

## Healthtech soldiers on

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- Even before the COVID-19 pandemic, there was an acceleration in healthcare provider thinking about how they deliver services. Remote diagnostics and consultation are now a reality, requiring new innovative, and safe digital tools.
- MENA's health start-up ecosystem is in its infancy, but there are trends that present opportunities for investment beyond telemedicine and doctor-booking companies.
- Increasing investment potential is emerging in AI (artificial intelligence), software healthtech (mobile apps and online platforms), and in advanced robotics.

### Looking ahead at MENA's diversifying healthcare market

The healthcare market in MENA has been expanding. Countries are spending more on the sector and there is increasing private investment. We now expect further diversification into technology-enabled healthcare products and services, known as healthtech, to provide more efficient solutions.

- Increasing spending and demand in healthcare have been driven by population growth and rapid urbanisation, the adoption of mandatory health insurance and a changing focus from curative care to preventive care. Across parts of MENA we expect newer trends such as medical tourism to add impetus to this expansion over the coming years.
- To match the demand, the private sector is already investing more, with an accompanying increase in its share of the market.
  - MENA's healthcare market is projected to grow from USD 185B in 2019 to USD 243B in 2023, at an 11.7% compounded annual growth rate. The private -- and therefore investable -- sector should account for a third of the market at the end of that period, compared with about 19% currently.
  - Investments in healthcare figure prominently in many government plans, especially in the GCC where overall economic diversification is major policy. Governments still tend to dominate the sector, however.
    - The public sector share in healthcare spending in the GCC is on average 73%. Healthcare expenditure per capita also remains lower than in developed countries, constrained by less-developed infrastructure (Figure 2).
    - We expect all this to prompt increased growth especially with governments and regulators actively encouraging long-term investment.

Figure 1 - Healthcare Market Value (% of GDP)<sup>1</sup>

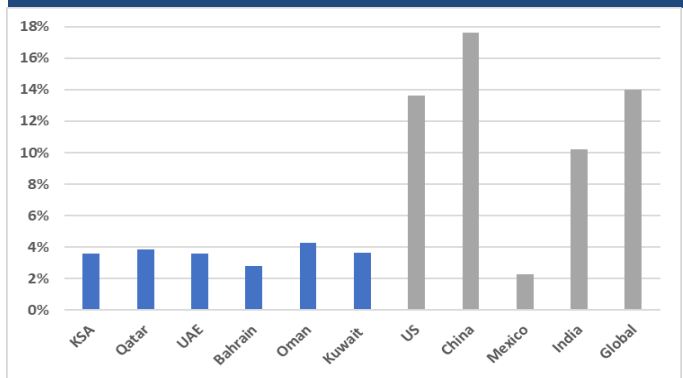
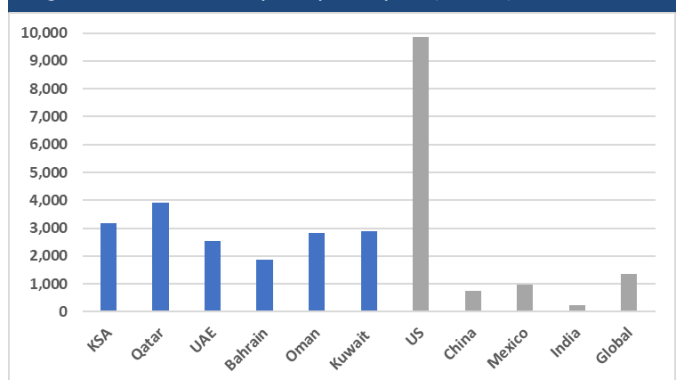


Figure 2 - Healthcare Spend per Capita (USD, K)<sup>1</sup>



- Initiatives such as soft loans and land grants to increase private sector participation and kick-start investment plans, have been launched.
- MENA's healthtech sector and its medical technology sub-sector, medtech, are growing with local start-ups attracting higher investments.
  - The annual value of the medtech market in MENA is set to grow to USD 11B in 2021 from about USD 8.1B in 2019.
  - Underlying some of this growth are an increasing elderly population and rising incidences of conventional diseases such as diabetes and obesity. Other major drivers include technological innovations and increasing demand and acceptance of such technologies -- particularly in the UAE, Saudi Arabia and Qatar.
  - There are currently more than 60 healthtech start-ups located in Dubai, making the UAE a MENA leader, along with Egypt.
    - Some leading examples include AlemHealth (a diagnostic telemedicine-services provider), Altibbi (a digital health platform with medical content and 24/7 telehealth service), and Dhoner Healthcare (which uses blockchain technology to match organs with patients).

<sup>1</sup> Arabia Monitor; World Bank.

The COVID-19 lockdown has spotlighted the need for new types of healthtech. MENA's health start-up ecosystem is in its early stages, but themes are forming.

