OPPORTUNITIES IN VIETNAM’S HEALTHCARE SECTOR

BUSINESS SWEDEN

May 2015
Business Sweden in Vietnam
VIETNAM IS A HOTSPOT IN SOUTH EAST ASIA FOR HEALTHCARE MARKET GROWTH, AND BOTH THE DRUG AND MEDICAL DEVICE SEGMENTS IN VIETNAM REPRESENT LARGE OPPORTUNITIES
THE VIETNAMESE HEALTHCARE MARKET WILL MORE THAN TRIPLE BETWEEN 2010 - 2020

GROWTH OF VIETNAM HEALTHCARE MARKET, USD BILLION

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth</th>
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<tbody>
<tr>
<td>2010</td>
<td>7.2</td>
</tr>
<tr>
<td>2015</td>
<td>14.4</td>
</tr>
<tr>
<td>2020</td>
<td>25.2</td>
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COMMENTs:

- The drivers of the healthcare market are strong GDP growth, rising income and demand for better healthcare services, as well as high inflation.

- Between 2015-2019, Vietnam will spend on average 7% of its GDP on healthcare, more than its peers: Malaysia (4.1%), Thailand (3.9%) and Indonesia (3.1%).

- The spending per head is, however, likely only USD 154 in 2015, and USD 245 in 2019. In 2013, this figure in Thailand was already USD 264 and Malaysia USD 423.

- The governmental universal health insurance scheme further fuels the growth. In 2014, 71% of the population were covered by health insurance. This number is expected to be 75% in 2015 and 80% in 2020.
THE VIETNAMESE HEALTHCARE MARKET MAINLY CONSISTS OF HEALTHCARE SERVICES

SPLIT OF HEALTHCARE MARKET BY SEGMENT
TOTAL = USD 14.4 BILLION (2015 ESTIMATE)

- Services: 10.2 billion
- Pharmaceuticals: 3.3 billion
- Medical equipment: 0.9 billion

COMMENTS:
- The healthcare market is currently dominated by the Services segment, which represents more than USD 10 billion out of the estimated total USD 14.4 billion.
- Pharmaceuticals and medical equipment segments represent 3.3 and 0.9 billion respectively.
- The pharmaceutical and medical device segments are very import-driven:
  - Approximately 95% of medical devices are imported, mainly from Japan, USA, Germany and South Korea.
  - Nearly 60% of pharmaceutical end products, and 90% of ingredients are currently imported.
- Local pharmaceuticals are not well trusted, giving a good advantage to imported products of strong brands, a market worth USD 8 billion in 2020.

BOTH THE DRUG AND MEDICAL DEVICE SEGMENTS IN VIETNAM REPRESENT LARGE OPPORTUNITIES

SOURCE: EIU, ESPICOM AND GLOBAL DATA
## OPPORTUNITIES ARE SPREAD ACROSS DIFFERENT SECTORS

### OVERVIEW OF OPPORTUNITIES IN VIETNAM BASED ON SEGMENT

<table>
<thead>
<tr>
<th>PUBLIC SECTOR</th>
<th>PRIVATE SECTOR</th>
<th>CONSUMER SECTOR</th>
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<tbody>
<tr>
<td>The Ministry of Health has set a goal to considerably reduce the central hospitals’ overload in Hanoi and Ho Chi Minh City</td>
<td>Private hospitals represent only 12% of the healthcare system nationwide, but are projected to grow rapidly</td>
<td>Over-the-counter drugs: Local people usually get advice from unlicensed pharmacists or friends when choosing a medicine, so branding and advertising will help a lot in product promotion</td>
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<tr>
<td>USD 1 billion will be spent between 2014 - 2016 for 5 additional modern facilities country-wide (4,500 beds)</td>
<td>Vinmec Hospital (part of Vingroup) is now building ten new facilities. Some of them will be opened soon</td>
<td>45% of the consumers will take an OTC drug for a minor ailment as soon as symptoms are present – thus quick effect products are preferred</td>
</tr>
<tr>
<td>Of the above, the construction will be kicked off for 2 hospitals in Ho Chi Minh City this year</td>
<td>French Hospital, the first with international standards, is upgrading and will be in operation in 2-3 years</td>
<td>Private pharmacy channel is most favored by the customers, accounting for 89% of purchase decision</td>
</tr>
<tr>
<td>Between 2016 - 2020, Hanoi will build 15 hospitals (5,000 beds) with a budget of USD 430mn</td>
<td>250-bed Trung Tin General Hospital construction plans to be completed within this year in Hanoi</td>
<td>The value of OTC sales is likely to reach USD2.96 billion in 2023, up from USD870mn in 2013.</td>
</tr>
<tr>
<td>24 district hospitals in Ho Chi Minh City will be upgraded this year to reduce the overload at central level.</td>
<td>A number of modern general hospitals and clinics are also opening more branches such as Hong Ngoc Hospital and Thu Cuc Clinic.</td>
<td></td>
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</tbody>
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### PUBLIC SECTOR OFFERS LARGER VOLUMES WHILE PRIVATE HOSPITALS MAY BE LOW HANGING FRUIT

