

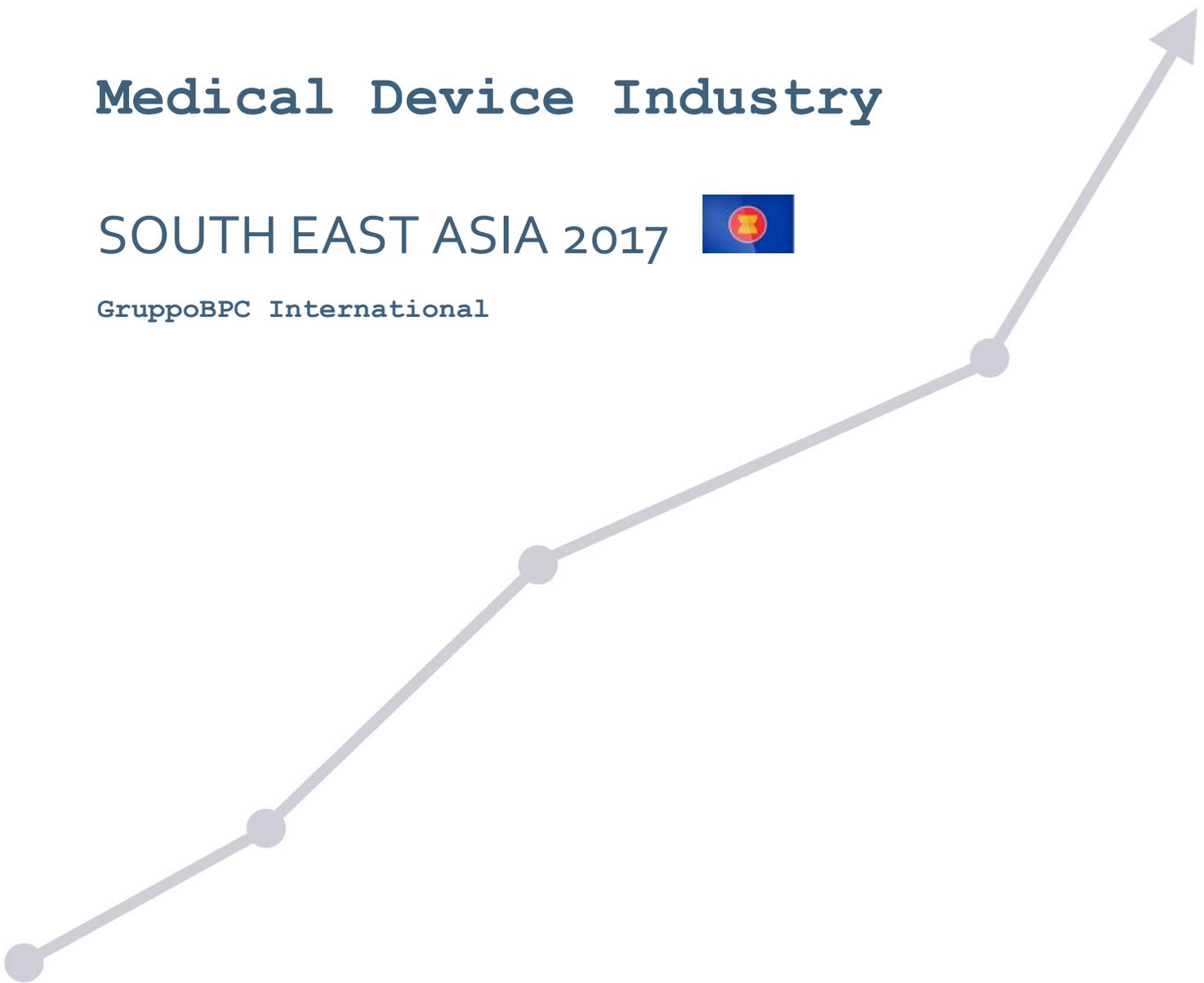
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Medical Device Industry

