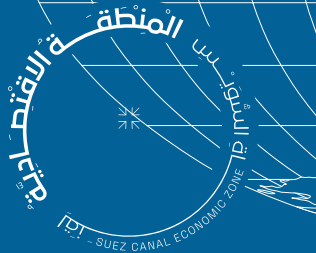


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# SC°ZONE

INVESTMENT OPPORTUNITIES  
FOR MEDICAL DEVICES  
MANUFACTURING



## EXECUTIVE SUMMARY

### MEDICAL DEVICES AS YOUR INVESTMENT OPPORTUNITY

- The global medical devices market is estimated at \$342bn in 2021 and is forecasted to grow at a CAGR of 6% to reach \$456bn by 2026
- The Egyptian medical devices market is expected to grow at a CAGR of 7-9% towards 2026. Egypt has large diagnostic imaging and consumables segments constituting 24.4% and 14.6% market shares respectively
- A huge market opportunity arises from the surging excess demand for locally produced high-tech medical devices, especially considering Egypt's plans to upgrade its healthcare infrastructure and the fast-growing private healthcare sector
- Large export opportunities exist through the MEA region, as KSA and South Africa are the 2 largest importers of medical devices with \$1.6bn and \$1bn import values respectively, followed by the UAE (\$960 Mn)

### EGYPT AS YOUR LONG-TERM BUSINESS PARTNER

- Strong GDP growth outpacing global markets with an average growth forecast of 5.5% (2022-2025)
- EGP2.3tn invested into infrastructural developments over the past 7 years
- A trade and investment hub that is supported by the country's large domestic market, strategic geographic location, and large and educated talent pool
- The country boasts some of the most competitive labor & electricity prices amongst its peers, alongside various free trade agreements that facilitate profitable production & exports

### SCZONE AS YOUR UNIQUE INVESTMENT DESTINATION

- Well-connected to the modern road network of Egypt and enjoys direct connection to the new Suez-canal tunnels
- Offers direct financial incentives such as a 0% customs tax, a 0% VAT tax, and an export support program among other indirect incentives
- Enjoys a special customs regime and trade regulations on top of being a one-stop shop for registrations, permits, licenses, and bureaucratic processes in general

# 001

## CHAPTER ONE

# WHY INVEST IN THE MANUFACTURING OF MEDICAL EQUIPMENT



# With the Largest Healthcare Sector in the Middle East, Egypt offers Significant Investment Opportunities for Medical Device Manufacturing

## SC°ZONE'

■ UNIQUE LOCATION

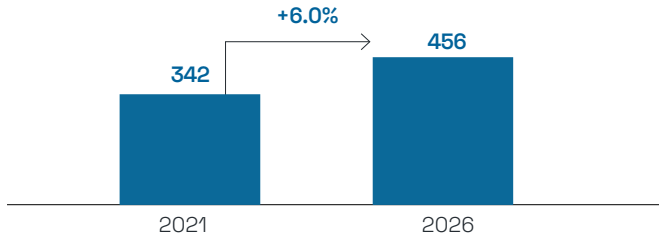
■ HIGHEST QUALITY STANDARDS

■ RESILIENT ECONOMIC GROWTH

## THE GLOBAL MEDICAL DEVICES MARKET HAS GROWN BY 33% OVER THE PAST 5 YEARS

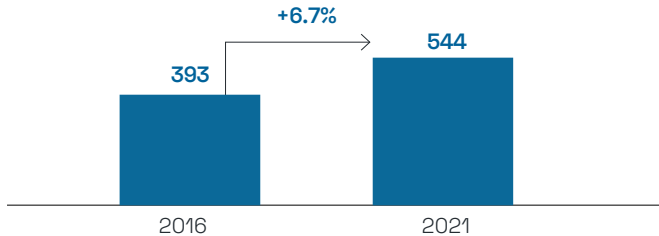
### GLOBAL MEDICAL DEVICES MARKET

[\$BN]



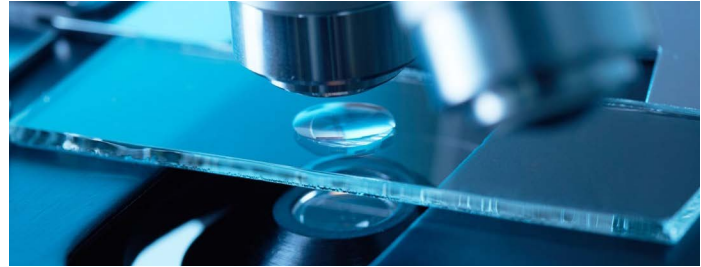
### GLOBAL TRADE VALUE OF MEDICAL DEVICES 2021

[\$BN]



\*Includes HS item Numbers: 9018, 9019, 9020, 9021, & 9022 (excl. 902219 & 902229)