Source: Ministry of Health, Hanoi Dept. of Health, EVBN
PARTNER CHANNEL IS THE PREFERRED SALES MODEL FOR MEDICAL EQUIPMENT IN VIETNAM

Overview of Available Sales Channels for Medical Devices in Vietnam

Selling via channels is a must in Vietnam for after-sales services and maintenance ease.
Unless the sales are big enough, setting up a subsidiary in Vietnam might be costly.
For country-wide coverage, there should be 2 offices, in both Hanoi and HCMC.

Vietnamese Hospitals Prefer Working through Local Contacts

Source: Dept. of Medical Equipment Management and Construction (Ministry of Health)
MEDICAL EQUIPMENT NEED ONLY IMPORT LICENSE AT PRESENT...

OVERVIEW OF REQUIREMENTS FOR IMPORT OF MEDICAL EQUIPMENT IN VIETNAM

**Registration requirements**

**Who**: Ministry of Health

**What**: There are no registration requirements now, but an import license is required *(Circular 24/2011/TT-BYT of June 21, 2011 by Ministry of Health)*

**Required documents (all original or certified)**

**Who**: Exporter

**What**:
- ISO 13485 OR ISO 9001 certificate
- CFS, Circulation Certificates, or CE Mark Certificate
- Authorization Letter for import and distribution
- Catalogues

**License application and cost**

**Who**: Importer/Distributor

**What**: In principle, the import license will be considered and issued within 15 working days, and is valid for one year
- The Importer should bear all the legal costs for the apparatus to be circulated in the local market

**AT THE MOMENT, NO LARGE COSTS ARE EXPECTED IN VIETNAM FOR THE EXPORTER OF MEDICAL DEVICES**

SOURCE: DEPT. OF MEDICAL EQUIPMENT AND CONSTRUCTION (MINISTRY OF HEALTH)
...HOWEVER, REGISTRATION REQUIREMENT IS EXPECTED BY 2017

OVERVIEW OF EXPECTED NEW LAW REQUIREMENTS IN VIETNAM

New regulations to come

- A draft decree on medical device management requires all relevant devices circulated on the market to have a registration number
- No concrete processes nor fee levels have been set by relevant ministries (Ministries of Health and Finance)

Registration of equipment

- The documents/requirements for registration are expected to:
  - Include a valid Certificate of Quality Management (ISO 13485 or ISO 9001 or equivalent)
  - Prove that the product to have been permitted free sale in another country

THE LEGISLATION PROCESS MAY TAKE UP TO 2 YEARS BEFORE REGISTRATION BECOMES COMPULSORY

SOURCE: DEPT. OF MEDICAL EQUIPMENT AND CONSTRUCTION (MINISTRY OF HEALTH)
FOREIGN PHARMACEUTICAL COMPANIES CANNOT IMPORT AND SELL DIRECTLY INTO VIETNAM

OVERVIEW OF THE PHARMACEUTICAL REGULATORY LANDSCAPE IN VIETNAM

WHAT IT SAYS...

