Orthopedic Devices

INVESTMENT OPPORTUNITY

Medical Devices

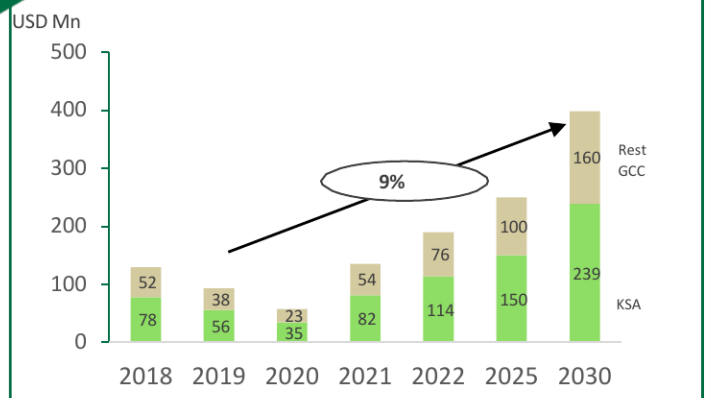
استثمر في السعودية
INVEST SAUDI

Medical Devices
Orthopedic Devices

OPPORTUNITY DESCRIPTION: Production of Orthopedic Devices

DEMAND

MARKET SIZE, USD



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Expected Investment size of USD (66M)
- Expected IRR: 15%
- Job Creation: 200
- Location (Region): Modon, RCJY, ECZA

VALUE PROPOSITION

- Well developed and mature healthcare ecosystem with established entities (e.g., MoH, HHC, SHC) and largest healthcare budget in MENA (USD 37Bn in 2022)
- Notable government efforts to strengthen regional and global supply chains, e.g., GSCRI and commitment from procurement bodies to source medical equipment locally
- Strategic location at the intersection of 3 continents.
- The healthcare sector in Saudi Arabia is anticipated to experience considerable growth as the country plans to increase its population to 50-60 million by 2050. This will result in a large and expanding demand for healthcare services throughout the years.

MARKET OVERVIEW

KEY DEMAND DRIVERS

- Fixation device demand substantially driven by orthopedic surgery
- Expected increase in demand for fixation devices, e.g., due to road traffic accidents and ageing population with prevalence of low bone mineral density
- Rise in the number of inpatient admissions and increase in number of procedures are further fueling the demand for medical devices overall, and fixation devices in particular

RAW MATERIALS

- Stainless steel
- Cobalt chrome alloys,
- Ti alloys.
- Polyetheretherketone (PEEK)
- Bioglass

GLOBAL TRENDS

- The growth of the global geriatric population, along with a rise in the prevalence of chronic diseases, contributes to a growing orthopedics devices market
- New materials such as bioglass, graphene, PEEK, etc. are being adopted in surgical implants for their physical properties and biocompatibility.
- New technologies, such as additive manufacturing/ 3 D printing, are increasingly adopted with notable impacts on accuracy, cost savings, and simplification of the supply chain
- Increased use of biodegradable implants in orthopedic surgeries

Medical Devices
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SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low | Medium | **High**

- Potential to scale production to meet national and regional demand leveraging the proximity, cultural, and political influence on export destinations, e.g., Middle East, Africa, and the Organization of Islamic Cooperation
- Potential to expand into to a broader range of manufactured fixation products as well as dental products due to synergies of inputs and manufacturing methods (e.g., 3D printing, use of ceramics and plastics)
- Potential to leverage manufacturing techniques available in the KSA, e.g., 3D printing, CNC for customized production, Challenger for technology & know how
- Local availability of key raw materials and inputs (e.g., sodium hydroxide, sodium chloride, polyethylene glycol, acrylamide and polysaccharides)

IMPORT DEPENDENCY

- The market is mostly covered by a network of distributors and with a few local suppliers.
- USA accounts for 38 % of the supply, Germany 18 %, Ireland 6 %, and the rest is supplied by other countries.

VALUE CHAIN

Upstream → **Midstream** → **Downstream** → **Applications**

Each phase of the chain comprises different activities such as initial concept, product design, prototyping, device testing, design verification and validation, clinical evaluation and medical device manufacturing.

Upstream	Midstream	Downstream	Applications
Research and development on biomaterials and specifications.	Regulatory approval; Clinical Evaluation and technical documentation	Raw Materials Localization Factory/ CMOs set up Customer Identification	Aftersales support

KEY STAKEHOLDERS

وزارة الصناعة والثروة المعدنية — Ministry of Industry and Mineral Resources
وزارة الاستثمار — Ministry of Investment
نوبكو — nupco
المركز الصناعي — Industrial Center
وزارة الصحة — Ministry of Health
هيئة المحتوى المحلي والمشتريات الحكومية — Local Content & Government Procurement Authority
مدن — MODON
هيئة المدن والمناطق الاقتصادية الخاصة — Economic Cities and Special Zones Authority

ENABLING FACTORS

ENABLERS & INCENTIVES

- 40 + industrial and economic clusters incl. 5 special economic zones with competitive package of fin. and non financial incentives (e.g., Modon Industrial Cities)
- High availability of raw materials, low utility costs, low transportation costs, and energy enablement
- Multi purpose loans for industrial projects
- Programs supporting Saudization of enterprises
- Tax credit on Saudi national payroll and training
- Exemption on authorized imports for industrial establishments (e.g., materials, equipment, and machinery)
- Refund on percentage of fees incurred during export act.

COST OF DOING BUSINESS IN KSA

Factor	Ranking amongst regional peers
Electricity tariffs for industrial players	$48 /MWh
Productivity adjusted wages	$3.3 /hour
Logistics Performance Index (1-5)	3.2
Construction Costs (Indexed to US, % 0 is cheapest)	74
Ease of getting credit (0-100)	50

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

Definitions

#	SCORECARD SECTION	DEFINITIONS
1	Market size	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	Business drivers	A select number of factors that will influence future demand for the related product/service
3	Investment highlights	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	Value proposition	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	Market readiness	An overview of KSA market structure, market maturity and level of participation by local and global players
6	Global trends	Latest business developments within the sector/product category
7	Scalability and localization	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
8	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
9	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
10	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
11	Enablers	Factors that enable investment in the underlying opportunity
12	Cost of doing business in KSA	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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