

Advisory

Investment Opportunities in the Pharmaceutical Sector - Nigeria/Pakistan

*A keynote address delivered by Farouk Gumel
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June 2014

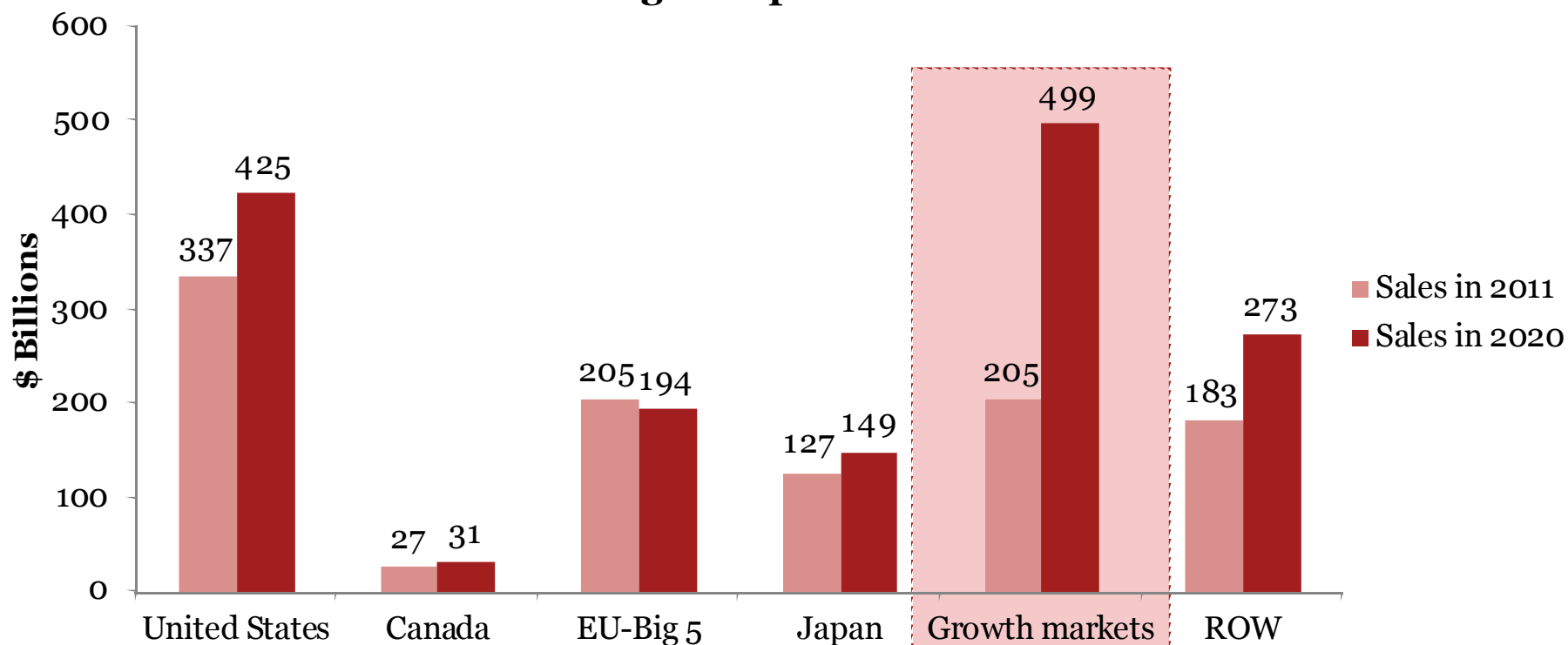


The Global Pharmaceutical sector in 2020

The pharmaceutical market is anticipated to more than double to US\$1.3 trillion by 2020

The growth markets include, in descending order of size, China, Brazil, Russia, India, Mexico, Turkey, Poland, Venezuela, Argentina, Indonesia, South Africa, Thailand, Romania, Egypt, Ukraine, **Pakistan** and Vietnam.

Growth forecast of global pharmaceutical market



Source: PwC Pharma 2020 report

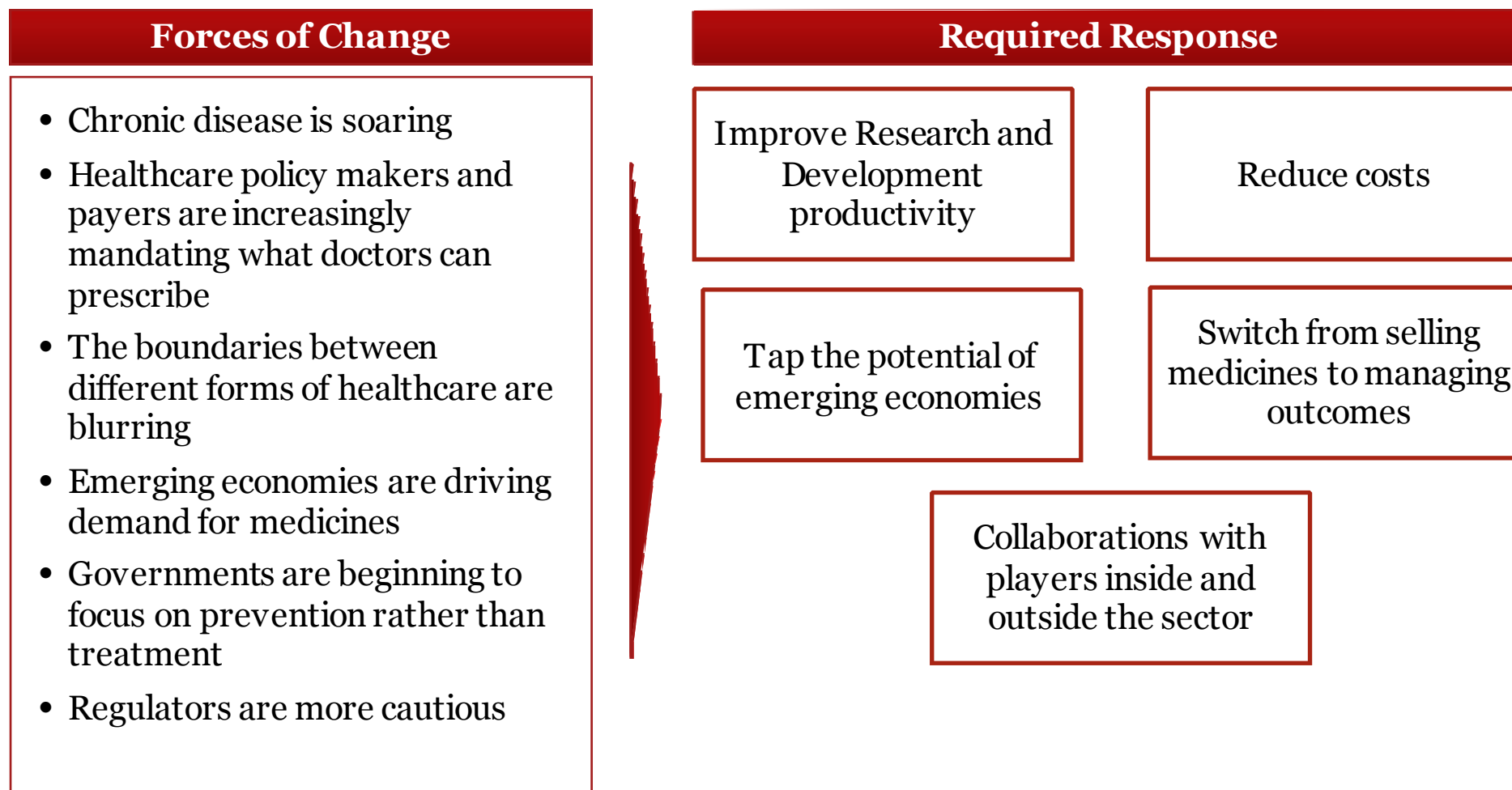
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Our Pharma 2020 series has identified the forces of change and the response required of the industry



