

HEALTHCARE MONEymAKERS

TOP-EARNING GAMERS

MOST VALUABLE  
HEALTHCARE  
AND INSURANCE  
COMPANIES

ALL TIME BIGGEST IPOs

IN NUMBERS: COSMETIC SURGERY

APRIL 2020 ISSUE 92

# Forbes

Middle East

**Hend  
El Sherbini**

CEO, Integrated  
Diagnostics Holdings

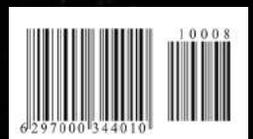
“You have to adapt  
to the changes  
that are happening  
around you”

BEATING THE PANDEMIC

# Testing Time

ACROSS THE WORLD, TESTING FOR COVID-19 IS AT THE TOP OF NATIONAL AGENDAS. IN THE MIDDLE EAST, LAB COMPANY INTEGRATED DIAGNOSTICS HOLDINGS HAS LEAPED INTO ACTION.

OMAN ..... OMR 3    BAHRAIN ..... BHD 3    UAE ..... AED 30  
OTHERS ..... \$8    KUWAIT ..... KWD 2.5    SAUDI ARABIA ..... SAR 30





# TESTING TIME

**HEND EL SHERBINI**, CEO OF INTEGRATED DIAGNOSTICS HOLDING, WAS MORE INTERESTED IN ECONOMICS BEFORE SEVERAL MERGERS PUT HER IN CHARGE OF THE BIGGEST LAB COMPANY IN EGYPT. NOW SHE'S MAKING SURE THEY ARE READY TO ACT, AT A TIME WHEN THEY ARE NEEDED THE MOST.

---

BY **SAMUEL WENDEL**



**A**s the world grapples with coronavirus, testing for resulting respiratory illness, Covid-19, is a subject dominating headlines and conversations everywhere. Behind the scenes, the actual task of processing coronavirus tests is falling to a mixture of government labs, academic medical centers, hospitals and commercial players. In the Middle East, that's where Egypt's Integrated Diagnostics Holdings, or IDH, comes into the picture.

It has already conducted around 3,000 tests for coronavirus in Jordan through its subsidiary, Biolab, in Amman after getting the government's permission, says IDH CEO, Hend El Sherbini. Biolab has now temporarily closed all but two of its 19 branches in Jordan—of the remaining two, one is open purely for the purpose of testing

for the virus. Getting tested costs roughly \$78, with the government covering the costs for those that can't afford it. As of April 4, there were 323 confirmed cases of coronavirus in Jordan and five deaths, according to the Ministry of Health Hashemite Kingdom of Jordan.

IDH is also ready to contribute to testing closer to home, in Egypt—which had more than 1,070 confirmed cases as of April 4—however the Ministry of Health hasn't yet granted approval. For now, only government labs are conducting tests in Egypt in government hospitals such as Abbassia Fever and Imbaba Fevers, with people reporting paying up to \$100 per test. "We're ready, we have the kit, we have the system," says El Sherbini. The Ministry of Health did not respond to our requests for comment.

Hend El Sherbini,  
CEO of Integrated  
Diagnostics  
Holding

As a key private player in regional diagnostics, IDH appears well-positioned to respond to the crisis. Founded in 2012, IDH operates a network of over 400 labs across Egypt, Jordan, Sudan and Nigeria, mainly through its Al Borg and Al Mokhtabar brands. Last year, its labs served around 7.5 million patients by providing a range of diagnostics services, including a selection of more than 1,400 tests, used to identify everything from diabetes to hepatitis C and beyond. “IDH has become an emerging markets diagnostics powerhouse,” says Sami Cherif, a director with the London-based private equity firm, Actis, the main institutional shareholder in the company.

IDH serves a mixture of walk-in patients, who pay out of pocket, and contract clients, which includes unions, corporations and insurance companies, among others. It competes with hospital labs, independent chains and individual labs, which are mostly much smaller players, such as Royal Lab, NSA Diagnostic Laboratory and Hassab Labs. Through its different brands IDH is easily the largest private diagnostics player in Egypt. For example, one of the next largest private competitors to contend with is Alfa Laboratories, which operates just more than 100 branches around Egypt.

## ● “We’re ready, we have the kit, we have the system”

Expectations for IDH have been high since El Sherbini took the company public on the London Stock Exchange in 2015, making it the first Egyptian healthcare firm to list there, although other MENA healthcare companies listed on LSE include Al Noor Hospital, and Hikma Pharmaceutical. IDH was valued at nearly \$700 million, and the offering was oversubscribed more than 11 times.

“Integrated Diagnostics Holdings remains among the most fundamentally solid groups in the region, with over 50% market share in the large, under-penetrated and highly-fragmented diagnostics market of Egypt,” says Jaap Meijer, head of research at Arqaam Capital, which tracks the company. After witnessing a fourfold increase in profits over the past five years, the Dubai-based investment bank sees IDH maintaining a sturdy growth profile.

