

## Private Equity Investment for the Healthcare Sector

*“Discovering Opportunities & Overcoming Obstacles”*

17th March 2013

On the 17th of March 2013, around 35 distinguished experts and leaders in healthcare and private equity came together in a roundtable held in the Novotel Hotel in Zamalek to explore private equity as a tool for healthcare finance. The event was hosted by ALROWAD in cooperation with the HFIF and the Egyptian Private Equity Association (EPEA). The core discussion points can be illustrated as follows:

### Key Factors for Successful Cooperation between Private Equity and the Healthcare Sector

- Investment must be handled as a partnership not as a transaction
- Focus on long term investment and social impact
- Better understanding of both sectors
- Improved management
- Proper communication to different stakeholders
- Clear segregation of duties/management and ownership have to be separated
- Retaining qualified doctors & proper succession over generations
- Reasonable exit strategies for investors as well as for shareholding doctors

### What is Hampering Investment?

- Complexity of the system
- Capital intensiveness
- Lack of right documentation (financial statements/accounts)
- Lack of information, quality management, monitoring and good governance
- Business models of hospitals in Egypt need to be redefined
- Difficulties in licensing and unclear regulatory frameworks
- Unbalanced relationship between doctors and management
- Doctors fear losing independence/control and non-organic growth
- Power of many different individuals in hospitals
- Healthcare dominated by families/professional groups

## Why is investment in healthcare attractive?

- Defensive industry
- Very promising and largely untapped market
- Still growing industry
- Potential of the creation of win-win-win scenarios (healthcare players, investors, community)
- Some services (e.g. radiology and labs) are easy to scale up

## What is attractive for PE?

- PE is looking for:
  - Excellence in management
  - A clear business model
  - A growing industry
  - A reasonable exit strategy
- The following areas are especially attractive:
  - Specialized hospitals & clinics
  - Pharmaceuticals
  - Clinical labs
  - Chains of services

## Next Steps: What needs to be done now?

- Creation of useful and defined business and financial models
- Identification of benchmarks and success stories
- Increasing awareness and training
- Fostering mutual understanding between both sectors / increasing cross-sectoral networking
- Provision of match-making services



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