Why Africa

Africa, the emerging market of the future...

Is now the time for multi-nationals to be investing in Africa?

- Africa's investment potential is about more than just resources, as it evolves and climbs the **consumption, urbanisation and industrialisation curves**, that the BRICs have climbed.
- Agriculture and food production in central Africa could see Africa becoming the **world's food basket**.
- Africa's success would ensure **supply of scarce resources** to the rest of the world.
- The **growing demand for consumer goods** is largely unmet, as consumer spending increases with the growing population and middle class.
- Africa could have the **world's largest workforce** by the middle of this century.
- **Africa's urbanisation is circa 40%**, which is greater than India, but lagging China at circa 50%.
- **Wealth is being generated and distributed** less unevenly than before.



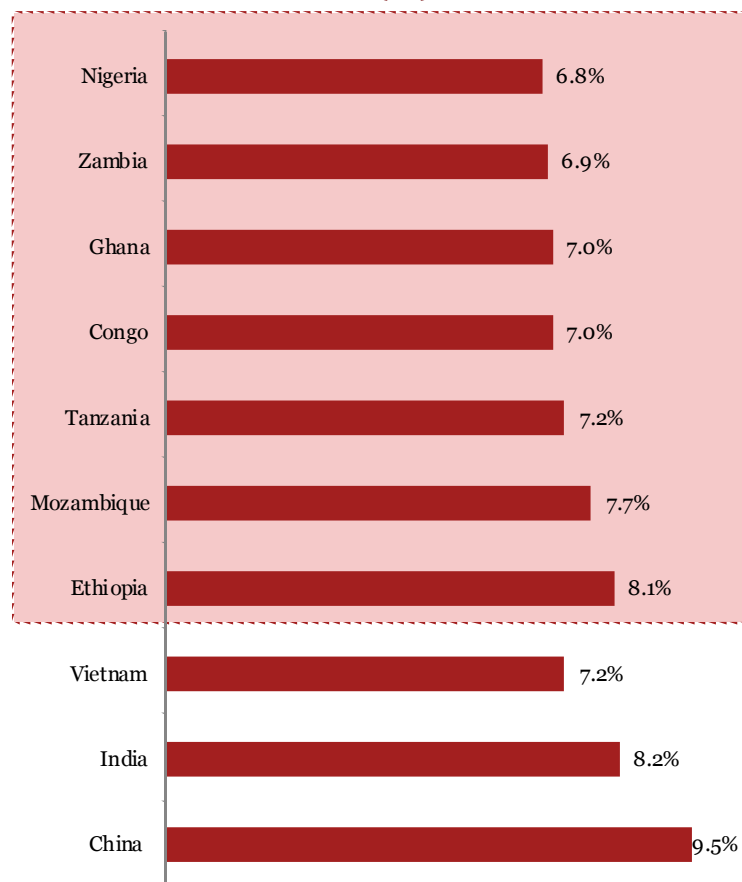
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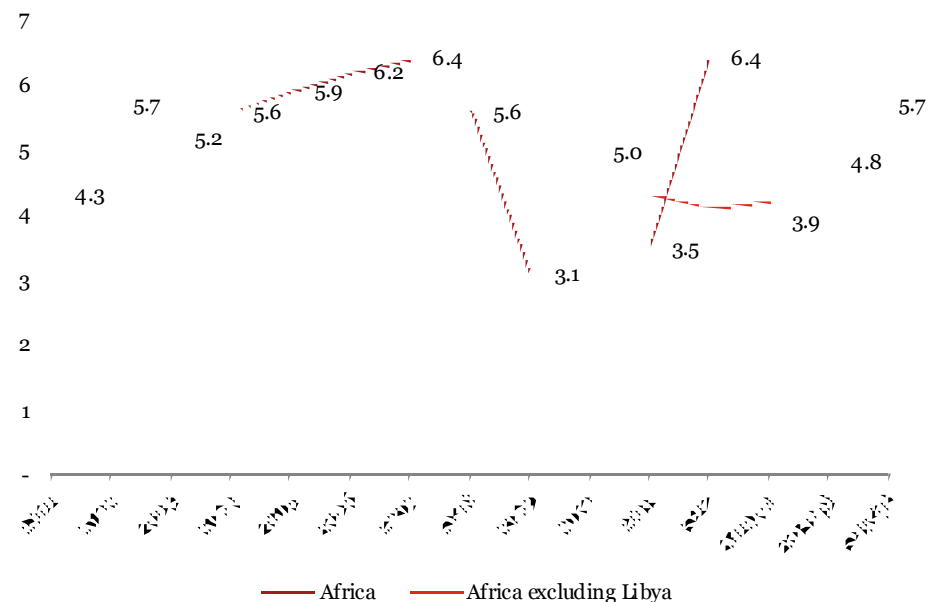
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A region with worlds second fastest growth...

Top Growers 2011 – 2015 : GDP Growth (%)



Africa Economic Growth (%)



“In 2013, Africa maintained an average growth rate of about 4%. This compares positively to 3% for the global economy and underscores again the continent's resilience to global and regional headwinds.”

Resources, key investment focus for emerging economies

Nigeria:

- Growth not only from oil and gas, but also infrastructure, solid minerals, agricultural, **industrial and manufacturing industries.**
- Growing regional trade and investment role as Nigerian companies expand into Africa.

Ghana:

- Mining sector development spurred the country through much of last decade.
- Oil now set to take off.
- Success of the Jubilee oil field.

