



IDAL

INVEST IN LEBANON

PHARMACEUTICAL INDUSTRY FACT BOOK



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SECTOR OVERVIEW



SECTOR OVERVIEW

Lebanon's pharmaceutical market is estimated to be worth **LBP 1,925 billion** (USD 1.28bn) in 2012, a 6.5% growth in from 2011 levels¹. The market is expected to post a compounded annual growth rate (CAGR) of 7.71% through to 2015, reaching a value of LBP 2,095 billion (USD 1.41bn). This growth has also been reflected in the sales of pharmaceutical products, expected to reach USD 426 per person in 2019, nearly double the 2009 figure of USD 206.

Lebanon's pharmaceutical market was estimated to be worth around

1,925 billion LBP



Lebanon is a net pharmaceutical importer. In 2012, imports were estimated at **USD 970 million**, an increase by 12.9% from 2010 levels². These imports account for nearly 90% of market share while locally manufactured drugs constitute an estimated 10%. Top import destinations include France, the United Kingdom, Germany and Switzerland.

In 2012, imports were estimated at

970 million USD



An increase by

12.9%

from 2010 levels



Export activity has been picking up recently, with pharmaceutical exports growing at a **CAGR of 14.1% from 2008 till 2012 (Figure 1)**, reaching an approximate value of USD 31.45 million by end of 2012. The leading export destinations of Lebanese pharmaceutical products are Arab countries (mainly Jordan, Iraq, and the UAE), followed by European countries (mostly the UK and Cyprus).

Lebanon's main export markets



Lebanon's main import markets

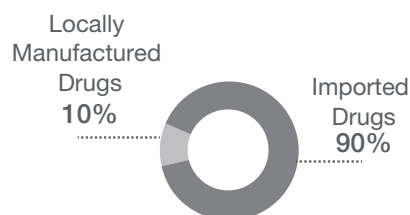
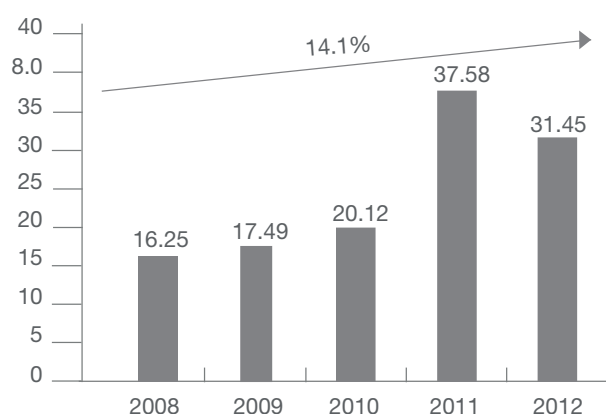


Figure 1: Evolution of Pharmaceutical Exports over the last five years | Million USD



Source: Lebanese Customs

Export Figures for 2012 are projections based on performance throughout January to end of November 2012

Today there are more than **7,872 drugs** in the Lebanese market, of which **1,073 are Lebanese drugs (13.6%)**. The vast majority of these drugs are branded generics. Most pharmaceutical products in Lebanon can be bought over the counter (OTC), except for medications which cause drowsiness.

Latest available figures³ indicate that nearly **21.5% of household expenditures are spent on drugs**:

In 2009, prescription medicines accounted for 72.2% of expenditures in the sector.

Patent drugs accounted for 49.6% of total expenditures.

Generic medicines accounted for 22.6% of total spending on pharmaceutical products.

¹ Business Monitor International 2012

² Lebanese Customs 2012

³ Figures are for end of 2009

COMPETITIVE ADVANTAGES



COMPETITIVE ADVANTAGES

1. TALENTED LABOR FORCE

- ▶ Lebanon is ranked 10th worldwide for the quality of its higher education, and 4th for the quality of its math and science education as per the Global Competitiveness Report 2012. Through its developed educational curricula, the country is able to supply a highly specialized labor pool for the pharmaceutical industries
- ▶ Top universities offer advanced programs in chemistry and pharmacy at both the undergraduate and graduate levels. The Lebanese American University equally offers a highly accredited Doctorate in Pharmacy program
- ▶ More than 1500 students graduate yearly in the fields of Biology, Chemistry, Pharmacy and Medicine and are recruited by local, regional and international pharmaceutical industries worldwide

2. STRATEGIC LOCATION

- ▶ Lebanon's geographical location allows easy and timely access to the Middle East, Europe and Africa
- ▶ This location is all the more strategic given that it is situated amongst the fastest growing pharmaceutical markets globally, at a time when developed markets are witnessing slower growth rates