Source: UNComtrade, Fitch Solutions, Statista, Ntsal Analysis



- The global medical devices market is estimated at \$342bn in 2021 and is forecasted to grow at a CAGR of 6% to reach \$456bn by 2026
- Technological advancements are modernizing medical devices, leading to an increasing use of smart gadgets, remote patient monitoring devices, and improving patient data collection, leading to better healthcare outcomes
- The global **trade value** for medical devices has increased by 38.4% through the past 5 years, growing from \$393bn in 2016 to \$544bn in 2021

## EGYPT'S TOTAL SPENDING IN THE HEALTHCARE SECTOR REPRESENTS 5% OF ITS GDP WITH A STRONG GROWTH AND INVESTMENT TO LOCALIZE DEVICE MANUFACTURING

EGP **27.5** BN

GOVERNMENT INVESTMENTS  
IN HEALTHCARE SERVICES

**18.2%**

GROWTH RATE OF  
HEALTHCARE SERVICES

**~5%**

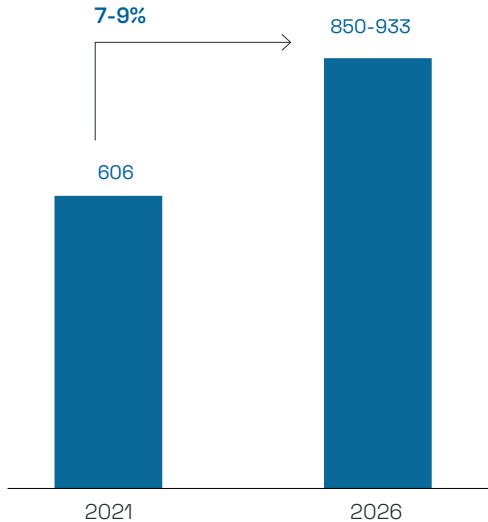
TOTAL HEALTHCARE  
EXPENDITURE TO GDP

- The healthcare sector in Egypt is large compared to its neighbors in the Middle East
- The Egyptian government is committed to expanding and upgrading its healthcare system, offering a variety of opportunities for the medical device industry
- Egypt has increased its public investment by 205% over the past year to strengthen the healthcare system after the pandemic
- Recent Government initiatives towards developing the healthcare sector include:
  - The comprehensive health insurance plan with the geographic targeting of priority governorates.
  - The construction of 79 hospitals and 294 primary care units in nine governorates as well as adding 300 ambulances.
  - Working to raise the efficiency of 125 hospitals.
  - The new Medical City mega project in the New Administrative Capital.

## EGYPT'S MEDICAL DEVICES MARKET IS ONE OF THE FASTEST GROWING IN THE REGION

### EGYPT'S MEDICAL DEVICES MARKET

[\$MN]



- The Egyptian medical devices market was estimated at \$606mn by the end of 2021 and is forecasted to grow with a high-digit CAGR between 7-9% through the period 2021-2026
- The Egyptian market constitutes nearly 0.2% of the global medical devices market
- Egypt has a large diagnostic imaging segment considering its overall market size
- Due to the Covid-19 outbreak and the resulting healthcare crisis, the Egyptian government pledged to improve its regulation of the healthcare sector
- As a result, there is a clear boost in the purchase of medical devices by the private sector and a proliferation of privately-owned hospitals and clinics, which has steeply raised the demand for medical and lab equipment

## INCREASING FUTURE DEMAND BASED ON MODERNIZATION OF A HIGH NUMBER OF TREATMENT FACILITIES AND HIGH IMPORT DEPENDENCY

5,424 as of 2020

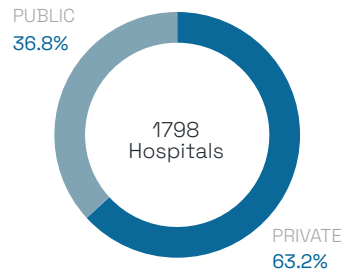
TREATMENT FACILITIES  
(EXCLUDING HOSPITALS)

\$442 MN

VALUE OF IMPORTED MEDICAL OR  
SURGICAL INSTR. & APPL. IN 2021

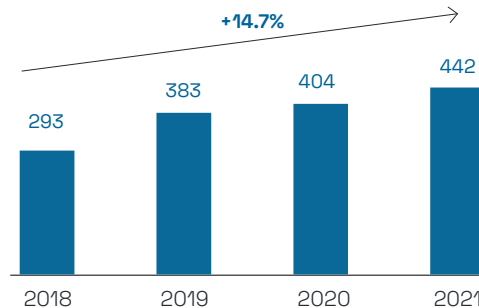
TOTAL HOSPITALS IN EGYPT

Data as of 2020



EGYPT'S MEDICAL OR SURGICAL INSTR.  
& APPL. IMPORTS

[\$MN]



- Egypt has a large number of medical treatment facilities to serve the growing population
- Increasing affordability based on the new universal healthcare will further strengthen the capability to invest and upgrade medical devices and products
- Egypt's increasing urbanization rate and growing disposable income, coupled with an aging population, are creating a sizable demand for devices of varying complexity, including cardiac pacemakers and orthopedic implants
- Currently, Egypt's demand for medical devices is met with a significant share of imports