Gabon:

- Strong oil reserves and highly literate young population.

Angola:

- Attractive portfolio of resources, including oil, gold, copper and diamonds.
- Increased investment in agriculture and infrastructure.



Uganda:

- Oil is spurring development, both directly and in allied sectors – growth of +10% expected for next few years.
- Regional hub for energy products – Southern Sudan, Rwanda gas, Eastern Congo oil.

Kenya:

- Growing sophistication in agriculture.
- Increased investment in rail, road and pipeline infrastructure for the transport of oil and gas resources from Uganda and DRC.

Tanzania/Mozambique:

- Discovery of gas resources in border basin area, with potential reserves the size of Saudi Arabia (300 trillion cubic feet).

Mozambique:

- Coal is spurring developments around Tete.
- Developing coal corridor from Botswana

Source: Whitehouse and Associates

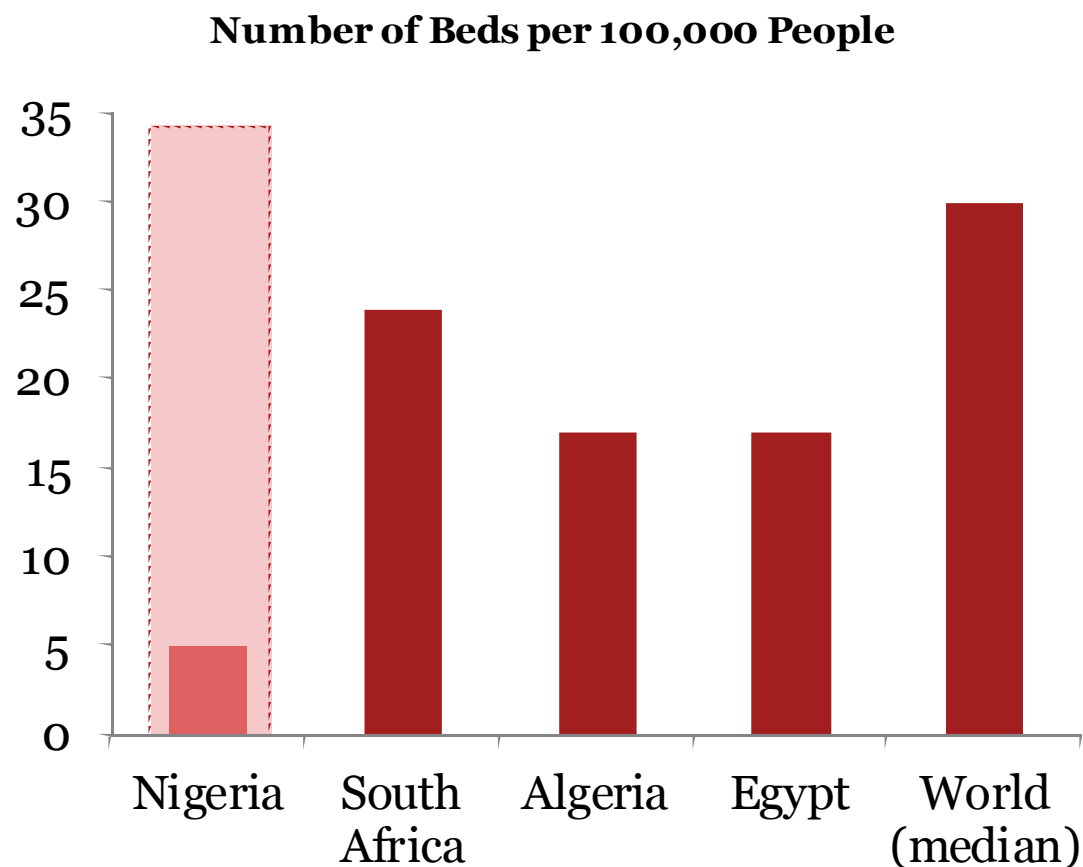
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The Nigerian Health Care System

Nigeria has critically low levels of human and infrastructure resources for health care

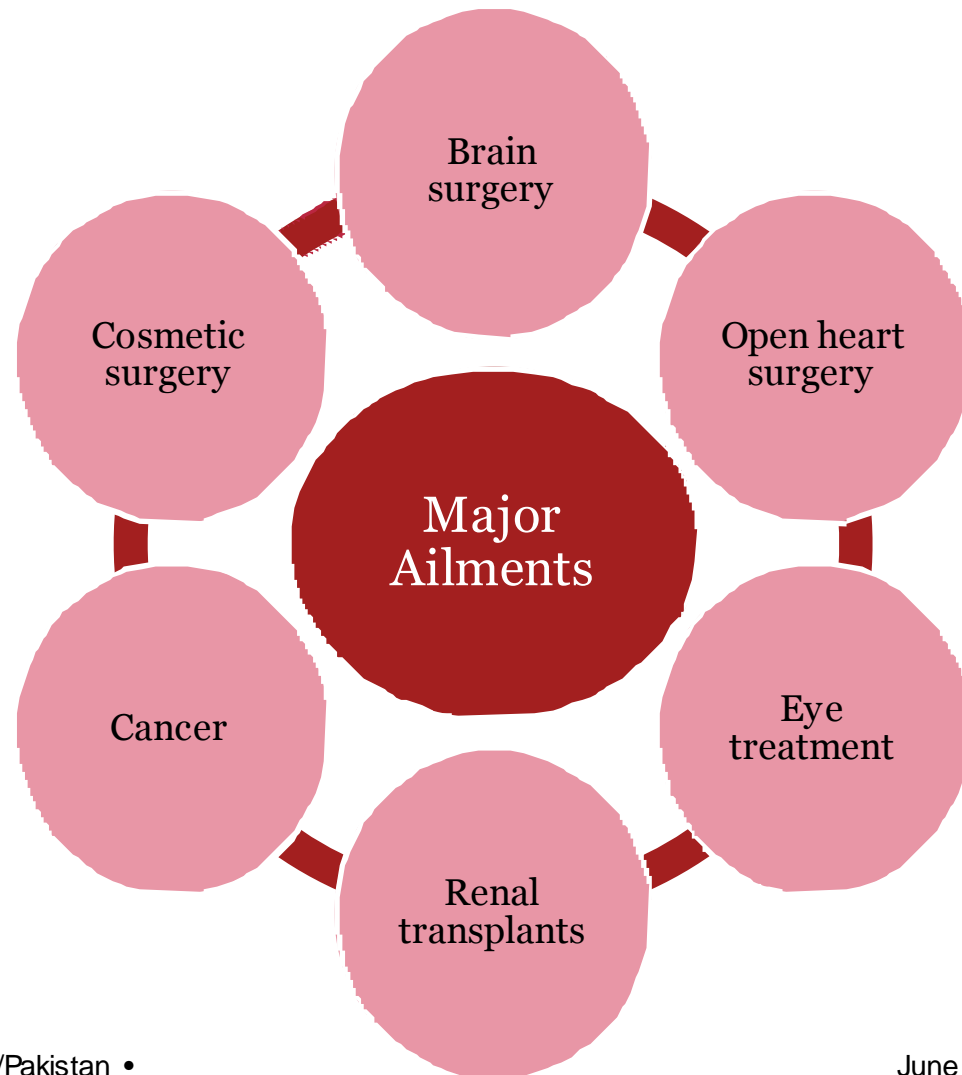


Summary of Nigeria Health System (per 1,000 persons)

| | |
|---------------------------------|-------|
| Physician | 0.4 |
| Nursing and midwifery personnel | 1.605 |
| Pharmaceutical personnel | 0.105 |
| Pharmacists | 0.095 |
| Laboratory Health Workers | 0.168 |

