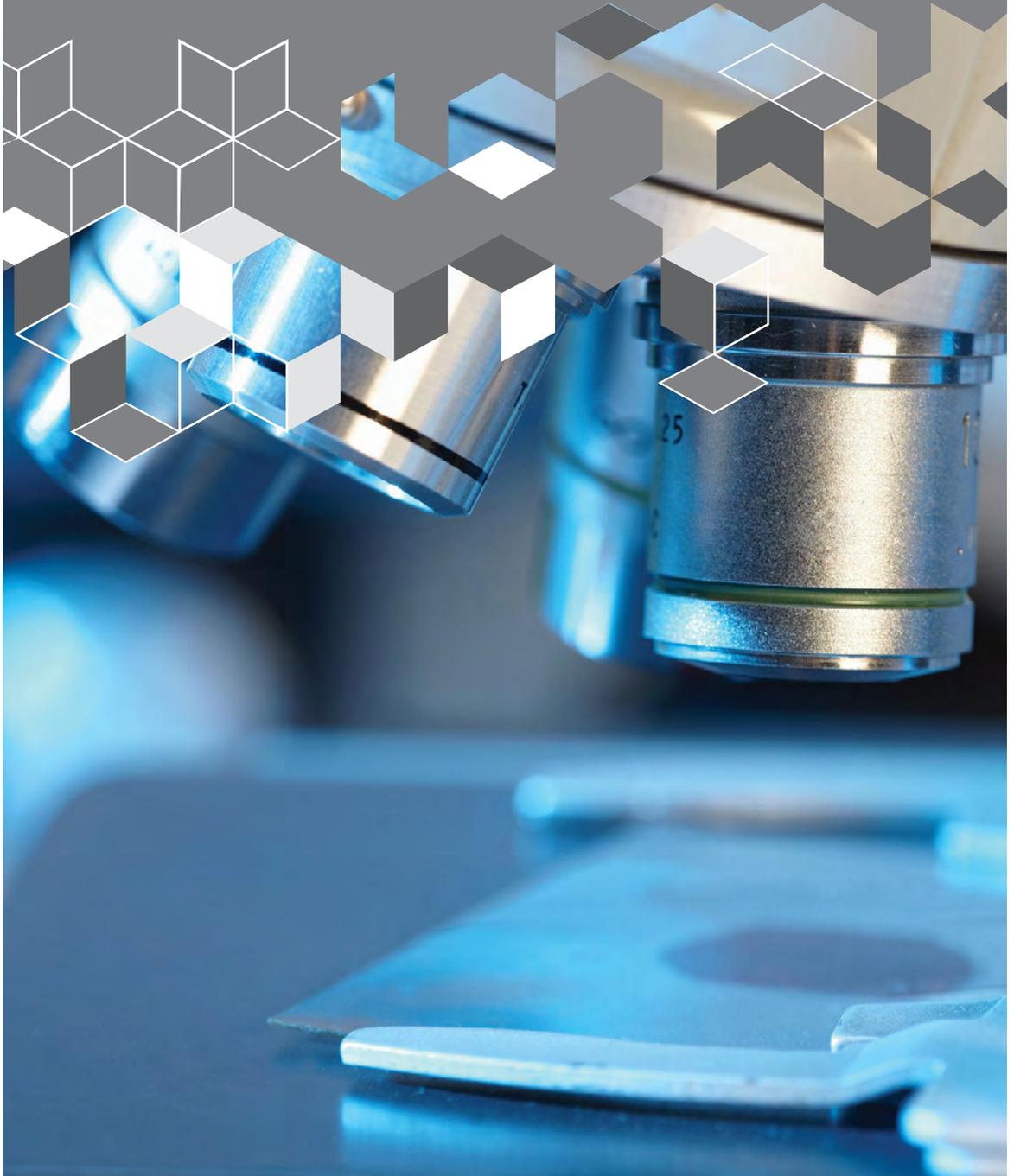




**IDAL**  
INVEST IN LEBANON

# PHARMACEUTICAL INDUSTRY

FACT BOOK  
2016



# CONTENT

<b>SECTOR OVERVIEW</b>	<b>P 4</b>
<b>KEY PLAYERS</b>	<b>P 6</b>
<b>TRADE ACTIVITY</b>	<b>P 8</b>
<b>COMPETITIVE ADVANTAGES</b>	<b>P 9</b>
<b>INVESTMENT OPPORTUNITIES</b>	<b>P 11</b>
<b>INVESTMENTS MEDIATED BY IDAL</b>	<b>P 11</b>
<b>STAKEHOLDERS</b>	<b>P 13</b>

# SECTOR OVERVIEW

Lebanon's pharmaceutical market was estimated to be worth around USD 1.63 billion in 2015, representing a 6.1% growth from 2014 levels<sup>1</sup>. The market is expected to grow at a CAGR of 6.2% through to 2020, reaching a value of USD 2.20 billion<sup>2</sup>.

