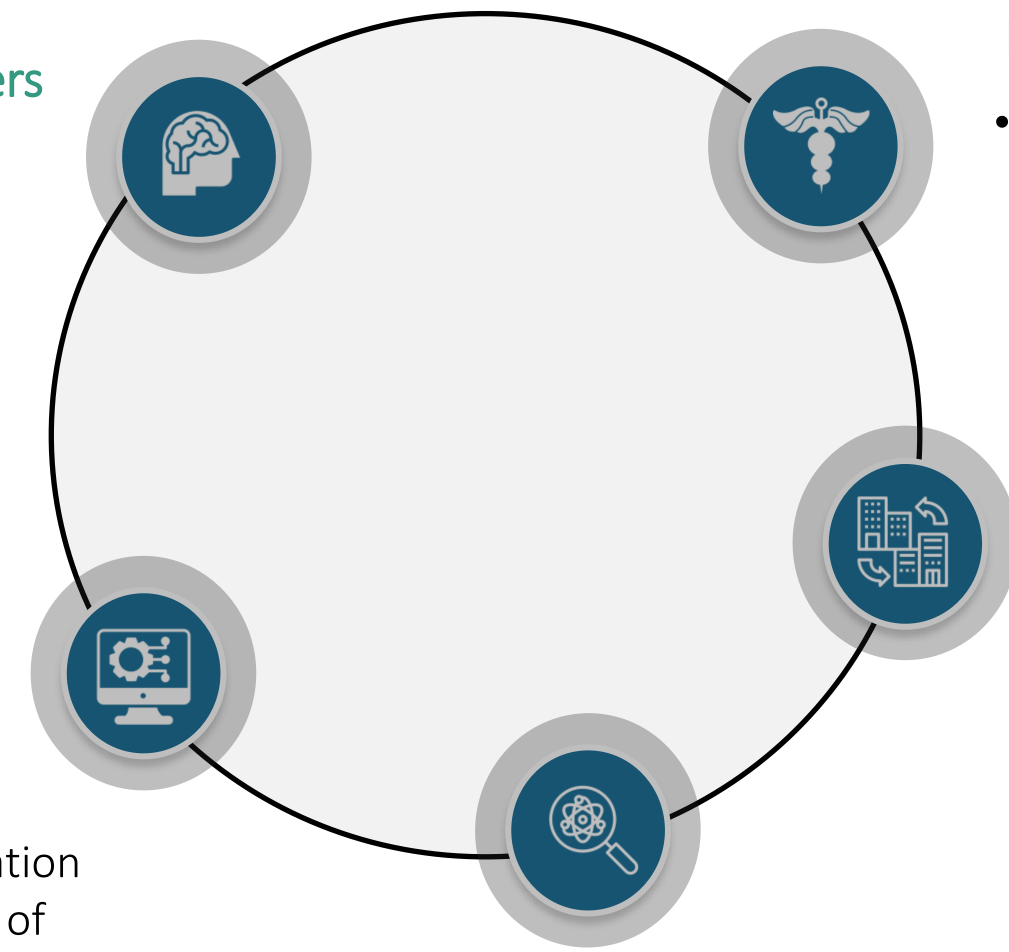
QATAR HEALTHCARE DEVELOPMENT PLAN

FOCUS AREA	SOFT INFRASTRUCTURE	HARD INFRASTRUCTURE
OBJECTIVES	• Preventative healthcare • Healthier population • Reduce the rate of chronic illness • Promote healthy lifestyle	• Increase the number of private healthcare centers/facilities • Modernize HMC facilities • Increase the number of hospital beds
TARGETS	• 5% decrease in obesity rate in children, adolescents and adults • 15% reduction in premature mortality from cardiovascular diseases, cancer & diabetes	• Increase private sector market share by 25% by 2022 (target) • Increase number of hospital beds to 4,701 by 2022 from 3,535 in 2018
CRITICAL SUCCESS FACTORS	• Effective policy implementation • Government taking quick actions related to underlying cause of disease (such as tax on tabaco) • Effective health education campaign	• Effective government budgeting • Effective private-public partnerships • Improve the business environment for the private sector

Source: CH analysis, National Health Strategy 2018 -2022, Planning and Statistics Authority

QATAR IS TAKING STRATEGIC INITIATIVES TO DEVELOP THE HEALTHCARE SECTOR IN AN ATTEMPT TO MAKE IT THE MOST ADVANCED IN THE REGION…

STRATEGIC INITIATIVES UNDERTAKEN BY THE GOVERNMENT TO DEVELOP THE HEALTHCARE SECTOR



Develop specialized medical centers

- Several specialized centers have opened such as Qatar rehabilitation center, ambulatory care center and the Women and Wellness Center.