While no reliable data exists, various estimates have put the amounts spent on medical tourism at between \$500 million and \$800 million

- Top medical tourist destinations include India, Europe, the United States and the Persian Gulf
- The Indian High Commission estimated that **47%** (est. 18,000) of Nigerians who visited India in 2012 did so to seek medical attention spending \$260m on treatment – about **\$15,000** per medical tourist
- **Opportunities exist for investors to take advantage of the gap in Africa's largest economy.**



Although there are over 130 pharmaceutical companies in Nigeria, only 9 are listed on the stock exchange. There is little visibility on the size of the other players.



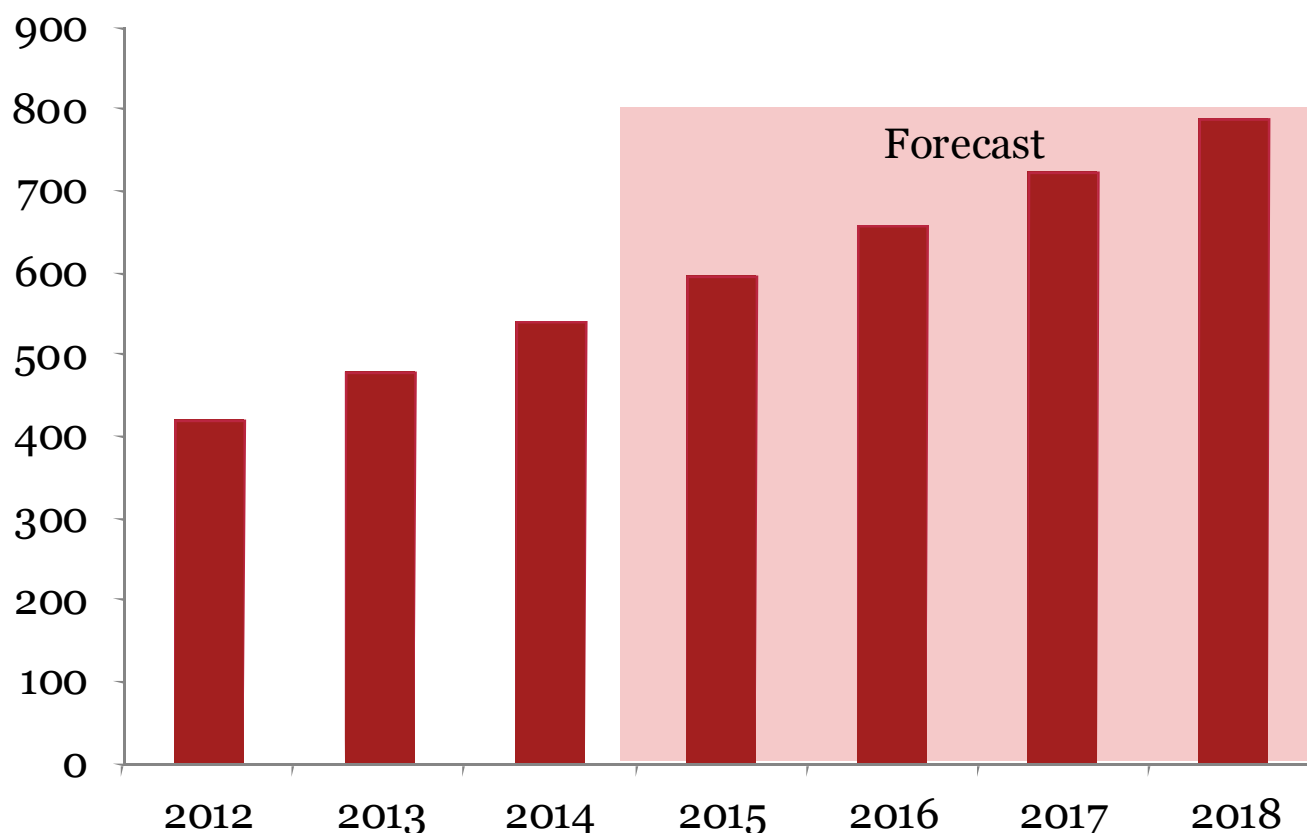
Common Drugs Produced

- Anti-malaria
- Vaccines and antiretroviral (ARV)
- Antibiotics
- Anti-helminthics
- Oncology drugs
- Diabetic drugs

Source: Business Monitor International

Imports will remain key to meeting growing local demand for medicines in the country

Nigeria's Pharmaceutical Imports Data and Forecast(\$Mn)



Pharmaceutical imports reached a value of **\$481mn** in 2013 and are expected to gain 10.4% to reach **\$789mn** by 2018, widening the country's pharmaceutical trade deficit from **475mn** in 2013 to **\$778mn** in 2018.

Source: Business Monitor International



There have been many laudable efforts by NAFDAC – the main regulatory body in Nigeria - to standardise the pharmaceutical industry

- NAFDAC must inspect factories anywhere in the world before it registers or renews the registration of their products
- Mandates all pharmaceutical companies to imprint unique numbers on drugs
- Requires compulsory pre-shipment information from all importers before the arrival of their products.
- Collaborating with NHIS (National Health Insurance Scheme) to combat drugs counterfeiting and the illegal sale of prescription drugs
- Collaborating with the Pharmacist Council of Nigeria to close pharmaceutical companies involved with illegal and fake drugs
- Launched a Mobile Authentication Service (MAS) to check the authenticity of Pharmaceutical products