However, the last month has not been kind to listed companies. In early March IDH had a market cap of approximately \$666 million, but by the start of April that had dropped to \$490 million. It’s a sizable dip from the IPO, but underlying results do reveal growth. IDH has delayed reporting 2019 results due to the novel coronavirus situation,

but revenues for the first nine months of last year increased 20% to \$104 million (EGP 1.65 billion). That comes after it recorded revenues of \$120 million (EGP 1.9 billion) in 2018, up 27% from the year before.

The company might be currently facing a tough time on the stock markets, but looking ahead El Sherbini has an opportunity to capitalize on several trends that could create even more demand for medical diagnostics services in the Middle East.

Take Egypt, which accounts for more than 80% of IDH’s revenues—it has a large, growing population where lifestyle-related medical conditions are common. El Sherbini ticks off facts and figures: 70% of diagnosis is based on lab testing, while Egypt’s population of 100 million is growing 2% per year. “The average age is getting higher, so you’re seeing more chronic diseases and you’re seeing more demand for diagnostics,” says El Sherbini.

Meanwhile, the Egyptian government is pushing healthcare initiatives, including the 100 Million Healthy Lives campaign, which started in 2018. The campaign helped IDH attract 224,000 new contract patients in the first half of last year.

Rising awareness is influencing demand, but so too is cost and quality. Lowering costs for patients is key in the markets in which IDH operates. Take Egypt, where most people pay out of pocket for healthcare: in 2016, the year data was most recently available, health spending was \$131 per capita, according to the World Bank. For comparison, in neighboring Saudi Arabia it was \$1,147 per capita. The high overall price of healthcare makes it difficult for people to access different services, from diagnostics to prescriptions and hospitalization, says El Sherbini. “People are really looking for cost-effective, value-added services.”

That’s something she believes IDH can deliver. Part of that is due to its size and its relationships with international suppliers, including Siemens and Roche, which allows it to negotiate favorable deals for equipment and testing materials. Meanwhile, its large portfolio of diagnostics services helps it offer discounted rates for patients by bundling tests into packages.

But improving access to affordable diagnostics hasn’t been easy. The devaluation of Egypt’s currency in late 2016 saw local prices soar. After board meetings and discussions with suppliers, IDH raised prices by 12%. “I was totally against raising the prices more than what we do on a yearly basis,” says El Sherbini. For example, patients would have seen the average price for a complete blood picture test rise from \$3.11 (49 EGP) to \$3.49 (55 EGP). The shock from inflation appears to be improving in Egypt, but now there’s the looming economic impact from coronavirus. Meanwhile Sudan, another one of its markets, is also experiencing a currency devaluation.

But IDH’s business model is based around growing on

a number of fronts. One is simply providing wider access to its services, because labs have traditionally only been present in the biggest cities, such as Cairo, forcing people to travel for tests. With a growing branch network (it added 34 last year), IDH is present in smaller cities. “We’re present almost everywhere,” says El Sherbini. “We try to be as accessible as possible.”

Still, IDH’s business in Egypt is centered on a main hub in Cairo, called Mega Lab, which offers a full-range of diagnostics tests and is the only facility in Egypt accredited by the College of American Pathologists, a key internationally-recognized certification. This facility is supported by a sprawling network of smaller labs, which offer routine tests, and hundreds of collection centers around the country—which funnel tests to the main lab. It’s an approach IDH believes makes it easier to grow and add more services, without requiring investment in expensive assets.

Then there’s geographic expansion. IDH is optimistic about Nigeria, where it most recently established a presence after acquiring a majority stake, alongside partners, in the company Echo-Scan in 2018 for \$5.7 million. In addition to being Africa’s most populous country, IDH sees appeal in Nigeria’s developing diagnostic services market, an industry projected to be worth \$1 billion by 2025.

It’s still developing its footprint in the West African nation, with plans to invest \$25 million over the next few years. It has been refurbishing 12 existing branches there, with a goal of building a network of 50 labs. Beyond that, El Sherbini says IDH is planning to move into more markets, but she declines to share which expansion opportunities are on her radar. For now, there’s work to be done in Nigeria—in its Q3 2019 results, IDH reported \$1.3 million in revenues and \$1.7 million in operating losses for its Nigerian branches.

When it comes to developing new services, El Sherbini points to radiology as an area where IDH is investing. It launched its first full-fledged radiology branch, Al Borg Scan, in Egypt in 2018, offering services such as MRIs and CT Scans. The expectation is that these will be complementary services for patients, with IDH’s existing lab business delivering new patients to its radiology unit, and vice versa.

## Listed In London

London Stock Exchange is one of the oldest and largest in the world. Founded in 1571, by April 2018 it had a market cap of \$4.5 trillion. Apart from Integrated Diagnostics Holdings, many other Middle Eastern heavyweights have chosen to list in London – these are the ones from Egypt, and in healthcare.