3. FAST GROWING MARKETS

- ▶ Emerging economies are expected to contribute to the highest market growth rates in the industry, growing at around 5 times the rate of developed countries through to 2020
- ▶ The Middle Eastern region in particular is expected to register one of the highest growth rates globally, backed by population growth and rising incomes. Saudi Arabia for instance, one of the largest markets in the Middle East, is expected to grow by 4.7 percent yearly to reach USD 4.7 billion by 2016
- ▶ The local market, still highly import dependent, remains far from mature thus presenting opportunities for growth. Plans to boost the country's health system coverage are equally expected to improve drug market values and volume

4. WELL-DEVELOPED HEALTHCARE SERVICES

- ▶ Lebanon has one of the highest ratios of doctor to population in the world, hovering at 35 physicians per 10,000 individuals, compounded by the highest ratio of beds to population at 35 beds per 10,000, as per the World Health Organization 2012
- ▶ The country's well-developed healthcare system, in particular its private hospitalization facilities, have made of the country a hub for healthcare services in the Middle East and a firm base for further market growth

5. RELATIVELY HIGH DRUG PRICES

- ▶ Drug prices in Lebanon remain relatively higher than the surrounding countries, which offers companies the chance of obtaining a higher markup on their sales (Table 1)

Table 1: Margins placed on Imported Drugs in Lebanon

Sub-Sector	Project Name	Company Name
Segment	Profit Margin of the Importer or the Local Wholesaler	Pharmacy Profit Margin
A	10.00%	30.00%
B	10.00%	30.00%
C	9.00%	27.00%
D	8.00%	24.00%

Source: Ministry of Health, Bank Audi's Research Department

6. GOVERNMENT SUPPORT

- ▶ The Investment Development Authority of Lebanon offers companies engaged in pharmaceutical activities with appealing financial and non-financial incentives which can run up to 100% exemption from corporate income tax for a period of 10 years
- ▶ The Ministry of Industry is equally providing its support for the sector by actively working to introduce 100% exemptions on R&D expenditures as well as a 50 percent exemption from all taxes incurring from export activities

7. ADEQUATE REGULATORY FRAMEWORK

- ▶ Lebanon's Intellectual Property Law (IP) passed in 1999 covers provisions for patents, industrial designs, trademarks, copyrights, unfair competition, and penalties for infringement
- ▶ A special IPR policy unit was set up as of 2006, and was mandated with the enforcement of intellectual property laws. Lebanon also adheres to international conventions on intellectual property rights

INVESTMENTS MEDIATED BY IDAL



Through its Investment Law No. 360, IDAL has provided fiscal incentives and other types of support to 5 projects in the pharmaceutical sector, with a sixth project currently in the pipeline as well. Together, these projects have injected a value of USD 58.3 million to the local economy and generated 324 new jobs.



A USD 17 million investment project located in Jadra (Mount Lebanon) for the development of biotechnology products. 83 new jobs are to be created as a result of this project, which is expected to become a landmark in Lebanon and the region for both its products and its manufacturing technology.

USD 17 Million
83 new jobs



A USD 15.3 million project by the pharmaceutical company located in Dbayeh, that was established to supply the Lebanese and Middle Eastern markets with locally manufactured and packaged pharmaceutical products at competitive prices, while equally fulfilling the strictest and most stringent requirements set by the FDA. 61 new jobs are to be created as a result of this project.

USD 15.3 Million
61 new jobs



A USD 12.4 million investment aiming at increasing the production capacity of this well-positioned pharmaceutical company located in Zouk Mosbeh (Mount Lebanon). 100 new jobs are to be created as a result of this expansion, which would help in introducing new pharmaceutical products to cater for growing demand in both the local and regional markets.

USD 12.4 Million
100 new jobs



Pharmaline is upgrading its plant building structure to cope with the GMP ² and the European standards. The building upgrade along with the acquisition of miscellaneous machines cost around USD 12.5 million. The company currently produces over 140 generic products under various dosages and packaging and exports to countries throughout the Middle East, GCC, North Africa, Europe and Russia. Its expansion will allow the recruitment of 39 additional employees.

USD 12.5 Million
39 additional employees



Pharma M is a new Lebanese pharmaceutical manufacturing company based in Oyou, Brummana with an investment of USD 1.1 million. The company specializes in the production, marketing, and sales of dietary supplements and herbal medicinal products. Pharma M will be the only producer of science-based dietary supplements in Lebanon, and one of the few in the Arab Region. Pharma M plans to export its products in 5 years' time, starting with the Middle East, and then Europe and Africa. The project is expected to create 41 new jobs.

USD 1.1 Million
41 new jobs

² Good Manufacturing Practices



KEY PLAYERS



KEY PLAYERS

The pharmaceutical market currently comprises of 146 importers,11 manufacturing facilities, and an array of multinational companies present through local distributors, altogether forming a well-established pharmaceutical industry in the country. Although the import market comprises a vast number of players, it remains relatively concentrated with the top 3

importers occupying more than 40 percent of market share (Table 2). Manufacturers mostly produce their own off-patent branded generics, but equally produce patented drugs under license for multinational companies; some have also manufactured their own innovative products (Table 3).