Source: Business Monitor International

Nigeria – Pakistan Relations

Nigeria and Pakistan have some superficial features in common

|  NIGERIA | |  PAKISTAN | |
|--|--|---|--|
| GDP (2013) | | GDP (2012) | |
| \$509.9 billion | | \$225.1 billion | |
| Total Population (2013) | | Total Population (2013) | |
| 174 million | | 180.4 million | |
| Population growth rate | | Population growth rate | |
| 2.8% | | 1.8% | |
| Health expenditure (as a % of GDP) | | Health expenditure (as a % of GDP) | |
| 6.1 | | 3.1 | |
| Number of beds per 100,000 people | | Number of beds per 100,000 people | |
| 5 | | 0.6 | |
| Ease of doing business index (2013) | | Ease of doing business index (2013) | |
| 147 | | 110 | |
| Size of pharmaceutical industry (2013) | | Size of pharmaceutical industry (2013) | |
| \$1.28billion | | \$2.10 billion | |
| Number of pharmaceutical companies | | Number of pharmaceutical companies | |
| 130+ | | 562+ | |

Source: World Bank, Business Monitor International

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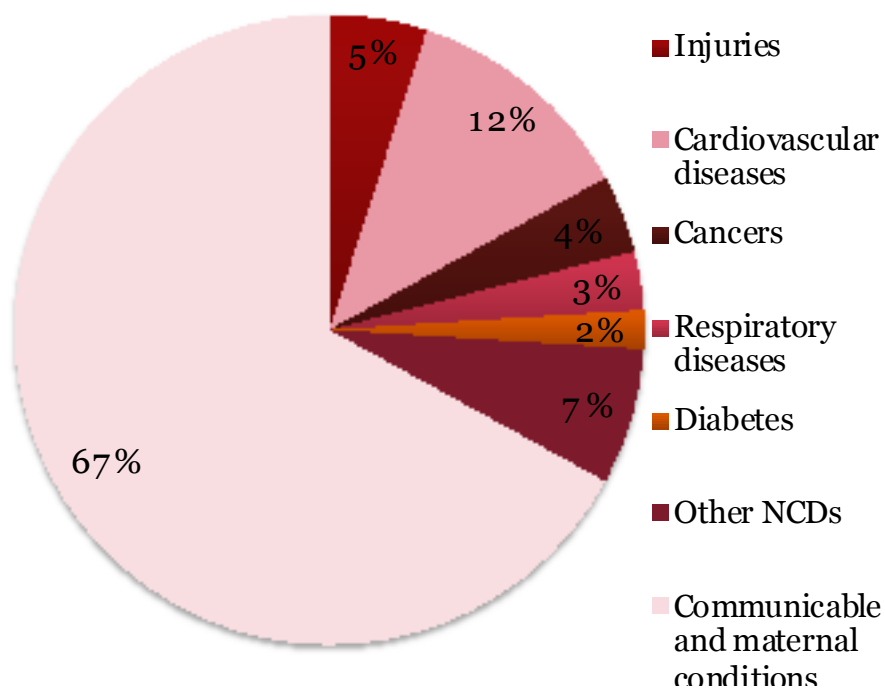
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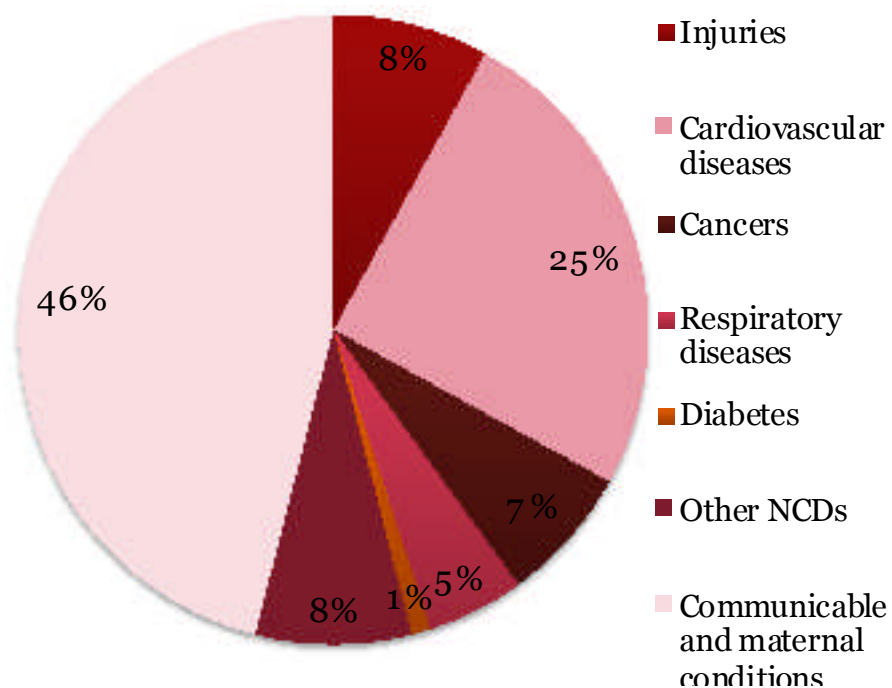
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Nigeria and Pakistan has similar disease burden with a significant proportion of deaths attributable to communicable diseases...