This growth has been reflected in the sales of pharmaceutical products (Table 1):

- ▶ Pharmaceutical sales represented 3.15% of national GDP in 2015, the largest portion in the MENA region<sup>3</sup>.
- ▶ Sales are expected to increase from USD 1.63 billion in 2015, to reach USD 1.75 billion in 2016<sup>4</sup>.
- ▶ Per capital spending on pharmaceuticals is also projected to increase from USD 279 in 2015 to USD 374 in 2016<sup>5</sup>.

**Table 1: Lebanon Pharmaceutical Sales (2014-2020)**

	2014	2015e	2016f	2017f	2018f	2019f	2020f
Pharmaceutical sales, USD bn	1.53	1.63	1.75	1.87	1.98	2.09	2.20
Pharmaceutical sales, % of GDP	3.12	3.15	3.22	3.24	3.24	3.23	3.22

Source: BMI, 2016

Patented drugs dominate the market in Lebanon. They account for 61.8% of prescription drug sales and 49% of total market<sup>6</sup>. It is forecasted that they will account for 51% of total medicine sales by 2020<sup>7</sup> (Table 2).

**Table 2: Lebanon Patented Drug Market Indicators (2014-2020)**

	2014	2015	2016e	2017f	2018f	2019f	2020f
Patented drug sales USD billion	0.75	0.80	0.87	0.94	1.00	1.06	1.13
Patented drug sales, % of total sales	48.9	49.0	49.5	50.1	50.6	51.0	51.0

Source: BMI, 2016

Spending on generic drugs remains low at USD 494 million in 2015<sup>8</sup>. However, it is expected to grow and at a CAGR of 8.2% from 2012 to 2020 to reach USD 734 million in 2020<sup>9</sup> (Table 3).

**Table 3: Lebanon Generic Drug Market Indicators (2014-2020)**

	2014	2015	2016e	2017f	2018f	2019f	2020f
Generic drug sales USD billion	0.46	0.49	0.54	0.59	0.64	0.68	0.73
Generic drug sales, % of total sales	30.0	30.3	30.8	31.4	32.0	32.7	33.3

Source: BMI, 2016

Spending on over-the-counter pharmaceuticals (OTCs) accounted for 20.8% of total market in 2015, reaching USD 339 million<sup>10</sup>. The most bought OTCs are analgesics, followed by cough and cold treatments<sup>11</sup>. Growth of OTC drugs is forecasted to be minimal over the next couple of years, growing at a CAGR of 1% until 2020<sup>12</sup>. Their market share is expected to decrease to the profit of prescription medicines.

# KEY PLAYERS

The pharmaceutical market currently comprises **164 importers**<sup>13</sup>, and around **11 manufacturing facilities**<sup>14</sup> (Table 4), and an array of multinational companies present through local distributors, altogether forming a well-established pharmaceutical industry in the country.

