

Africa

Private providers sense opportunity in Africa healthcare

Companies address rising demand as more people find they can afford treatment

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The Yaya Chemist in a smartish downtown Nairobi shopping centre is more than a place to pick up prescriptions or buy cough syrup, shampoo and mosquito spray.

In one corner is a tiny consultation room, where customers can have simple tests and receive medical advice. It costs roughly 50 cents to have your blood pressure checked, \$2 for blood-sugar levels and \$10 for your cholesterol level. In similar pharmacies across Africa, patients can access services from “nutritional consultations” to HIV and malaria tests.

Slowly but surely, health is becoming a business in Africa. As countries urbanise, disease patterns change and more people become able to pay for healthcare or buy health insurance. Private companies sense an opportunity.

In 2012, a report by the IFC, the private-sector arm of the World Bank, estimated that the market for healthcare in sub-Saharan Africa would more than double to \$35bn by 2016. In the decade to 2022, it said, some \$25bn-\$30bn would be needed in investment in physical healthcare assets alone, including hospitals and clinics.

Farid Fezoua, head of GE Healthcare Africa, which competes for business in the continent with other medical imaging companies, such as Siemens and Philips, says that, if anything, analysts have underestimated the opportunity.

“When we got to Africa five years ago, people were telling us your equipment is all about non-communicable disease and Africa is all about communicable disease. But the disease pattern is evolving fast.”

As lifestyles change and as conditions such as HIV

are slowly beaten back, diseases of affluence – including diabetes, heart disease and cancer – are gaining traction. The World Health Organisation projects that by 2030, close to 1m people a year in Africa will die of cancer alone.

That presents an opportunity for private providers, partly because most African healthcare systems are developing from a woefully low base. Those who can afford treatment often travel to places such as India, Turkey and Europe. GE, for example, says it has just four PET scanners, used to



In Nigeria, where it has sold portable ultrasound scanners, GE has trained carers in remote villages how to identify the biggest pregnancy-complication risks

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produce detailed images of the body, installed in the whole of sub-Saharan Africa.

To make bigger inroads, GE has adapted its business model, says Mr Fezoua, by developing innovative financing and training practitioners. In Nigeria, where it has sold portable flip-phone style ultrasound scanners, it has trained carers in remote villages on how to identify the biggest pregnancy-complication risks. The portable device is typical of adaptations to make equipment more resilient, less power-hungry and cheaper.

In Kenya, GE secured a \$230m public-private partnership contract to supply diagnostic equipment, such as ultrasounds and electrocardiograph machines, to 98 hospitals, and to kit out 11 intensive care units. The

contract, signed in 2015, obliges GE to keep machines in working order at least 95 per cent of the time. Local staff numbers have gone from two to 100, nearly two-thirds of them field engineers.

“It’s not just about selling a box,” says Mr Fezoua, who thinks the Kenyan public-private partnership can be replicated in other countries, such as Uganda. GE’s healthcare unit, a small but growing chunk of the company’s \$4bn African business, makes good margins and is growing at double digits, he says, without revealing figures.

Private equity companies have also sensed an opportunity in African healthcare. Investment Funds for Health in Africa, based in the Netherlands, which has \$170m under management, has invested

in 12 companies – in care delivery, medical supply manufacturing and distribution – as well as in 40 clinics and three private hospitals from Nigeria to South Africa.

Leapfrog Investments, an insurance-focused private equity firm with \$1bn under management – motto: “Profit with purpose” – has recently shifted into healthcare. In its 17-company portfolio, it has eight with some health component, including Bima, a Swedish company that sells micro-health insurance by phone in four sub-Saharan African countries. Bima also offers simple health consultations, referring patients to specialists where necessary.

Leapfrog has recently taken out a \$22m stake in Goodlife Pharmacies, a Kenya-based chain that, like Yaya, performs simple tests on site. Since it acquired the stake last year, it has expanded the number of branches from 19 to 30 and plans to have 40 across the country by the end of the year.

Felix Olale, a former doctor and now a partner at Leapfrog, says Africa’s healthcare market reminds him of fast-growing Asian countries such as Vietnam and the Philippines. “The public health sectors can’t cope and this has created a huge investment opportunity for private investors,” he says.

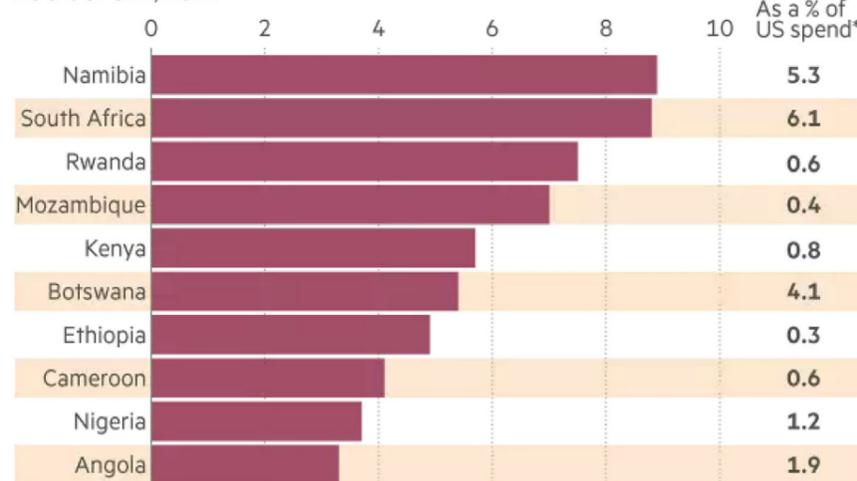
Still, much of the investment remains small scale. Last year, Babylon, a UK startup that recently raised a further \$60m to build an AI doctor, started offering telephone and digital doctor consultations to Rwanda’s 12m people. Volumes for the so-called “doctor in your pocket” are high, but with Rwanda’s per capita income at just \$1,760, in purchasing power parity terms, it may be a while before Babylon turns a profit.

Still, bigger companies too are tempted. The Mansour Group, an Egyptian conglomerate with \$6bn in annual revenue which operates in 14 sub-Saharan countries selling products from excavators to hamburgers, is actively considering moving into healthcare.

“Nigeria has almost 200m inhabitants and they have four MRI machines,” says Mohamed Mansour, group chairman. He wants to start with imaging and blood-testing centres in Nigeria and Kenya. “It doesn’t take rocket science,” he says “to see the opportunity.”

Healthcare spend in sub-Saharan Africa

As a % of GDP, 2014



*Per capita basis

Source: World Health Organization

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