Proportional mortality - Nigeria

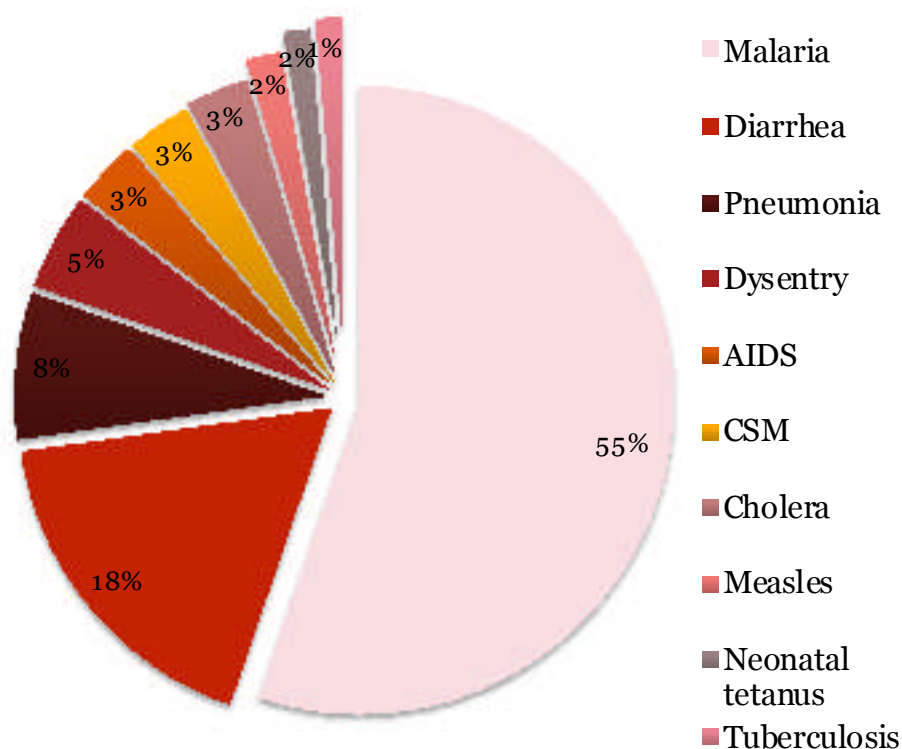


Proportional mortality - Pakistan

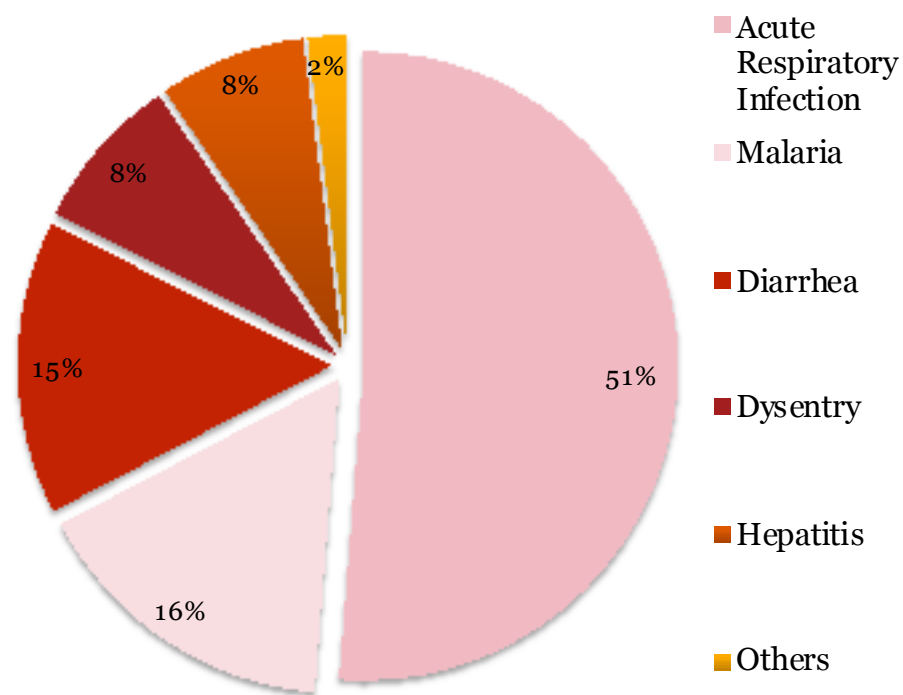


...with Malaria, Diarrhea and Dysentery being common amongst Pakistanis and Nigerians