**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.

**Multinational companies present in Lebanon who manufacture part of their products through local companies include:** 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	Products
<b>Alfa Labs</b>	<ul style="list-style-type: none"> <li>▶ Produces intravenous &amp; dialysis solutions as well as ampoules and disposable medical devices.</li> <li>▶ Subsidiary Nutrico produces nutritional supplements.</li> </ul>
<b>Algorithm</b>	<ul style="list-style-type: none"> <li>▶ Focuses on cardiology, endocrinology, neurology, gynecology and urology. Products either under license from international companies (US MSD, Zeneus Pharma, Biogen) or developed by the company's product development team.</li> <li>▶ Locally developed products include innovative products as well as differentiated generics.</li> </ul>
<b>Arwan</b>	<ul style="list-style-type: none"> <li>▶ Pharmaceutical preparations for use in dermatology, oncology, hematology and in tissue and organ transplantation, in ophthalmology and for gastroenterological disorders.</li> </ul>
<b>Benta Pharma</b>	<ul style="list-style-type: none"> <li>▶ A subsidiary of Benta Group, the company develops new and enhanced formulations of pharmaceutical products as well as medical devices.</li> </ul>
<b>CHAPHA</b>	<ul style="list-style-type: none"> <li>▶ Develops new formulations of pharmaceutical products</li> <li>▶ Manufactures products under license.</li> </ul>
<b>Mediphar</b>	<ul style="list-style-type: none"> <li>▶ Develops, manufactures and markets generic and innovative branded products for both prescription and OTC.</li> <li>▶ Products for use in different therapeutic areas, including among others, cardiovascular systems, dermatological, and respiratory systems.</li> </ul>
<b>Mephico</b>	<ul style="list-style-type: none"> <li>▶ Manufactures under license for international pharmaceutical companies, including: CIBA-GEICY at present NOVARTIS AG, Basle, Switzerland.</li> <li>▶ The company equally produces its proper branded generics</li> </ul>
<b>Pharmadex</b>	<ul style="list-style-type: none"> <li>▶ Produces tablets, capsules, liquids, suppositories, creams, ointments, &amp; lotions</li> </ul>
<b>Pharmaline</b>	<ul style="list-style-type: none"> <li>▶ A subsidiary of Malia Holding, it 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.</li> <li>▶ Pharmaline's portfolio covers essential chronic diseases mainly: Diabetes, Osteoporosis, Hypercholesterolemia, Erectile Dysfunction, &amp; Fungal infections.</li> </ul>
<b>PharmaM</b>	<ul style="list-style-type: none"> <li>▶ Specializes in dietary supplements. Produces its own line of supplements and equally manufactures under 'private label'</li> </ul>

**Note:** This list is non-exhaustive and is solely intended to provide a general overview of the industry  
**Source:** IDAL Sector Mapping

<sup>13</sup> Syndicate of Lebanese pharmacists, 2016

<sup>14</sup> The directory of exports and industrial firms in Lebanon, 2015-2016

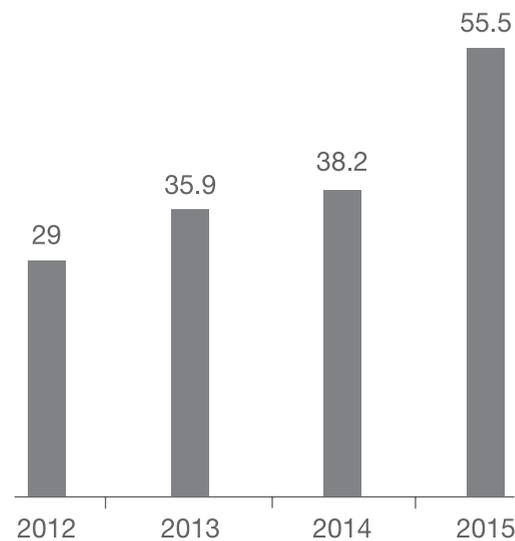
# TRADE ACTIVITY

Lebanon is a net pharmaceutical importer. In 2015, imports were estimated at USD 1.13 billion<sup>15</sup>. The main sources of import are Germany (15%), France (12%), USA (12%), Italy (8%), and Switzerland (8%)<sup>16</sup>.

Export activity has been picking up recently, with pharmaceutical exports growing at a CAGR of 17.68% from

2012 till 2015 (Figure 1), reaching USD 55.3 million in 2015<sup>17</sup>. The leading export destinations of Lebanese pharmaceutical products are Arab Countries mainly Iraq (18%, Saudi Arabia (17%), Jordan (11%), and the UAE (11%), followed by European Countries mainly France (10%), and Switzerland (7%)<sup>18</sup>.

**Figure 1: Evolution of Pharmaceutical Exports 2012 - 2015 | Million USD**



Source: Lebanese customs, 2015

# COMPETITIVE ADVANTAGES

**Talented human capital base:** Lebanon is ranked 19<sup>th</sup> worldwide for the Quality of its Higher Educational System, and 6<sup>th</sup> for the Quality of its Math and Science Education<sup>19</sup>. 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

Around 3,000 students graduate yearly in the fields of Pharmacy and are recruited by local, regional and international pharmaceutical industries worldwide<sup>20</sup>.

