The global economy is shifting. Emerging Markets are in cyclical slow down, but still projected to grow ahead of more mature economies.

Iran - new emerging market opportunity?

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JGL
Iran-basic:

- population: 79.2 million
- Capital city: Tehran 8.5 million
- GDP per capita: $17,303
- Growth rate 3%
- Unemployment rate: 11.2%
- Health expenditure: 8.1% of GDP

Market size
Registration/pricing
Pharma industry position/trend
Iran-population

Structure of population

Population 2016 (April)  Census 2011

79.2 M
1st in the Middle East
17th in the World

21.1 M
Number of Households
Population Growth Rate

Median Age
27 Years
Urban
71.5 %

2.97 %
Rural
28.5 %
Labour market 2015

Labour Market (2015)

- Unemployment Rate:
  - 11%
  - 8.1%
  - 12.2%
  - 10.4%

- Youth Population (15-24 years old): 26.1%
- Higher Educational Population: 18.5%
- Employment Share in Major Economic Sectors:
  - Industry: 38.3%
  - Services: 38.3%
  - Agriculture: 23.4%
- Active Population: 24.7 M
- Economic Participation Rate (Total): 38.2%

Monthly Minimum Wage Rates by Sample Countries (8) (2014)

An overview of the Economy

GDP

- 3.0% Growth Rate (2014)
- World Bank (2014)
- PPP: $1352 B
- Nominal: $403 B
- GDP Value Per Capita:
  - $17,383
  - $15,645
- Rank:
  - 18th
  - 28th
- Sectors:
  - Agriculture
  - Manufacturing
  - Transport, storage, and communication
  - Construction
  - Wholesale and retail trade
  - Public administration and defense, social security
  - Other

2014
Consumer spending

Some 45% of Iranian households already have an annual income exceeding $20,000. A total which is referred to as “consuming households.” The current proportion of consuming households in Iran is already four times that of China and India.

- 1997 USA 0,14 b$
- 2010 USA 2,47 b$
- 2012 USA 3,51 b$
- 2019 USA 4,14 b$ (CAGR 11%)
- 2014 38 bilion units of pharmaceuticals produced in Iran
Iranian pharmaceutical market

- Per capita drug consumption sales value over the 13-year period, the data indicates that the index has reached $34.43 from $2.28 in 1997, which shows an overwhelming growth of 1405%, and an annual average growth of 10.8% (R2: 0.9235)

- These figures show marked growth in comparison to population growth (20%).
Health expenditure

• Health expenditure: 8.1% of GDP
• Total expenditure on health in Iran is increasing, while the public sector’s share is decreasing.
• Private sector expenditure as out-of-pocket payment is remarkably high as it accounts for more than 50% of the whole expenditure

Pharma policy

• 1979 adopted a full generic based medicine policy
• 2002 Branded generic concept
• Prioritized local production

• 36% imported drugs / 64% local production
Pharma policy

• **Iranian Health transformation plan 2020**
• Universal insurance coverage act / goal – 100% of total population
• Liberalization trend in the pharmaceutical system (privatization; public/private cooperation model; incentives)
Supply /distribution

- There are 35 nationwide drug distribution companies, among which the first four distribute approximately 70% of the entire market’s drugs.
- All major holdings have their own nationwide drug distribution companies that are ranked in the top four.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Pharmaceutical holdings</th>
<th>Market share</th>
<th>Cumulative market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tamin Investment Corporation</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>2</td>
<td>Sobhan Pharmaceutical Group</td>
<td>16%</td>
<td>45%</td>
</tr>
<tr>
<td>3</td>
<td>Shafadarou Corporation</td>
<td>10%</td>
<td>55%</td>
</tr>
<tr>
<td>4</td>
<td>Tehran Chimi Corporation (Private)</td>
<td>10%</td>
<td>65%</td>
</tr>
</tbody>
</table>
Pricing

Medicine price is controlled by the food and drug organization /Ministry of Health/ through pricing commission regulations in a cost plus basis through comparison with selected companies according to published regulations. Turkey, Saudi Arabia reference

Reimbursement

• Medicine reimbursement is mainly undertaken by three major organizations:
• Social Security Organization (public),
• Medical Services Insurance Organization (governmental),
• Medical insurance Services Organization of Armed Forces (governmental),
  they all reimburse the cheapest medicine registered!

The emerging supplementary insurance companies are putting constraints on pharmaceutical expenditure. There is a positive list of medicines fully covered by the government that contains specialty drugs.
Drug registration

- Not transparent process
- Ministry of Health /Drug Comitee
- Preaproval / Aproval
- Timeline 6 months- 24 months
- Negotiation, negotiation!
Why Iran could be new emerging market opportunity?

- Iran’s demographic structure and population growth
- Increased insurance coverage of the population
- Increased level of income and gross domestic product (GDP) per capita
- Pharmaceutical expenditure is expected to continue
- Incidence of new diseases and epidemiologic transition
- Need for quality and modern pharmacotherapy /Value added medicines, biosimilars/
- Medical sciences advances
- European Medicines - good perception

Hvala!