Table 2: Top Lebanese Pharmaceutical Importers by decreasing order of import volume

Top Lebanese Pharmaceutical Importers			
1	Mersaco	6	Sadco
2	K. Fattal Et Fils	7	UPO
3	Omnipharma	8	Phoenicien
4	Abela Freres	9	Benta S.A.L
5	Union	10	F.D.C

Source: Bank Audi's Research Department
 Figures are for August 2009 till July 2010

Table 3: Local Manufacturers in Lebanon by decreasing order of sales volume

Local Manufacturers Sales in Lebanon			
1	Algorithm	6	Alpha Lab
2	Mediphar	7	Serum Products
3	Pharmaline	8	Chapha
4	Benta S.A.L	9	Pharmadex
5	Mephico		

Source: Bank Audi's Research Department
 Figures are for August 2009 till July 2010
 *No sales figures yet for Arwan and Pharma M

Multinational companies present in Lebanon who manufacture part of their products through local companiesinclude: Janssen Cilag, Abbott, Pierre Fabre, Sanofi Aventis, GlaxoSmithKline, Eli Lilly, Merck and Co (through their Lebanese subsidiary Merck Sharp and Dohme).

Other foreign companies operating through distributors include –among others: Pfizer, Novartis, Johnson and Johnson, and La Roche-Posay, Cipla, Julphar



Table 4: List of pharmaceutical manufacturing companies in Lebanon

Company Name	Details
Alfa Labs	<ul style="list-style-type: none"> ▪ Produces intravenous & dialysis solutions as well as medical devices. ▪ Subsidiary Nutrico produces nutritional supplements.
Algorithm	<ul style="list-style-type: none"> ▪ Products either under license from international companies (US MSD, ZeneusPharma, Biogen) or developed by the company's product development team. ▪ Locally developed products include innovative products as well as differentiated generics. ▪ Focus on: cardiology, endocrinology, neurology, gynecology and urology.
Arwan	<ul style="list-style-type: none"> ▪ Pharmaceutical preparations for the nervous system, the immune system, the cardio-vascular system, the metabolic system, the respiratory system, the musculo-skeletal system, the genitourinary system; for the treatment of inflammatory disorders ▪ For use in dermatology, oncology, hematology and in tissue and organ transplantation, in ophthalmology and for gastroenterological disorders.
BentaPharma	<ul style="list-style-type: none"> ▪ A subsidiary of Benta Group, the company develops new and enhanced formulations of pharmaceutical products; it equally produces medical devices
CHAPHA	<ul style="list-style-type: none"> ▪ Produces pharmaceuticals, disinfectants and cosmetics ▪ Manufactures under license and produces its own branded generic products
Mediphar	<ul style="list-style-type: none"> ▪ Develops, manufactures and markets generic and innovative products for both prescription and over the counter (OTC).
Mephico	<ul style="list-style-type: none"> ▪ Manufactures under license for international pharmaceutical companies, including: CIBA-GEICY and NOVARTIS AG, Basle, Switzerland ▪ The company equally produces its proper branded generics
Pharmadex	<ul style="list-style-type: none"> ▪ Product line includes: tablets, capsules, liquids, suppositories, creams, ointments, and lotions
Pharmaline	<ul style="list-style-type: none"> ▪ This subsidiary of Malia Holding Produces a wide range of branded generics ▪ It also produces under license for companies like Abbott, GSK, Pierre Fabre, Merck Serono, Phadisco, Swisse (Australia), and Tripharma ▪ Pharmaline's portfolio covers essential chronic diseases mainly: Diabetes, Osteoporosis, Hypercholesterolemia, Erectile Dysfunction, and Fungal Infections
PharmaM	<ul style="list-style-type: none"> ▪ Specializes in dietary supplements ▪ Produces its own line of supplements and equally manufactures under 'private label'

Source: IDAL Studies, Planning & Statistics Directorate



USEFUL CONTACTS



USEFUL CONTACTS

Ministry of Public Health
www.moph.gov.lb

Ministry of Industry
www.industry.gov.lb

Ministry of Economy and Trade
www.economy.gov.lb

Investment Development Authority
of Lebanon **IDAL**
www.investinlebanon.gov.lb

Syndicate of Lebanese Pharmacists
L'ordre des Pharmaciens du Liban
www.opl.org.lb

Syndicate of Hospitals in Lebanon
www.hospitals-synd.org.lb

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- UNDP and Tomorrow's Advice 2000
- Bank Audi's Research Department
- Ministry of Public Health
- Ministry of Economy and Trade
- IDAL Sector Mapping 2013
- World Health Organization 2012



If you require any further information on investing in Lebanon or on the services IDAL can offer you, please do not hesitate to contact us at the following:

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