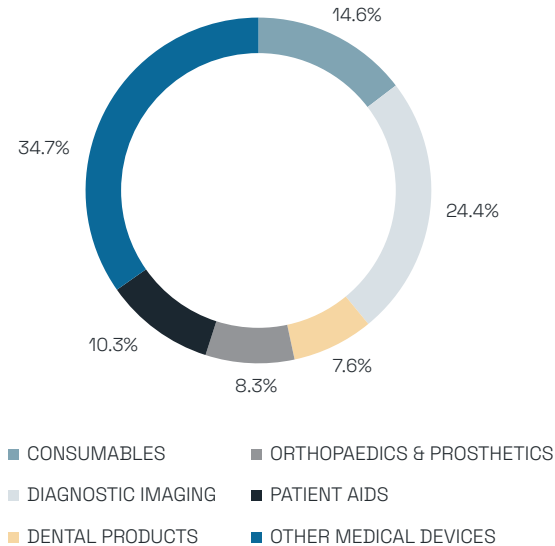


Egypt targets to lower its reliance on imported medical devices, encouraging investments in more advanced medical device manufacturing to move up the industry's value chain

SCZONE SUPPORTS A FLEXIBLE PRODUCTION AT SCALE

## WHILE THE MEDICAL DEVICE MARKET IS DIVERSE, CONSUMABLES AND DIAGNOSTIC IMAGING ARE TWO KEY PILLARS OF FUTURE MARKET GROWTH

### MEDICAL DEVICE MARKET BY PRODUCT AREA



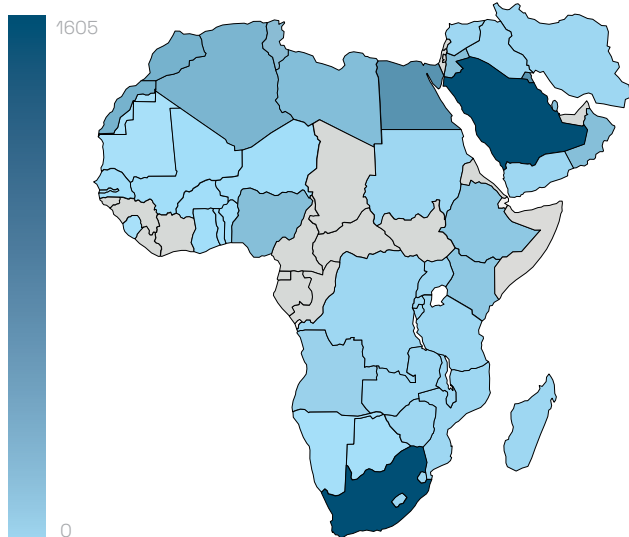
## 133 MEDICAL DEVICE MANUFACTURING & MAINTENANCE COMPANIES

- There are 133 companies in Egypt that manufacture medical devices
- Consumables and diagnostic imaging provide significant opportunities for investors in Egypt

## MEA'S MEDICAL DEVICES MARKET IS FORECASTED TO REACH \$13.5BN BY 2027

### MEA'S MEDICAL DEVICES IMPORTS EXCEED \$8.5BN

IMPORT VALUE \$MN



- The medical devices market in MEA is estimated at \$8.5bn in 2021 and is forecasted to grow with a high single-digit CAGR of 8% to reach \$13.5BN by 2027
- Gulf countries imported over \$3.5BN worth of medical devices in 2021
- KSA and UAE are the two top importers of medical devices in the MENA region, with \$1.6BN and \$960mn worth of imports respectively in 2021
- South Africa is the largest importer of medical devices in Africa with imports worth more than \$1BN in 2021, followed by Egypt in the second place. Morocco and Alegria rank third and fourth with \$324MN and \$296MN respectively
- Egypt's Free Trade Agreements, namely GAFTA and AfCFTA, support the export opportunities in the region

# INVESTMENT OPPORTUNITIES EXIST IN HIGH-TECH MEDICAL DEVICES

## MEDICAL DEVICES CATEGORIES BY DEGREE OF COMPLEXITY

HIGH TECH

### DIAGNOSTIC EQUIPMENT

Devices that are characterized by complexity and technological sophistication, and includes capital equipment (e.g., computed tomography scanners and magnetic resonance imaging devices)

### THERAPEUTICS

Devices of varying complexity that can be implantable (e.g., cardiac pacemakers and orthopedic implants) or non-implantable (e.g., ventilators and infusion pumps). This category also includes intravenous diagnostic kits

### SURGICAL INSTRUMENT

Devices that assist in various surgical procedures, such as cosmetic and endoscopic surgeries. Examples include forceps, scissors, and dental drills.