SOUTH EAST ASIA 2017



GruppoBPC International



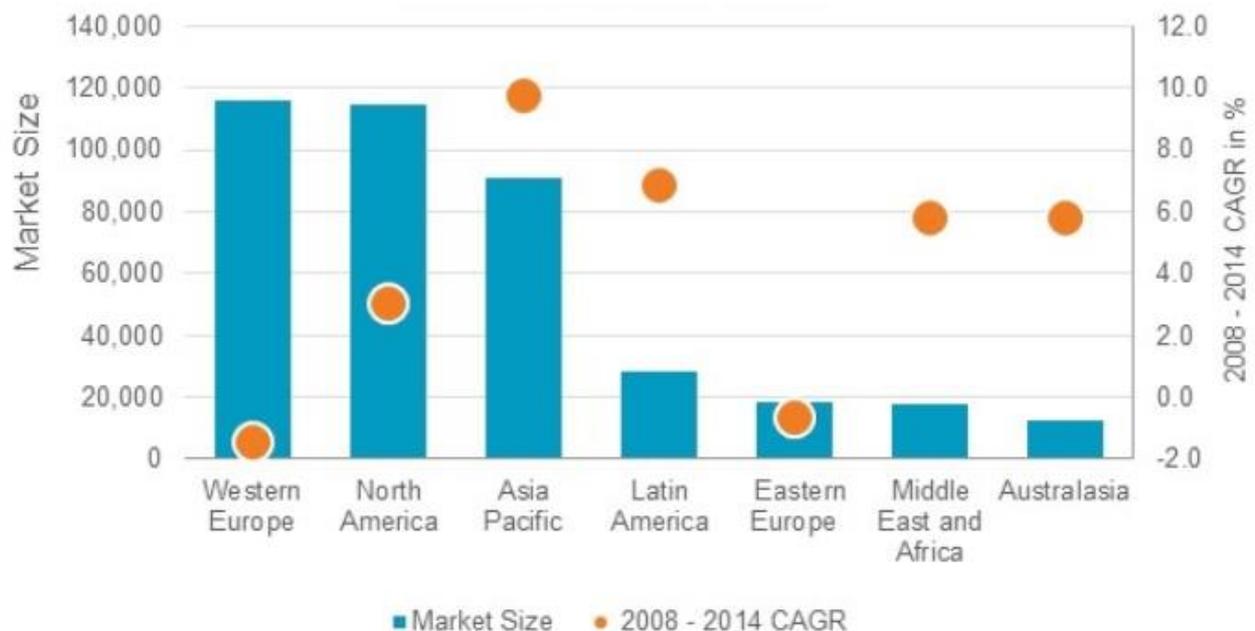
1. OVERVIEW OF THE MEDICAL DEVICE INDUSTRY WORLDWIDE

According to the World Health Organization, a medical device can be defined as “an article, instrument, apparatus or machine that is used in the prevention, diagnosis or treatment of illness or disease, or for detecting, measuring, restoring, correcting or modifying the structure or function of the body for some health purpose.”

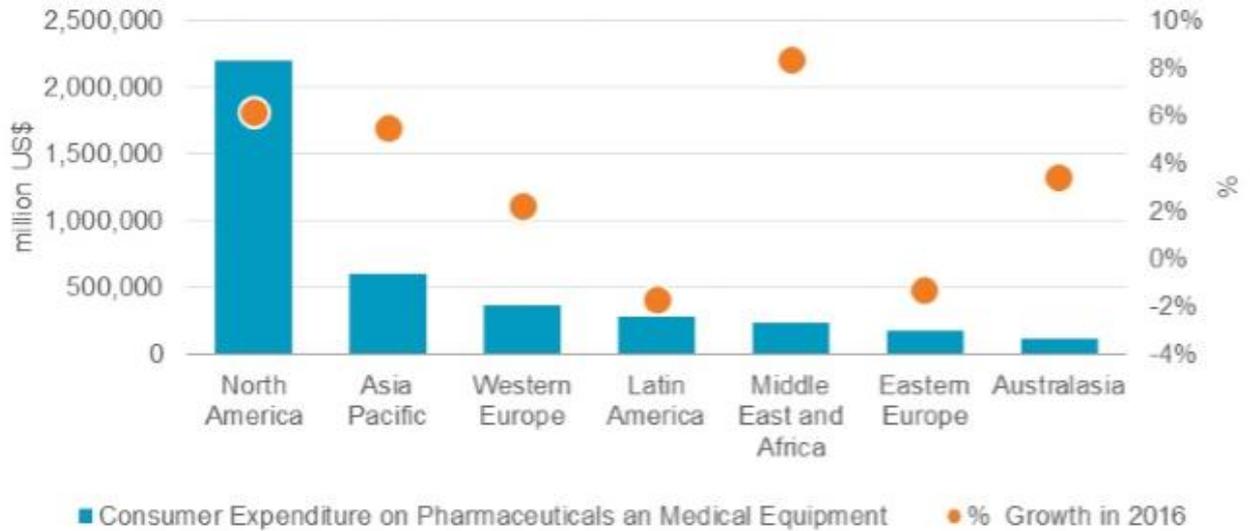
The medical device industry is considered the biggest in the healthcare sector. It is driven by innovation and technologies, and can be divided according to the field of medicine in which a device is used. This industry includes: orthopedic instruments, surgical instruments, diagnostic apparatuses, stents, syringes and hypodermic needles, blood transfusion and intravenous equipment and others.