To hold a proper drug manufacturing, trading license; GMP-WHO/ CPP is a must; PLUS

A representative office license in Vietnam; OR

To authorize a local drug trading company for drug registration

... AND WHAT IT MEANS

To bear more responsibilities when applying for and during registration, and circulation process

Circular 44/2014/TT-BYT on drug registration provides for foreign drug registration entity

Can import drugs but has no right to distribute; THUS

Local entities have to be employed for drug distribution in Vietnam

A LOCAL PARTNER IS ALWAYS NEEDED FOR DRUG DISTRIBUTION OR TENDERING IN VIETNAM

SOURCE: DRUGS ADMINISTRATION OF VIETNAM (MINISTRY OF HEALTH)
REGISTRATION TAKES TIME, AND DISTRIBUTION MAY NOT BE NECESSARILY EFFICIENT

**Registration**
- Newly developed drugs may take around 5 years to enter Vietnam; this includes clinical trials of 2.5 years, and then the same time for the approval procedure
- In principle, existing drug registration takes maximum 6 months, and is valid for 3 – 5 years. In practice, it can be anything between 12 and 24 months
- The firms also have to reapply for the license at least 6 months prior to the registration expiry. Yet, the process of renewal can take 8 – 12 months

**Distribution**
- Vietnam is a deeply decentralized and fragmented market with over 1,000 drugs wholesalers or distributors, most of them are small
- The unavoidable involvement of local distributor(s) and lack of clear legislative guidance naturally increase the final price of drugs and complicates the market

REGULATORY OVERVIEW

USING GOOD LOCAL PARTNERS IS ESSENTIAL FOR SUCCESS IN THE MARKET

SOURCE: DRUGS ADMINISTRATION OF VIETNAM (MINISTRY OF HEALTH), VP BANK SECURITIES
### SWEDISH LIFESCIENCE EXPORTS TO VIETNAM HAS ACCOUNTED FOR AROUND 15% OF TOTAL EXPORTS

#### TOTAL SWEDISH EXPORTS & LIFESCIENCE EXPORTS TO VIETNAM
2010 – 2014, MSEK

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Swedish Exports to Vietnam</th>
<th>Total Swedish Lifescience Exports to Vietnam</th>
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<tbody>
<tr>
<td>2010</td>
<td>1,695</td>
<td>104</td>
</tr>
<tr>
<td>2011</td>
<td>1,014</td>
<td>124</td>
</tr>
<tr>
<td>2012</td>
<td>897</td>
<td>180</td>
</tr>
<tr>
<td>2013</td>
<td>874</td>
<td>156</td>
</tr>
<tr>
<td>2014</td>
<td>1,171</td>
<td>144</td>
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Example Swedish healthcare & life science companies doing business in Vietnam include AstraZeneca, Gambro, Getinge, and Moberg Pharma

LIFESCIENCE IS A MODERATE SWEDISH EXPORT TO VIETNAM

SOURCE: SCB

BUSINESS SWEDEN

THE SWEDISH TRADE & INVEST COUNCIL
**OVERVIEW OF KEY SUCCESS FACTORS FOR DOING BUSINESS IN VIETNAM**

<table>
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<tr>
<th>Keep the Following Issues in Mind While Doing Business in Vietnam</th>
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<tr>
<td><strong>Do your homework</strong></td>
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<td><strong>Take a long term view</strong></td>
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<tr>
<td><strong>Hire the best people</strong></td>
</tr>
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<td><strong>Have a strategy for price/cost</strong></td>
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<td><strong>Be objective oriented</strong></td>
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<td><strong>Be careful when partnering</strong></td>
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BUSINESS SWEDEN IN ASEAN

WITH 5 OFFICES IN SOUTH EAST ASIA WE ARE AT HOME ON YOUR FOREIGN MARKETS

BUSINESS SWEDEN'S PRESENCE IN ASEAN

- VIETNAM
- THAILAND
- MALAYSIA
- SINGAPORE
- INDONESIA

MYANMAR, LAOS, CAMBODIA, BRUNEI AND THE PHILIPPINES ARE COVERED BY THE ABOVE OFFICES

BUSINESS SWEDEN’S SERVICE OFFERINGS

Business Sweden makes it easier for Swedish companies to grow internationally

- EVALUATE OPPORTUNITIES
- CHOOSE STRATEGY
- ESTABLISH PRESENCE
- GROW BUSINESS
CONTACT US

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