### DISPOSABLES

The lowest-tech category of devices. These goods are mostly hospital supplies such as bandages and rubber gloves, but also includes basic intravenous diagnostic technologies

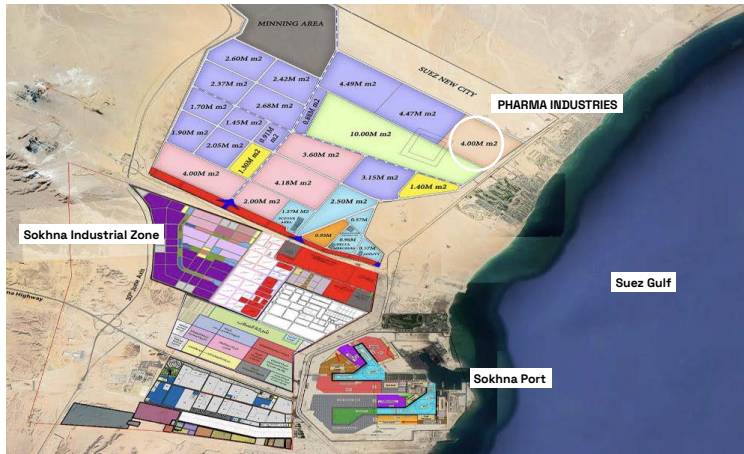
LOW TECH

- Egypt's medical device market is largely reliant on imports (nearly 90% supplied by imports)
- Local production is limited to basic disposables/consumables and other medical supplies
- Technical Medical Diagnostic and Therapeutic equipment, such as radiography and ultrasound apparatus, vital statistic monitors, dialysis machines, and laboratory microscopes are imported and distributed by only a handful of companies that benefit from low import tariffs

**A huge market opportunity arises from the surging excess demand for locally produced high-tech medical devices, especially considering Egypt's plans to upgrade its healthcare infrastructure and the fast-growing private healthcare sector**

# YOUR FACTORY WILL BE LOCATED IN A SPECIALIZED INDUSTRIAL CLUSTER WITH ACCESS TO ALL REQUIRED FACILITIES

SCZONE OFFERING AN AREA OF 300 KM<sup>2</sup> IN  
**(1) SOKHNA INDUSTRIAL ZONE**



SCZONE OFFERING AN AREA OF 230 KM<sup>2</sup> IN  
**(2) EAST PORTSAID INDUSTRIAL ZONE**



# MEDICAL DEVICE MANUFACTURING IN THE SCZONE GUARANTEES A SEAMLESS VALUE CHAIN

## 001 R&D

- R&D is the highest-value segment of the GVC for medical devices and accounts for an estimated 60% of the final cost of medical device production
- It includes the prototype, regulatory approval, process development, and sustaining engineering

\$3.5BN EGYPT'S ANNUAL  
EXPENDITURE ON R&D

74K+ PHYSICS AND ENGINEERING  
GRADUATES ANNUALLY

## 002 MANUFACTURING AND ASSEMBLY

### MANUFACTURING

### ASSEMBLY

- Manufacturing and assembly represent the lowest value-added stages of the medical device GVC. This stage of the GVC is usually outsourced to low-labor-cost economies, as a result of its lower associated added value
- Manufacturing and assembly activities include software development, electronics development, plastics molding, packaging, sterilization, etc.

AVAILABILITY OF  
REQUIRED MATERIALS  
FOR MANUFACTURING  
& ASSEMBLY IN EGYPT:

- Resin
- Metals
- Chemicals
- Textiles

COMPETITIVE COST AND RELATIVELY  
QUALIFIED LABOR FORCE

## 003 POSTPRODUCTION

### DISTRIBUTION

### MARKETING AND SALES

### POST-SALES SERVICE

- The three final stages in the GVC are considered high-value-added activities.
- Low-tech products (disposables and surgical equipment) are generally marketed and sold in bulk to wholesale distributors, whereas high-tech products tend to be sold directly to hospital administrators or specialty care facilities.

NEARLY 1800 HOSPITALS AND 5424 OTHER  
TREATMENT FACILITIES

NEARLY EGP 2MN ANNUAL CONSUMPTION OF  
MEDICAL SUPPLIES PER HOSPITAL

121K DOCTORS AND 30K DENTISTS

5MN INPATIENTS AND 43MN OUTPATIENTS  
ANNUALLY

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# 002

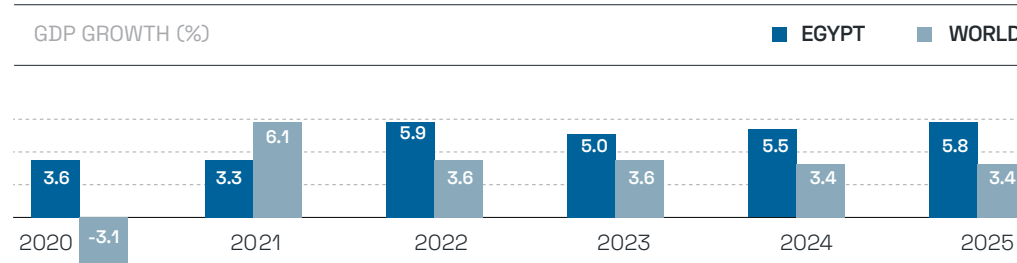
CHAPTER TWO

# WHY EGYPT



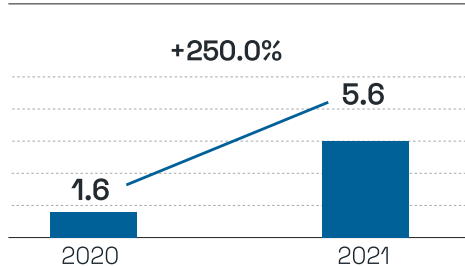
## EGYPT IS ONE OF THE LEADING ECONOMIES AND GROWING INVESTMENT HUBS IN AFRICA AND THE MIDDLE EAST