The last decade has seen remarkable growth in innovative and improved technologies. Innovation in fact is at the moment one of the driving factor that plays the most crucial role. Global medical device production value is forecasted to record an unprecedented growth of 6% in 2016, which means approximately USD 315 billion.

North America was the largest medical devices technologies market for 2015, mostly because the biggest global players are located there. Europe is the second largest market due to an increased elderly population but also as a result of government regulations that are aimed to assist market growth. Thanks to a rapid advancement in technologies and development of health care infrastructure, Asia-Pacific is considered an emerging market. At the same time Japan, China, and India are the fastest growing economies, followed by South American countries with the estimated biggest growth potential.



Tab 1. Medical device market



Source: Euromonitor International

Tab 2. *New growth opportunities in Asia Pacific: rising healthcare industry*

2. MEDICAL DEVICE INDUSTRY IN ITALY

Italy is the fourth largest medical device market in Europe, following Germany, France, and the UK. The Italian market that counts almost 4300 companies (of which 44% are distributors, 52% are producers and 4% are service providers). The market, including dental and optical devices was valued USD 10 billion in 2014 and contracted in 2015. However growth is expected for this and the following years. The Italian medical device market is very innovative, with a strong start-up culture and a local production.

Italian medical device companies are usually small and mid-sized which account for 1,983 firms (13% multinationals) with 40,000 employees. The highest concentration of medical device companies is in Northern Italy. The local market is strong, but still there is high demand for imported products. In fact a significant number of U.S. manufacturers of medical equipment are present in the Italian market (around 60 companies with 5,700 employees and USD 2.7 billion domestic revenue); the United States had a 6.5% share of Italian imports, valued at USD 428,460 million in 2014. Products from Germany, France, The Netherlands and Belgium are also well perceived.

Along with medical devices, consumables products are another large market segment (20.9%), together with diagnostic imaging (15.5%) and patient aids.

The first purchaser of medical equipment is the Italian government, with public hospitals that account for almost 75% of medical device sales, while to private sector is dedicated the remaining 25% .

Unit: USD millions

	2014	2015 Estimated	2016 Estimated	2017 Estimated
Total Market Size	9,506	9,677	9,851	10,028
Total Local Production	7,126	7,254	7,457	7,591
Total Exports	4,200	4,275	4,328	4,405
Total Imports	6,580	6,698	6,528	6,645
Imports from the U.S.	428	435	470	554

Exchange rate USD 1 = 1.11(2015)

Tab 3. *Estimated statistics estimates based on reports and statistics from: Assobiomedica, BMI, Espicom, U.S. Dept of Commerce Bureau of Census and Eurostat.*

3. MEDICAL DEVICE INDUSTRY IN SOUTH EAST ASIA

The ASEAN countries are Singapore, Malaysia, Indonesia, Thailand, the Philippines and Vietnam. Their geographical location, which is located in between two giant emerging markets, China and India, places them in an important location which favors their integrating into regional development. The six countries mainly referred to by ASEAN6 had an average GDP growth of 4.55% in the last 7 years. The real GDP growth rate in the SEA region is projected to average 5.45% per annum (2015 – 2018). Indonesia is projected to be the fastest growing economy, with a growth rate of 6% per annum (2015 – 2018). While their projected growth rates compare favorably, these countries should improve their productivity in order to grow. Thus, requiring private investment, technology and knowledge transfer to underpinning sustainable growth and upgrade their current income status.