HMC infrastructure expansion

- Eleven new health centers will be set up as part of the expansion plans while three existing ones will be replaced with new facilities.

Promotion of private sector involvement

- The government plans to increase the private sector share of health spending by 25% by 2022. Qatar plans to promote the development of specialized service provision, with the aim to reduce the rate of foreign travel treatment. This will provide investment opportunities for the private sectors in areas relating to high-tech and specialized services.

Develop information technology

- Qatar has framed an eHealth strategy to incorporate automation of medical centers, monitoring of patients remotely, and data management to facilitate the development of the healthcare system and enhance patient experience.

Support medical research

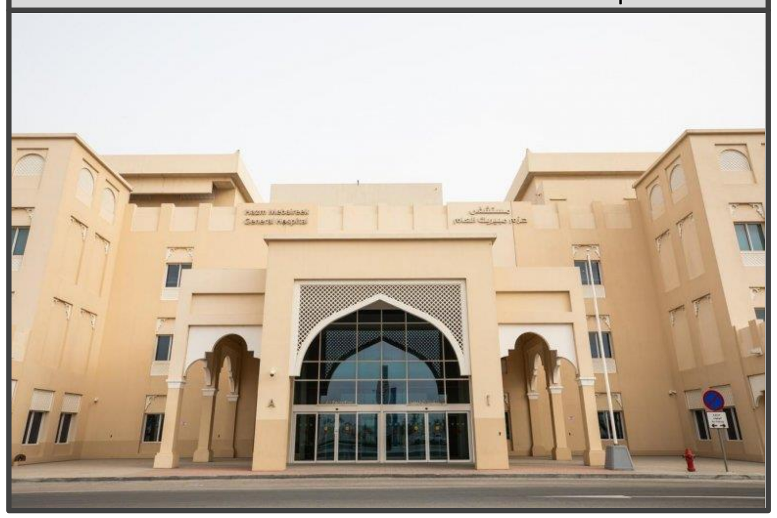
- Qatar is investing in creating specialized institutes focused on medical research, such as the Medical Research Center ("**MRC**") at HMC and Sidra, Qatar Biomedical Research Institute and Qatar Biobank.

Source: CH analysis, National Health Strategy 2018 -2022

QATAR HAS DEVELOPED STATE-OF-THE ART HEALTH FACILITIES TO ACCOMMODATE THE RISING DEMAND OF ITS POPULATION…

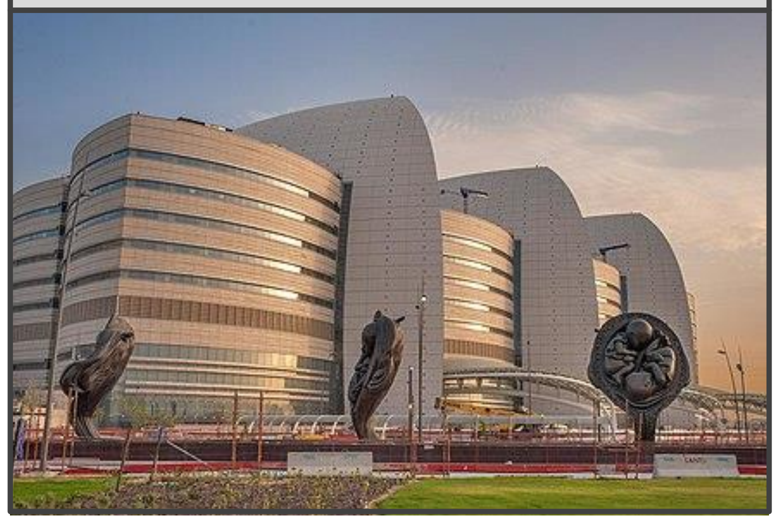
KEY HEALTHCARE FACILITIES COMPLETED IN THE PAST 5 YEARS

Hazem Mubaireek General Hospital



- Opened: Sept 2018
- 57,000 sqm, 118 bed community general hospital for adult male patients, with a focus on the Industrial area community

Sidra Medical and Research Center



- Opened: Jan 2018
- A 400-bed women’s and children’s hospital, medical education and biomedical research center

Women wellness and Research Center

- Opened: Aug 2017
- A 260-bed hospital with a capacity for 15,000 births a year

Ambulatory Care Center

- Opened: Aug 2017
- 130-bed specialized center for outpatient care and adult day-surgery

Communicable Disease Center

- Opened: Jan 2017
- 9,000 square meter purpose-built facility which has 65 single-bedrooms offering inpatient services for infectious disease patients

Qatar Rehabilitation Institute

- Opened: Dec 2016
- 38,000 SQM, 193-bed healthcare institute providing rehabilitation services for adults and children

MEGA HEALTHCARE FACILITIES ARE UNDER CONSTRUCTION THAT ARE EXPECTED TO FURTHER IMPROVE QATAR'S HEALTHCARE SYSTEM…

HEALTHCARE PROJECTS UNDER CONSTRUCTION

Hamad bin Khalifa Translational Research Institute

A 45,500sqm facility that will provide a world-class environment for scientific research and bio data collection.