### GROWTH RATE EXCEEDING GLOBAL AVERAGES

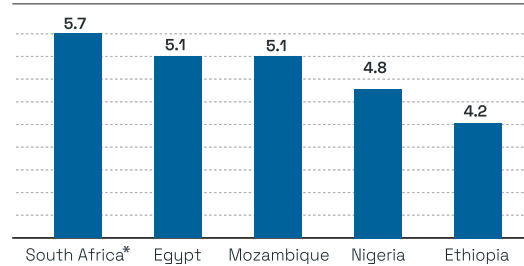


- Strong GDP growth outpacing global markets with an average growth forecast of 5.5% until 2025

### GREENFIELD INVESTMENTS (\$BN)



### FOREIGN DIRECT INVESTMENT (\$BN)

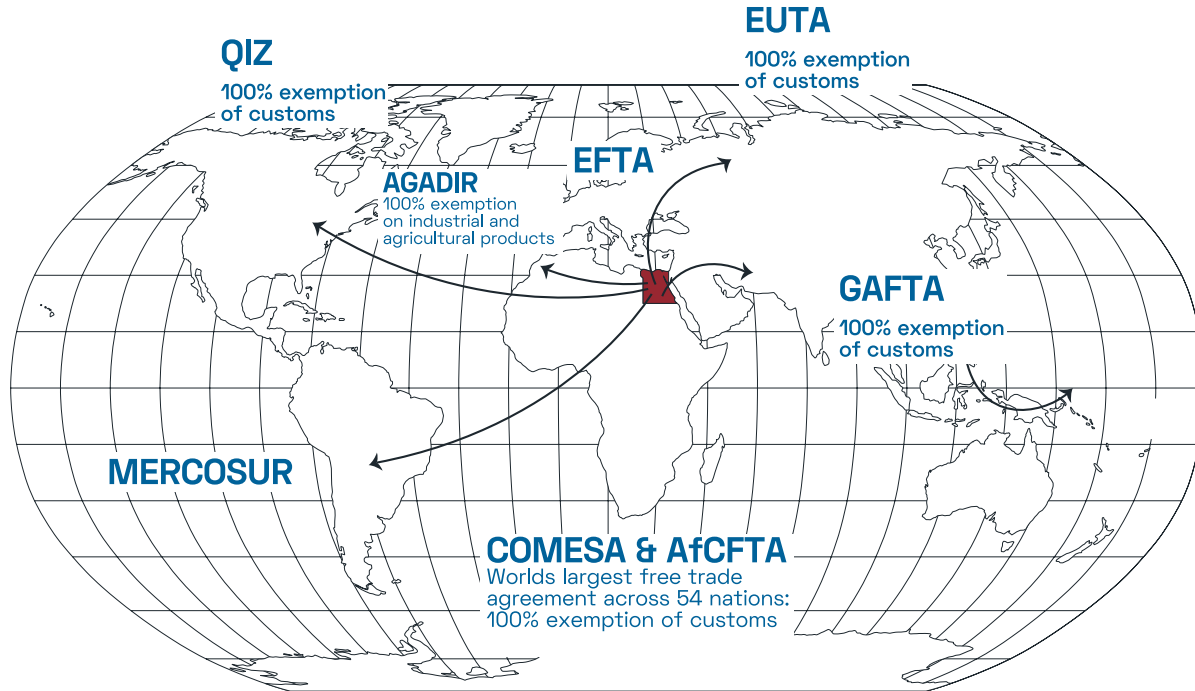


\*South Africa FDI excludes Naspers & Prosus \$35 BN deal

- A trade and investment hub that is supported by the country's large domestic market, strategic geographic location, and large and educated talent pool



# WITH 12% OF GLOBAL TRADE PASSING THROUGH THE SUEZ CANAL, EGYPT IS STRATEGICALLY LOCATED AND SUPPORTED BY REGIONAL FREE TRADE AGREEMENTS



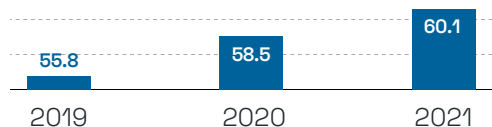
EGYPT IS THE  
**2nd**  
 LARGEST FDI RECIPIENT IN AFRICA