The EU is ASEAN's third largest trading partner with value of EU-ASEAN trades in goods valued at EUR 180 billion in 2012. About 10% of ASEAN trade is with EU, while 5% of EU trade with ASEAN, results in the fifth largest of EU trading partner. EU's top partners are Singapore (which is the largest), Malaysia, Indonesia, Thailand, and Vietnam. Data from 2010 – 2013 showed increasing trade between EU – ASEAN which 39% in goods and 27% in service.

SINGAPORE

Ranked 6th world health system in 2000 by WHO, Singapore healthcare expenditures, which were over 12 billion in 2013, represent 6% of its GDP. Its healthcare system is mixed with public and private healthcare financing where there are 18 public sectors of polyclinics and almost 2000 private medical clinics. Private practitioners provide 80% for primary healthcare while the rest are government-owned, but for more costly treatments, it is the other way around. The medical devices sector is approximately valued at around USD 608 million and projected to grow by 14% annually. Some of the leading international firms such as AB SCIEX, Baxter International, Becton Dickinson, BIOTRONIK, Hoya Surgical Optics, Life Technologies, Medtronic, and Siemens medical instruments set up their own manufacturing, R&D centers and headquarters in Singapore.

MALAYSIA

The healthcare value in Malaysia is valued at USD 8.4 billion. The government is pushing for spending on both public and private healthcare to rise by around 7% GDP by 2020 to reach the standard level of developed countries. Increasingly health-conscious lifestyles, a more affluent society, and changing demographics have resulted in a great increase in the domestic healthcare industry. For the past decade, the private healthcare sector has increased rapidly. Government has encouraged the growth of this sector with more private investments in the areas of manufacturing of pharmaceutical products, medical devices, clinical research, aged-care services, and supporting collaborative efforts between public and private healthcare providers. The government has identified healthcare as one of its National Key Economic Areas (NKEA) under its Pemandu initiative. The Healthcare NKEA focuses on Malaysia's medical devices industry, which has reached a critical juncture due to its burgeoning size. Specifically, the initiative seeks to leverage the country's cost advantage, capabilities in the large electronics and electrical industry, strong intellectual property (IP) protection framework, and accessibility throughout Asia to develop the medical devices industry further. By 2020, 10% of Malaysia's population will be above the age of 60, and by 2030 the percentage of people aged above 60 will increase to 15%. This demographic reality will undoubtedly have profound economic and social implications, as well as new healthcare concerns, resulting in opportunities and challenges for European SMEs.

INDONESIA

The pharmaceutical market is valued at USD 27.62 billion and expected to grow exponentially every year compounding at 14.9% before reaching USD 61 billion in 2018 and USD 80 billion in 2024. Imported medical devices are 97.2% of the total, steadily increasing by about 15% annually for the last 10 years. About 51% of healthcare facilities are government owned followed by private healthcare chains. These chains are always unable to follow international standards, causing Indonesians to travel abroad for medical treatment. The Indonesian government takes initiative in order to strengthen the local market by cutting down processing time for wholesaler and distributor license processing from 120 days to 30 days. They are also planning to build hundreds of hospitals by 2020 as now they are the lowest in the region following the percentage of beds per people. Despite encouraging market trends, recent depreciation in the currency is one of the

challenges faced by imported products and through regulation, the distributor is restricted to locally owned companies, requiring foreign exporters to directly engage with local distribution partners

4. DISTRIBUTION CHANNELS IN SOUTH EAST ASIA

In the ASEAN medical device market sales channels account of:

Distributors / Importers

It is imperative that distributors play a big role in supply chains which benefit both manufacturers and retailers. They are more experienced in handling the process of importing the products to the country such as following regulations, obtaining licenses etc. For some countries, it is necessary to liaise directly with importers/distributors in order to penetrate the market.

Diagnostic Lab / Private facilities

Direct buying is not always the import solution, however, some facilities have their own logistic team who can manage the import of products directly to their facilities.

5.

EXHIBITIONS



SINGAPORE

ASIA HEALTH EXHIBITION 2017

Singapore

April 03/05 2017

<http://www.asiahealthexhibition.com/home>

Asia Health will bring together healthcare decision-makers, dealers and distributors from across the pan-Asian region and rest of the world.

MEDICAL MANUFACTURING ASIA 2018

Singapore

September 2018

MEDICAL FAIR ASIA continues to be Southeast Asia's most definitive event for the medical and healthcare industry, gathering the region's hospital, diagnostic, pharmaceutical, medical and rehabilitation sectors in one convenient location and providing the perfect platform to discover the latest industry innovations, to network and do business.