The Hamad Bin Khalifa Translational Research Institute will feature state-of-the-art laboratories as well as contemporary conference facilities for teaching.

The facility will consolidate all research groups across Hamad Medical Corporation to strengthen collaboration and innovation and focus on the fields of cancer, trauma, infectious diseases, neuroscience, diabetes, obesity, cardiovascular disease and women's and children's health.

Simulation Center for Professional Education

The Simulation Center will be a purpose-built environment for healthcare professionals to refine and advance their clinical techniques and learn interactive tools for patient communication.

The Simulation Center will provide controlled and supportive environments that imitate real-life patient care scenarios and the training will create specific learning opportunities in such areas as communication and teamwork.

Clinicians will also be able to use the latest computer software and other devices to practice specific diagnostic and surgical techniques within realistic patient care settings.

New Industrial Area Hospitals

Two new hospitals for the Al Khor and Mesaieed Industrial Areas are under construction.

Each equipped with over 100 beds and a range of services to cater to the healthcare needs of the local population, they will be conveniently located to enable care to be easily accessed and reduce the need for to travel

QATAR'S ROBUST ECONOMY HAS ENABLED A HEAVY INVESTMENT INTO THE DEVELOPMENT OF THE HEALTHCARE SECTOR…

STRENGTHS

- The government is committed to the development of healthcare projects to meet the rising demand of Qatar's rising population.
- Qatar is taking strategic initiatives to develop the healthcare sector in an attempt to make it one the most advanced in the region.
- Healthcare expenditure per capita in Qatar is far superior than other GCC countries.

WEAKNESSES

- Qatar's recent population growth was mainly driven by the government's investment in infrastructure projects relating to World Cup 2022. Once the projects materialize/mature, the sustainability of long-term population growth is uncertain.
- Qatar is behind the rest of the region when it comes to complementary, alternative and health optimization/preventative health services.
- At present, there is a small amount of private sector participation in the healthcare sector as compared to other GCC countries.

OPPORTUNITIES

- The government is using the 2022 FIFA World Cup as a catalyst for economic diversification, benefiting other sectors from elevated capital expenditures, including healthcare.
- The healthcare sector is projected to grow at 6.4% until 2023 with the number of beds increasing from 3,535 in 2018 to 4,701 by 2022
- The government is promoting preventative healthcare to help achieve its national health vision.
- Qatar plans to increase private sector contribution to healthcare projects to 25% by 2022.

THREATS

- Government reliance on oil related revenue to fund healthcare projects.
- Decline in the price of oil could disrupt the government's funding and affect the timely execution of key healthcare projects.
- Geopolitical tension in the GCC and across the wider middle east could affect investor sentiment and reduce private sector investments in key sectors, including healthcare.

THE INCREASING DEMAND COUPLED WITH THE GOVERNMENT'S PLANNED INITIATIVES TO INCREASE PRIVATE SECTOR PARTICIPATION WILL GIVE RISE TO INVESTMENT OPPORTUNITIES GOING FORWARD…

CONCLUSIONS

- The government is taking several strategic initiatives to develop the soft and hard healthcare infrastructure to position Qatar at the fore front of global healthcare rankings. Key initiatives include increasing the number of hospital beds (from 3,535 in 2018 to 4,701 by 2022), introducing state-of-the-art facilities and reducing the rate of chronic diseases. In addition, Qatar is behind the rest of the region when it comes to complementary, alternative and health optimization services and the current COVID-19 pandemic together with the growing awareness of such services are likely to be the driver behind an increase of such services in the coming years.
- Qatar's healthcare expenditure is forecast to grow at a CAGR of 6.4% from 2019 to 2023, which is among the highest in the GCC including the UAE and Saudi Arabia which are forecast to grow at 6.1% and 4.5% respectively.
- The main driver of growth is the government's commitment to healthcare infrastructure projects to ensure there are adequate healthcare services and hospital beds to service the growing population.
- The government's plans to increase the contribution of private sector healthcare expenditure from 19.2% in 2018 to 25.0% by 2022 coupled with the requirement for Qatar to bring itself up to date with complementary, alternative and health optimization services will give rise to a number of investment opportunities going forward.

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