## THE GOVERNMENT'S RECENT ECONOMIC AND STRUCTURAL REFORMS ARE BEARING FRUIT

### LEGISLATIVE AND INSTITUTIONAL REFORMS

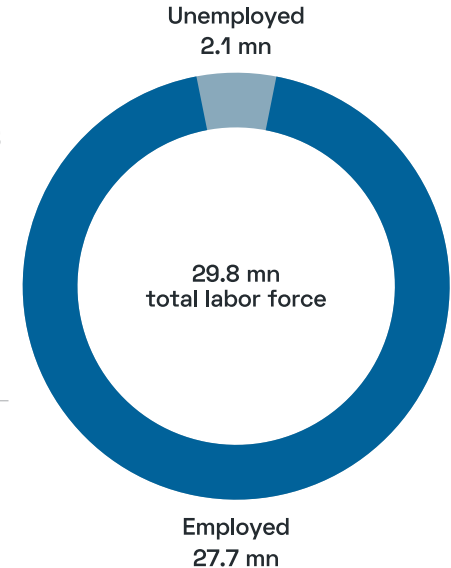
- Facilitating trade by automated customs system "Nafeza" [2021]
- Online system for filing and paying taxes [2020]
- Strengthening minority investors protection [2020]
- One-stop investor shops to obtain necessary approvals and licenses

### EASE OF DOING BUSINESS SCORE



### LABOR MARKET AND TALENT DEVELOPMENT

- Large and skilled labor force of 29.8 million people
- 85.8K graduates from higher technical institutes
- >150,000 teachers registered in TVET system
- >2 million students enroll in the Technical Education & Vocational Training (TVET) program annually



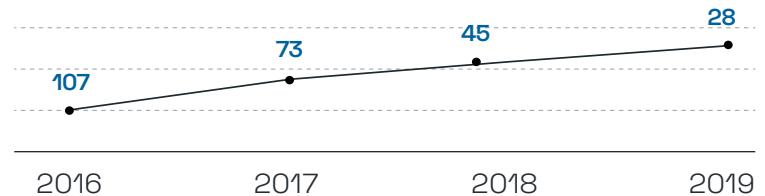
# EGYPT HAS ACHIEVED HISTORICAL AND UNPRECEDENTED ACHIEVEMENTS IN THE FIELD OF INFRASTRUCTURE PROJECTS

## INFRASTRUCTURE AND CONNECTIVITY

- EGP2.3tn invested into infrastructural developments over the past 7 years
- EGP1.1tn designated for road network development between 2014-2024, resulting in the construction of 7000km of newly developed roads and maintenance of 5000km of existing roads
- EGP387bn invested into the energy sector between 2014-2021, which saw Egypt achieving an electricity production surplus of >25% in 2022
- EGP50bn invested in upgrading existing airports, alongside the construction of 5 new airports in key areas across Egypt
- \$12.4bn allocated to the "National Ports Development Plan" launched in 2017 to increase total cargo tonnage handled per year from 120mn tons to 370mn tons by 2030
- 28% of total government investments allocated to the transportation sector in FY 2022/2023, of which EGP176bn are earmarked for the National Authority for Tunnels
- National high speed electric train spanning 1000 km, connecting sea- and land ports to cities and industrial areas, set to have its first phase completed in early 2023 at an investment cost of about \$8.7bn



## QUALITY OF ROADS INFRASTRUCTURE, RANK



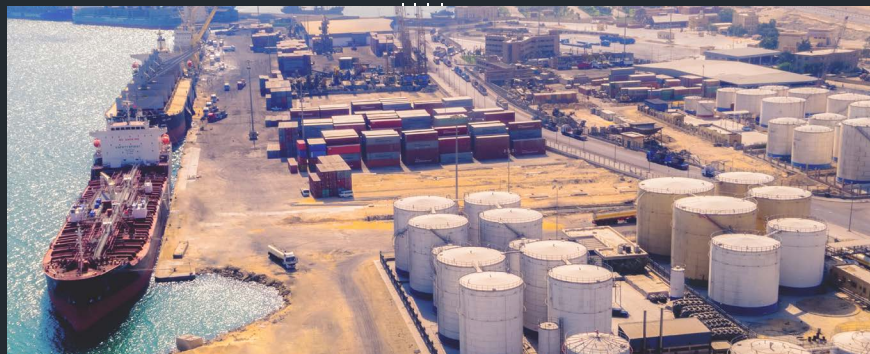
Latest publication of GCI is of 2019

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# 003

CHAPTER THREE

## WHY SCZONE



## THE SCZONE PROVIDES AN INVESTOR-FRIENDLY BUSINESS ENVIRONMENT THAT IS A CORNERSTONE FOR EGYPT'S NATIONAL DEVELOPMENT PLANS