**Main sources of Mortality
(infectious diseases) - Nigeria**

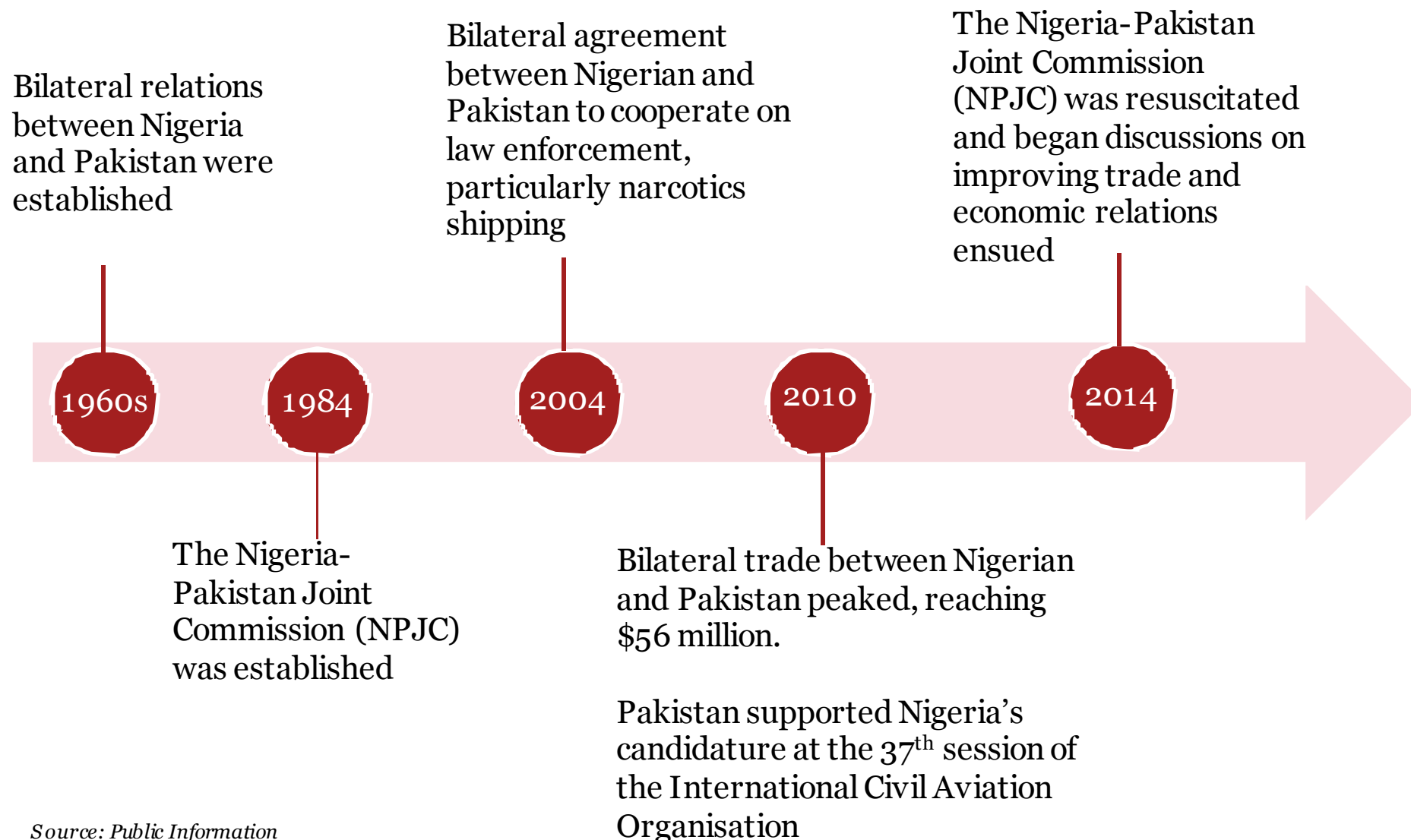


**Main sources of Mortality
(infectious diseases) - Pakistan**



Source: World Health Organisation - NCD Country Profiles

Nigeria-Pakistan relations dates back to the 1960s



Source: Public Information

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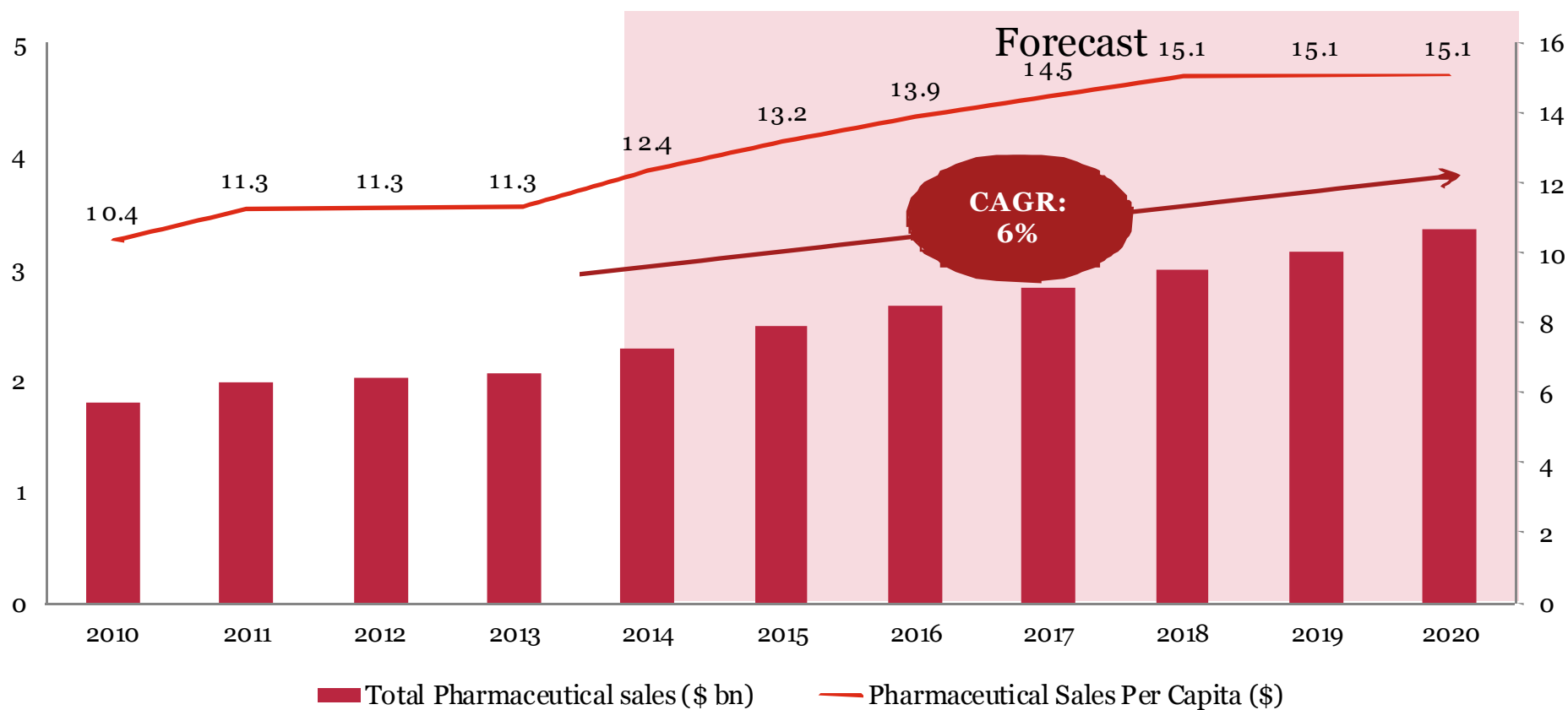
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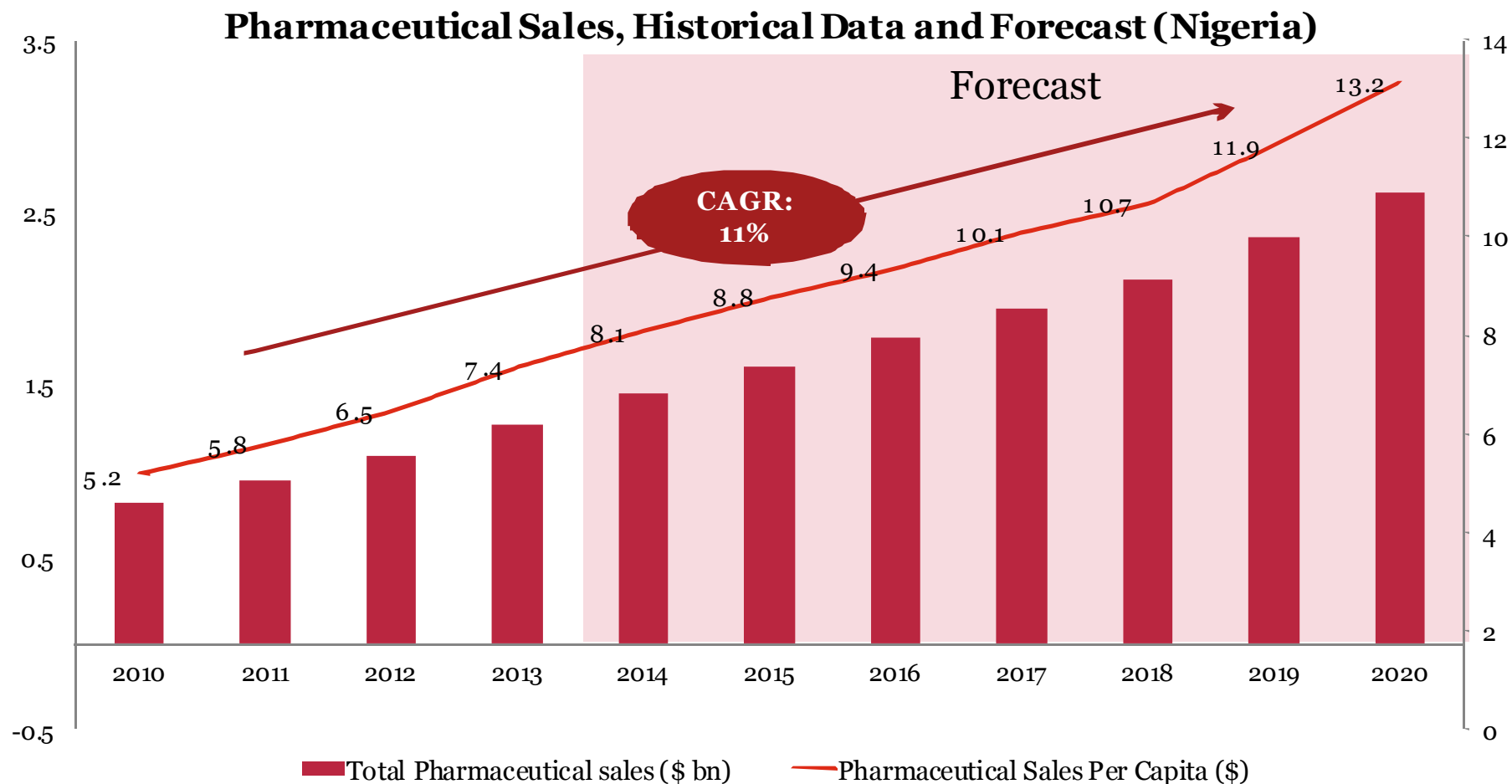
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The Pakistan Pharmaceutical Industry is expected to post steady growth into the near future