### Egyptian companies on LSE

#### Telecom Egypt

Listed: 2005

Market cap: \$1.05 billion

#### Edita Food Industries

Listed: 2015

Market cap: \$651.4 million

#### Orascom Investment Holding

(formerly Orascom telecom)

Listed: 2012

Market cap: \$54.4 million

#### Commercial International Bank Egypt

Listed: 2004

Market cap: \$5.3 billion

### MENA healthcare companies on LSE

#### NMC

Healthcare

Listed: 2012

Market cap: \$288.4 million

#### Mediclinic International

(formerly Al Noor Hospitals)

Listed: 2016

Market cap: \$2.3 billion

#### Hikma Pharmaceutical

Listed: 2005

Market cap: \$5.9 billion

Another area of focus is exploring new technology as a way to develop and add new services. Technology plays an important role for IDH, as it relies on state-of-the-art diagnostics equipment to run its lab. But more broadly the group is also embracing digital technology, including using mobile apps to deliver test results to patients. Last year, the company also launched a new subsidiary, Wayak, which is using analytics and artificial intelligence to develop data-driven healthcare services, underpinned by IDH's database of over 13 million patients. "I think we can still consolidate more services under IDH," says El Sherbini.

Still, she must now also contend with the unfolding coronavirus pandemic. She also stresses the importance of wide-spread testing for the virus. "It has been shown, like in South Korea where they had massive testing, that this had good results," she says. As of March, all 399 branches of IDH's two Egyptian subsidiaries remained open for patients. And, as companies everywhere brace for the economic fallout of a global pandemic, a diagnostics provider is facing a different reality. "We see IDH as best positioned to benefit

## ● "You have to adapt to the changes that are happening around you, as rapidly as you can, and have the perseverance to continue"

from patient influx should testing be extended to the private sector as the outbreak expands," says Arqaam's Meijer.

Either way, El Sherbini should be well-equipped to handle the situation. She's a pathologist herself and a professor of clinical pathology at Cairo University, while still serving as head of Al Mokhtabar's virology unit, in addition to being CEO. Although she has risen to great heights in Egypt's business world, her career is in many ways a continuation of a family legacy that's deeply intertwined in medicine.

She was born and raised surrounded by doctors—both her parents and grandparents practiced medicine. But initially she wasn't interested in following a similar path. "In school I just wanted to study economics," says El Sherbini. Her father eventually convinced her to reconsider, leading her to study medicine in Egypt and later in the U.S. There, she worked at the U.S. Center for Disease Control, or CDC, the government agency responsible for controlling the introduction and spread of infectious diseases. She also earned a master's in public health and epidemiology from Emory University.

El Sherbini eventually returned to Egypt, where she worked as a lecturer in Cairo university's school of medicine,

before deciding to join MK Labs, which was founded by her mother, Moamena Kamel, in 1979. There, El Sherbini began developing the lab into a formal company, one with a proper structure, accounting and HR systems. That was a turning point, putting her career on a new track. "I shifted a little bit into management," says El Sherbini. To help with the transition, she earned an MBA through London Business School. In 2004, MK Labs merged with lab company, Al Mokhtabar, and El Sherbini became CEO.

The foundations of what would become IDH were coming together. In 2008, Dubai-based private equity firm Abraaj—then a powerhouse investor in emerging markets—acquired a controlling stake in Egyptian lab company Al Borg, which operated 127 branches and was listed on the Egyptian stock exchange. Under Abraaj's influence, Al Borg delisted and acquired labs in Jordan and Sudan over the following few years.

In 2012, Al Borg and Al Mokhtabar merged. The combined companies formed IDH—an entity with more than 200 branches—and El Sherbini was installed as CEO of the new group. (Meanwhile, her mother is still involved, serving as chairperson of Al Mokhtabar to this day.)

Anticipating an IPO, Actis invested \$113 million in 2014. With Egypt's market dealing with economic turbulence in the aftermath of the 2011 revolution, IDH looked abroad, settling on the U.K. for its listing.

The successful IPO gave IDH the opportunity to accelerate market penetration, increase brand recognition and expand its services, in addition to providing access to liquidity for investors (Abraaj, now defunct, eventually exited its stake). Meanwhile, going public provided exposure to investors from the U.S., Asia, Europe and South Africa, showcasing an international appetite for IDH's business.

The IPO helped establish IDH as a formidable diagnostics player, but realizing its full potential has required the group to streamline operations. "IDH has been on a journey integrating the largest two diagnostic players in Egypt—Al Mokhtabar and Al Borg," says Actis' Cherif. That culminated with the consolidation of testing capabilities at IDH's Mega Lab, which doubled the group's capacity, and the centralization of management in new headquarters in Cairo.

Looking ahead, there's plenty of room to grow, despite the near-term economic threat posed by the coronavirus. El Sherbini, who comes off as confident and pragmatic, seems prepared for what comes next. "You have to adapt to the changes that are happening around you, as rapidly as you can, and have the perseverance to continue," says El Sherbini. "Even in hard times." **F**