**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, especially Africa and the Middle East.

**Fast Growing Markets:** Emerging economies including the Middle East and Africa 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 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% yearly to reach USD 4.7 billion by 2016<sup>21</sup>.

The local market which is still highly import dependent remains far from mature and presents opportunities for growth. Additionally, plans to boost health system coverage are equally expected to improve drug market values and volume.

**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, in addition to the highest ratio of beds to population at 35 beds per 10,000<sup>22</sup>.

Health expenditure represented 10.66% of total public expenditures in Lebanon in 2013<sup>23</sup>.

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 an important health tourism destination, and form a firm base for further market growth.

19 the Global Competitiveness Report 2015-2016

20 Ministry of Education

21 US Consulate General, 2014

22 WHO, 2012

23 World Bank, 2013

**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 5).

**Table 5: Margins placed on Imported Drugs in Lebanon**

Margins/Markups on Imported Drugs		
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%

**Sources:** Ministry of Health, Bank Audi's Research Department

**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% exemption from all taxes incurring from export activities.

**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.

In addition, the government has had a special ipr police unit as of 2006, mandated with the enforcement of intellectual property laws. Lebanon also adheres to international conventions on intellectual property rights.

## INVESTMENT OPPORTUNITIES

**Patented prescription drugs:** patented prescription drugs in Lebanon account for the biggest share of pharmaceutical sales, and are expected to reach 51% of total market sales by 2020<sup>24</sup>. In the MENA, patented drugs account for 60 to 80 % of total pharmaceutical sales, and are forecasted to grow at a CAGR of 9% from 2011 to 2016, much faster than in countries in North America (CAGR of 1-4%) and Europe (CAGR 0-3%)<sup>25</sup>. International companies that want to produce patented prescription drugs in Lebanon also have the opportunity to manufacture their products through local companies.

**Generic prescription drugs:** even though spending on generic drugs is currently low, sales are expected to pick-up at a rapid pace. They are forecasted to grow at a CAGR of 8.2% from 2012 to 2016, reaching USD 734 million in 2020. In addition to the growing market, most of the pharmaceutical manufacturers in the country are producing their own generics. Indeed, 21% of generic drugs are already available and manufactured in Lebanon<sup>26</sup>.

## 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. Together, these projects have injected a value of **USD 60.15 million** to the local economy and generated **417 new jobs**.

### ARWAN PHARMACEUTICALS



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.

### BENTA PHARMA



A **USD 17.5 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.

<sup>24</sup> BMI, 2016.

<sup>25</sup> SABA Intellectual Property, 2015

<sup>26</sup> Blom Invest, 2016

**ALGORITHM  
PHARMACEUTICALS**



A **USD 12.4 Million** investment aiming at increasing the production capacity of this 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.

**PHARMALINE- MALIA  
GROUP**



Pharmaline is upgrading its plant building structure to cope with the GMP<sup>27</sup> 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**.

**PHARMA M**



PharmaM is a new Lebanese pharmaceutical manufacturing company based in Oyoum, 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**.

## STAKEHOLDERS

**Ministry of Public Health**  
[www.moph.gov.lb](http://www.moph.gov.lb)

**Ministry of Industry**  
[www.industry.gov.lb](http://www.industry.gov.lb)

**Ministry of Economy and Trade**  
[www.economy.gov.lb](http://www.economy.gov.lb)

**Investment Development Authority  
of Lebanon (IDAL)**  
[www.idal.com.lb](http://www.idal.com.lb)

**Syndicate of Lebanese Pharmacists  
(L'ordre des Pharmaciens du Liban)**  
[www.opl.org.lb](http://www.opl.org.lb)

**Syndicate of Hospitals in Lebanon**  
[www.hospitals-synd.org.lb](http://www.hospitals-synd.org.lb)



## CONTACT US

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:



/InvestInLebanon



@Invest\_Lebanon



/Investmentdevelopmentauthorityoflebanon



/InvestInLebanon



T +961 (1) 983306/7/8  
F +961 (1) 983302/3



invest@idal.com.lb  
export@idal.com.lb



Lazarieh Tower, 4th Floor,  
Emir Bechir Street,  
Riad El-Solh, Beirut, Lebanon  
P.O.Box: 113 -7251  
[www.investinlebanon.gov.lb](http://www.investinlebanon.gov.lb)