Pharmaceutical Sales, Historical Data and Forecast (Pakistan)

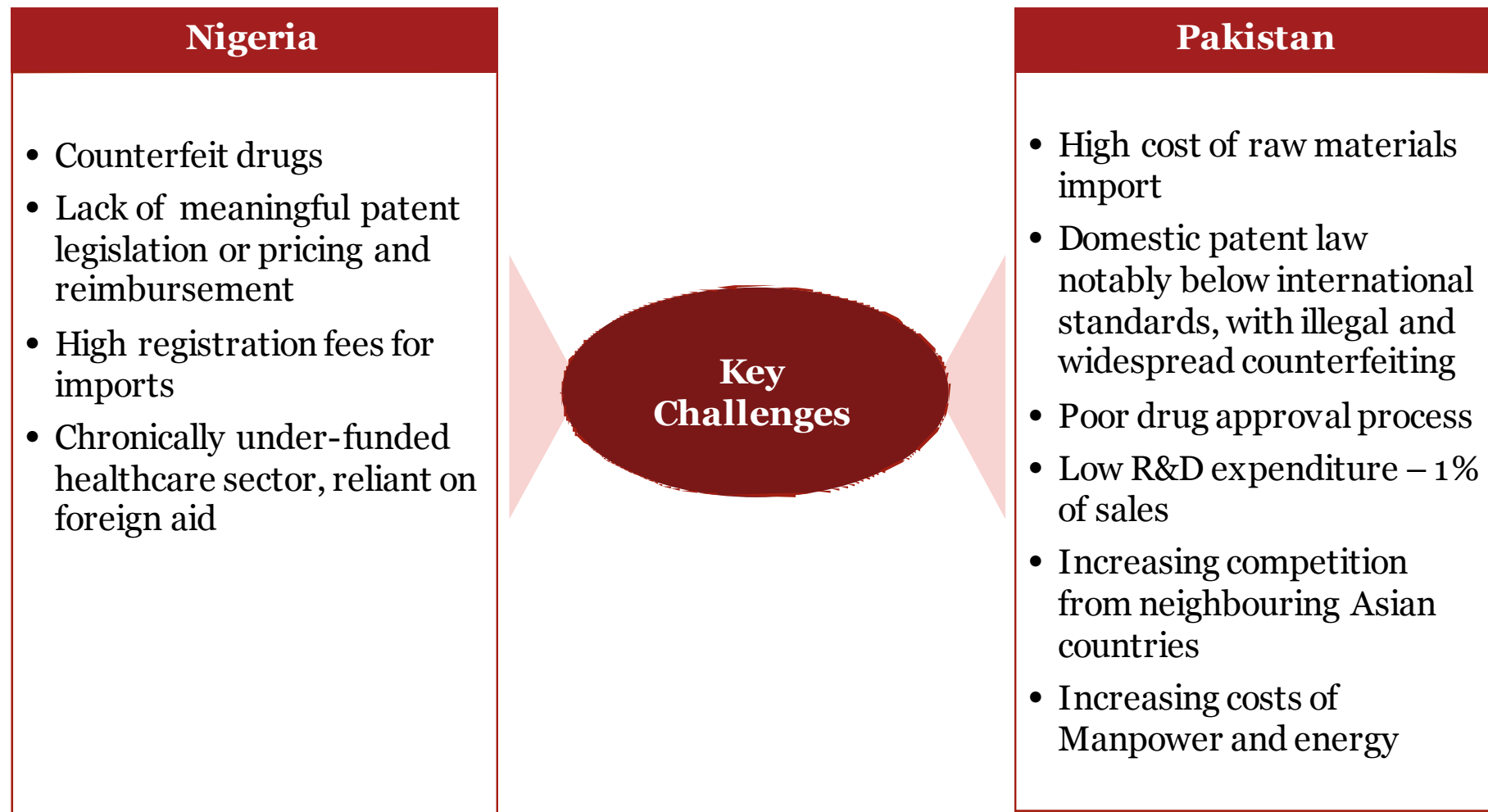


While Nigeria Pharmaceutical Industry is expected to grow at a faster rate until 2020



Source: Business Monitor International

A myriad issues and challenges continue to impact the pharmaceutical sector of both countries



Source: Business Monitor International

But in spite of these issues, pharmaceutical industries in both countries can leverage identified strengths

NIGERIA

- Large market size in Nigeria
- Strong demand/need for improved management of infectious disease
- Increased efforts to improve drug distribution in order to reduce opportunities for counterfeiting.
- Assistance from WHO Prequalification team (PQT) to demonstrate compliance with Good Manufacturing Practice (GMP)

STRENGTHS

PAKISTAN

- Strong pharmaceutical base. Pakistan's pharmaceutical market is the 10th largest in Asia Pacific.
- Significant local pharmaceutical manufacturing industry/strong manufacturing capacity
- Presence of over 525 pharmaceuticals manufacturing with 17 of them in Nigeria
- Strong financial position with ability to scale up

Emerging Opportunities

There has been many speculations of the future direction and plans to foster Nigeria-Pakistan pharmaceutical relations

The resuscitated Nigeria-Pakistan Joint Commission to review moribund agreements in the agriculture, textile and pharmaceutical sectors

Punch Newspaper/01-04-14

Nigeria targets \$3b Pharma import from Pakistan by the end of 2015

The Nation Newspaper/27-04-13

Pakistani Pharmaceutical companies have been urged to export their products to Nigeria

The Nation Newspaper/27-04-13

Source: Public Information

In order to make the most of these future growth opportunities, Nigeria and Pakistan can collaborate in the areas of

- Information exchange through
 - Research and Development (R&D)
 - Student Exchange Programmes
- Strategic outsourcing (including contract manufacturing, information technology (IT))
- Patent licensing of local manufacturers
- Innovative and cost-effective repackaging and drug enhancement
- Appropriate Government incentives to encourage partnerships with local drug manufacturers

THANK YOU!!!



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