# 455

MILLION SQM2  
TOTAL LAND AREA

# 6

SEA PORTS

# 4

INDUSTRIAL ZONES

# 3

MAIN OPERATORS IN  
THE PORT

# 14

INDUSTRIAL  
DEVELOPERS

# >95

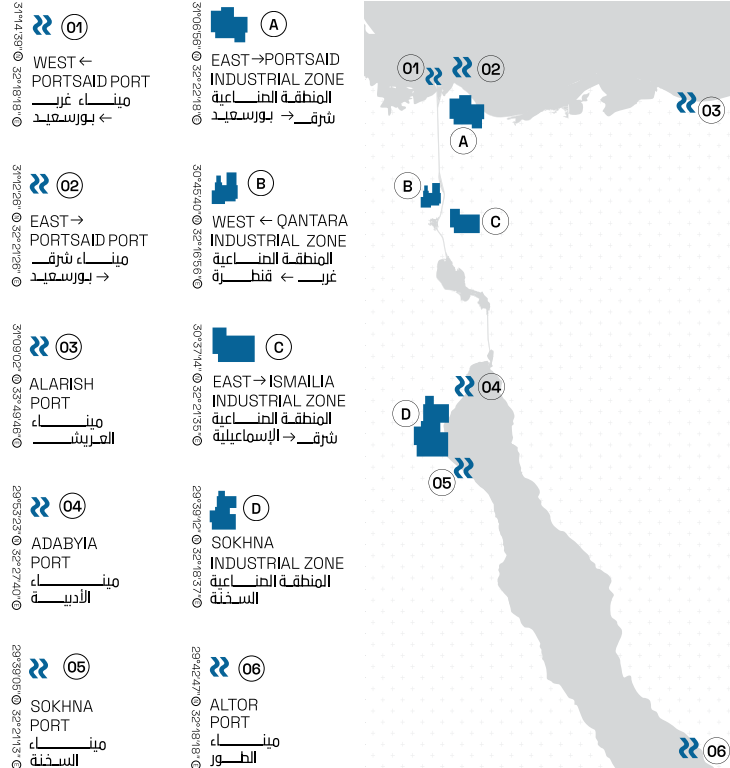
OPERATIONAL  
COMPANIES IN THE  
PORTS

# >300

OPERATIONAL  
ESTABLISHMENTS

# 100K+

DIRECT JOBS  
CREATED



## SCZONE IS A PROMISING INVESTMENT ZONE LOCATED AROUND THE GLOBAL TRADE ROUTE [SUEZ CANAL] WITH

### REGIONAL CONTEXT

1.3<sup>BN</sup>

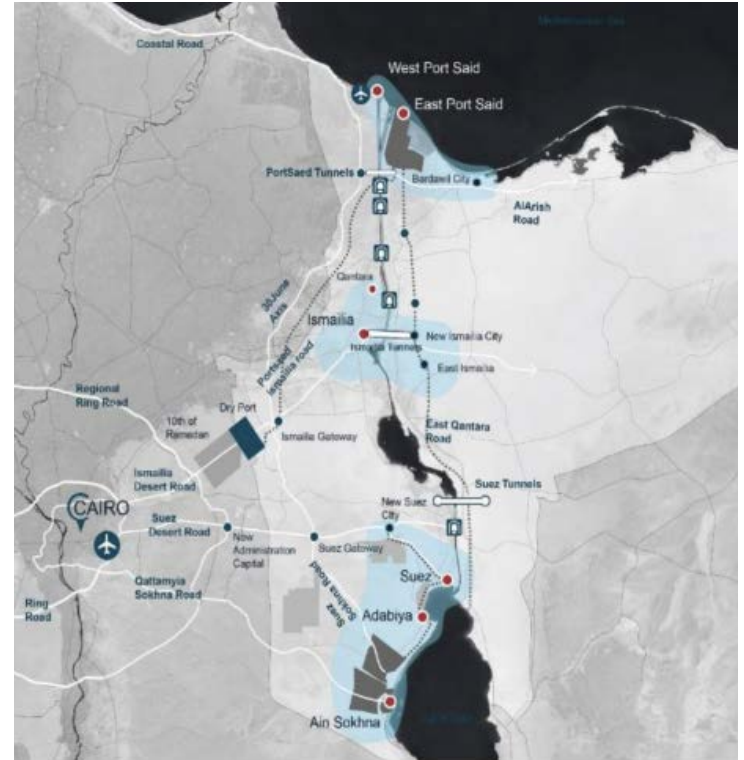
GROSS CARGO  
TRAFFIC/YEAR

12%

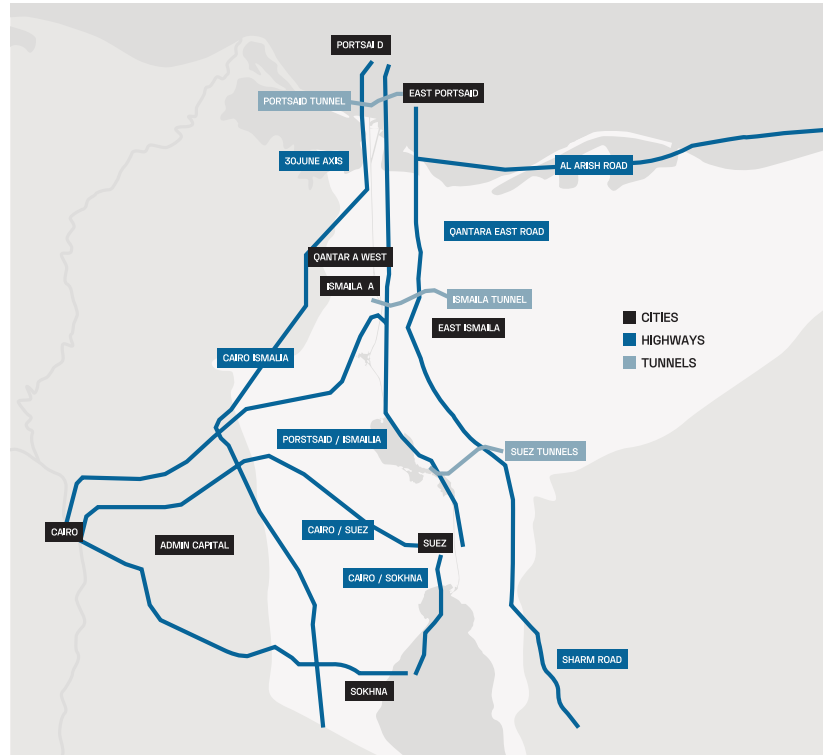
INTERNATIONAL  
TRADE/YEAR

>20K

SHIPS/YEAR



## THE SCZONE IS WELL CONNECTED TO EGYPT'S MODERN ROADS, RAIL AND AIRPORT NETWORK



SCZONE IS WELL CONNECTED TO THE MODERN ROADS NETWORK OF EGYPT AND ENJOYS DIRECT CONNECTION TO THE NEW SUEZ CANAL TUNNELS, FACILITATING TRANSPORTATION BETWEEN ITS TWO BANKS

## THE SCZONE'S SERVICES FACILITATE KEY PROCEDURES FOR INVESTORS



### SPECIAL CUSTOMS REGIME AND TRADE REGULATIONS

- Create an integrated industrial community
- Establish a logistic platform to serve international trade
- Reduce costs and time of shipments release
- Simplify and ease import/export regulations

### ONE-STOP SHOP

#### Providing convenient integrated services under one ceiling

- New Establishments & Companies registrations
- Issuing all Licenses (construction & operation... etc)
- Extracting the work permits
- Issuing residency permits for the foreign investors



## ATTRACTIVE INCENTIVES AND BENEFITS FOR GLOBAL INVESTORS BUILD A CONDUCIVE BUSINESS ENVIRONMENT IN THE SCZONE [1/2]

### DIRECT FINANCIAL INCENTIVES

#### 0% CUSTOM TAX



- 0% customs on all projects' components imported from abroad under the condition of exporting the final products
- Custom tax applied on imported components only when exporting to the local market

#### 0% VALUE ADD TAX



- 0% VAT applied on all local and foreign imports required for manufacturing, production and operation