MALAYSIA

20TH SOUTHEAST ASIAN HEALTHCARE AND PHARMA SHOW 2017

Kuala Lumpur

April 11/13 2017

<https://www.abcex.com/default.aspx>

Yearly trade shows concentrating on Malaysia, Singapore, Indonesia and Philippines.

**INTERNATIONAL HEALTHCARE
CONFERENCE AND EXHIBITION 2017**

Kuala Lumpur
July 25/27 2017

<http://www.aphmconferences.org/>

Organized by The Association of Private Hospitals of Malaysia (APHM) annually

INDONESIA**MEDAN HOSPITAL EXPO 2017**

February 22/24 2017

<http://www.hospital-expo.com/medan-hospital-expo-2017>

Various related healthcare industry including medical devices and equipment.

**IPEX INDONESIA PHARMACEUTICAL
EXPO 2017**

November 1/4 2017

<http://interpharma-indonesia.com/>

The 13th International Exhibition on Pharmaceutical, Ingredients, Contract manufacturing, Processing, Technology, Packaging machinery, Equipments and Services.

THAILANDIA**8TH INTERNATIONAL EXHIBITION ON
HOSPITAL, DIAGNOSTIC,
PHARMACEUTICAL, MEDICAL &
REHABILITATION EQUIPMENT &
SUPPLIES**

September 6/ 8 2017

<http://www.medicalfair-thailand.com/>

Focused on equipment and supplies for the hospital, diagnostic, pharmaceutical, medical and rehabilitation sectors

6. OPPORTUNITIES

SINGAPORE

Singapore has housed international companies in this sector; it is a very dynamic market and it is expected to further develop in the coming years due to a consistent increase in government funding. Singapore's strong research and development capabilities, central location, and networks within the regional market make Singapore an ideal location from which to develop solutions to impact the global future of healthcare. In 2011, medical tourism has accounted for more than SGD 900 million.

MALAYSIA

The growth objective of the Malaysian government is to enhance the capability of local manufacturers while developing and protecting them. Recently introduced procedures on healthcare and medical agreements have put foreign exporters at a disadvantage. However, a strong and developing healthcare sector in Malaysia still provide great opportunities to European SME exporters. European SME supplies about 24% of Malaysia's imported medical devices, USD 17 million

worth in 2014. As Malaysia develops its own locally manufactured medical devices, foreign exporter will be squeezed on the non-tariff barrier, preferences from the public, and competition with locals.

INDONESIA

By improving Indonesian healthcare, foreign exporters can tap large markets through correct channels. Indonesia's large population and good economic growth with rising levels per capita healthcare spending shows good opportunity for foreign exporters. These opportunities already attracted various giant medical device companies such as Covidien, Johnson & Johnson, General Electric, Becton, and Dickinson and Company, among others. With little local competition and Indonesia continuing to grow at impressive rates, the country will maintain its reliance on imported machinery and equipment providing, good opportunity for foreign companies. Utilizing distributor is the best way to get into the market.

GruppoBPC International is the ideal partner for the development of your company and your products in the ASEAN markets, knowing the market and operating directly through our local team. Thanks to an organizational structure, a working methodology and proven effectiveness, we are able to create business opportunities with all of the above sales channels, in order to start successful business relationships.

We offer you:

EXHIBITION – complete assistance in visiting the main fairs of the sector, organizing one-on-one meetings to know the main players of the market.

EXPORT- full support to successfully enter a new market, identifying and developing winning strategies to sell your products in the targeted market and to prepare your company for subsequent business expansion.

Do not hesitate to contact us for any information:

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7. SOURCES

- iSpirit Business Solutions
- Euromonitor International
- Market Realist
- Pacific Bridge Medical
- Cekindo
- Export.gov
- OECD Development centres

8. CREDITS

GruppoBPC International is an international consulting Group with offices in Ireland, Italy, Russia, USA and Malaysia, assisting companies in developing their business in the international markets, supporting trade and investment.

With its own international direct network, GruppoBPC International is able to provide top ranking corporate assistance with value added international services, specifically market entry strategy, international communication campaigns and ongoing management assistance, addressed to establish bridges between countries and to develop a global presence in the international markets.

For more information about our services check out our services' page at <http://gruppobpc.com/it>