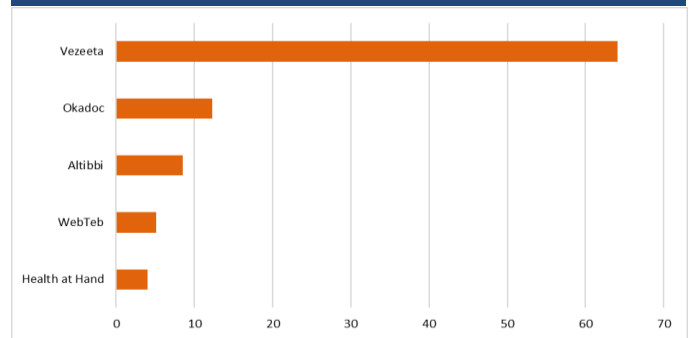
- So far, there are two main types of healthtech companies: telemedicine and doctor-booking companies.
  - UAE-based Okadoc (with USD 10M in series A initial seed funding) and Egypt-based Vezeeta (with USD 40M in the later series D) were among the top healthtech start-ups attracting investments in Q1.
    - Okadoc has plans to expand on a regional scale, rolling out its platform in Saudi Arabia later this year.
    - Vezeeta, which currently operates in 50 cities across Egypt, Saudi Arabia, Jordan and Lebanon, is expanding beyond MENA. In April, it launched its first platform in Kenya, with Nigeria its next target market.
  - Mental health awareness has risen in MENA. We hence expect a jump in the use of digital therapeutics and mental health platforms.
    - Between February and March 2020, Egypt-based mental health platform Shezlong registered a 31% rise in the number of therapy sessions booked.
    - Founded in 2014, the start-up has raised USD 666K in funding over 5 rounds. Their latest funding was raised in October 2019 from a Seed round.
  - Platforms for women's health have also started to gain popularity in the region. There is a significant need in this market segment.
    - For instance, the prevalence of depression as a share of the population in females is at 4.7% in MENA, only lower than Western Europe (4.9%) and North America (5.9%).<sup>2</sup>

#### Pandemic puts spotlight on healthtech start-ups

Healthtech start-ups have taken on an important role in the front-line defence against COVID-19. Start-ups are helping combat the shortage of medical equipment needed to fight the pandemic.

- Abu Dhabi's growing tech ecosystem, Hub71, supports healthtech and edtech start-ups by selecting successful ones to take part in its Techstars accelerator.
  - Start-ups in Hub71 are supporting regional and global businesses as well as individuals in the pandemic.
    - ProvenMed International is an innovative Tunisian medical device company specialising in urinary incontinence solutions with its flagship product ActivGoTM already in several markets.
    - US-based Aumet, part of Hub71, connects 50,000 medical manufacturers from across the globe to distributors for essential items such as personal protective equipment.
- There is increasing investment potential in AI (artificial intelligence) in healthtech in MENA. Software healthtech investments are growing, including mobile apps and online platforms.

Figure 3 - MENA Healthtech Startups, by Amounts of Disclosed Funding (USD, M)<sup>3</sup>



- Advanced robotics also presents increasing investment opportunities. These technologies can be used in hospitals for medical care and patient assistance.
- One of the main challenges for the treatment of COVID-19 is the infection of medical staff. These automated devices can reduce physical contact.
  - SASHA, the first robot in Lebanon and the Middle East invented by Lebanon's Revotonix, could play a major role in the fight against COVID-19 by distributing food in hospitals.
    - Revotonix signed an agreement with the international healthcare organisation Medwell Healthcare which has locations in the US, Canada and the UAE and will be working on introducing SASHA to the hospitals in these countries in the coming months after they get it up and running in Lebanese hospitals.
    - Revotonix is currently working on another robot for its healthcare portfolio, a robot that specialises in disinfecting.
  - Mobile robots in hospitals can help optimise costs, ensure patient privacy, and minimise human intervention.

There remain barriers to private entry and growth in the sector from regulations and from lack of financing. Reducing procedural complexities would increase the ease and attractiveness of private sector investing.

- Non-hospital private healthcare institutions in Saudi Arabia are reserved for 100% Saudi ownership.
- There is no regulatory framework for telehealth in the region outside of Abu Dhabi.
- For most entrepreneurs trying to solve problems in their own local communities, capital injections have mostly been from the founder's family and friends.
- MENA healthcare funding is overly reliant on seed investments under USD 50K and grants.
- More diverse types of funding such as venture capital are required to accelerate the start-up ecosystem in many places.
- The barriers, however, are likely to ease as private sector opportunities increase, and as healthtech becomes an absolute necessity, in addition to being a compelling business model.

<sup>2</sup> The Institute for Health Metrics and Evaluation.

<sup>3</sup> Arabia Monitor; MAGNITT.

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