- 14% VAT is only applied when exporting final products from SCZONE to the domestic market

#### CORPORATE TAX REFUND ( INCENTIVES FOR 7 YEARS )



- Discount on Tax (net profit) equivalent to 50% of the project investment costs such that the incentive does not exceed 80% of the paid-in capital

#### EXPORT SUPPORT PROGRAM



- Industrial manufacturers for export purposes at SCZONE will benefit from the program
- Enhancing the price competitiveness at foreign markets

## ATTRACTIVE INCENTIVES AND BENEFITS FOR GLOBAL INVESTORS BUILD A CONDUCIVE BUSINESS ENVIRONMENT IN THE SCZONE [2/2]

### INDIRECT INCENTIVES

#### “THE LEGAL FRAMEWORK”



- SCZONE established and empowered by the special economic zones Law No. 83/2002 which gave a legal framework that reinforces; Flexible, Autonomous and Decision in a single place

#### “ONE-STOP-SHOP SERVICES”



- New Establishments & Companies registrations
- Issuing all Licenses (construction & operation.. etc)
- Extracting work permits
- Issuing residency permits for foreign investors

#### EXPORT & IMPORT REGULATION



- Special rules governing imports and exports from the SCZONE
- Reduced cost & time of regulatory examination of shipments
- Treating end industrial products as local products

#### NEW CUSTOMS GUIDE 2020 & DIGITAL TRANSFORMATION



- Creating an integrated industrial community
- Establishing a logistic platform to serve international trade
- Reducing release time of shipments

#### 5-YEAR RESIDENCY PERMIT FOR THE FOREIGN INVESTORS



- Foreign investors have the right to obtain residency for a period of 5 continuous years, renewable for similar periods throughout the duration of the project

# CONTACT US TO LEARN MORE ABOUT INVESTMENT OPPORTUNITIES

WE WILL SUPPORT YOU EVERY STEP IN THE WAY, FROM CONCEPTUALIZATION TO IMPLEMENTATION

001 CONSIDER

002 EXPLORE

003 PLAN

CONTACT US  
INVEST@SCZONE.EG

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