

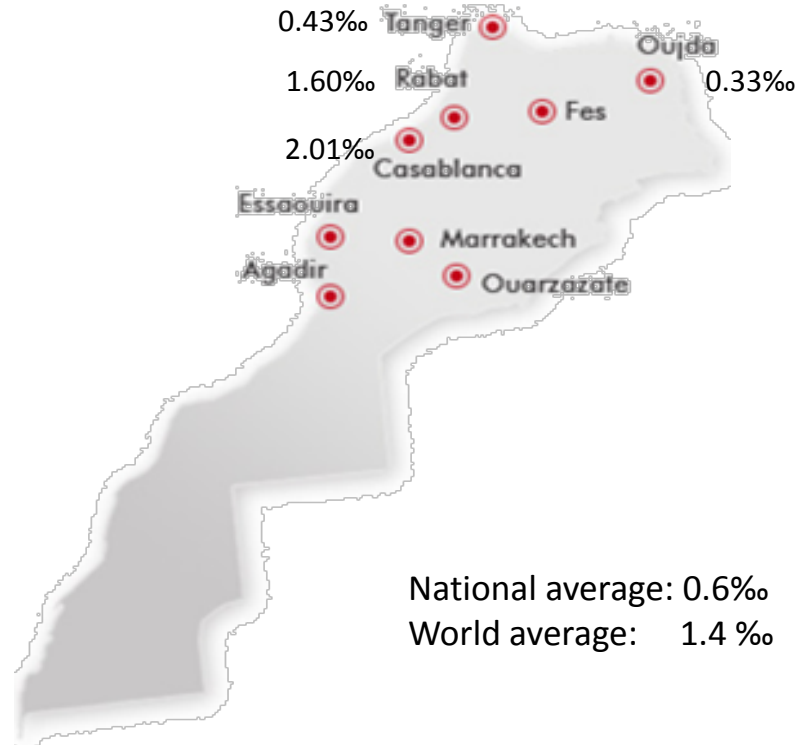
An aerial photograph of a city at sunset. The sky is filled with vibrant orange, yellow, and blue clouds. A prominent skyscraper stands out in the center of the skyline. The city lights are visible in the foreground and middle ground, creating a warm, golden glow.

Investment opportunity: NearHealth Investment Fund

Morgan Stanley Sustainable Investing Challenge, London, 2015

Current healthcare situation in Morocco

Access to healthcare: Physicians per thousand inhabitants



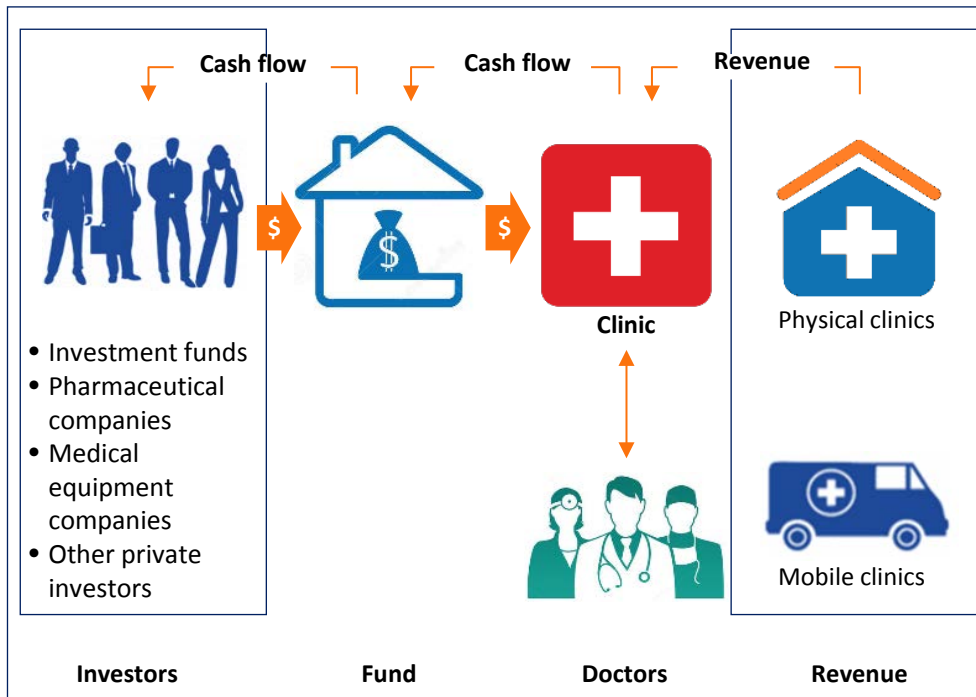
The opportunity

- **Legislation:** New law enabling non-doctors private investors to invest in healthcare clinics
- **Sourcing:**
 - New Universities launched to increase the number of graduates per year by 20%
 - 25-30% of graduates every year are not fully utilized (doctors-hour)
- **Financial:** Historically Moroccan physicians have struggled from a lack of capital to open their own practices
- **Unique management team:** The team's set of skills put together to solve this issue

NearHealth's ambition is to maximize the utilization of physicians, and bring them where patients need them the most

NearHealth: an innovative financing solution

NearHealth: An investment vehicle that partners with physicians in Morocco to generate significant returns while expanding the accessibility of healthcare in the country



- Challenge addressed via an investment fund that partners with doctors to provide capital for basic clinical infrastructure
- Average clinic expected to generate an ROI of 9% over 5 years allowing doctor to earn out clinic by 5th year
- Fund structure designed to align incentives between investors and doctors and to attract doctors to the most underpenetrated areas
 - Leverages change in private healthcare investment law to increase healthcare accessibility in Morocco
 - Alternative to the government spending on medical treatment in rural areas
 - Provides employment to doctors in Morocco
- Mobile Clinic platform in order to expand the reach of NearHealth clinics to surrounding rural areas

NearHealth is the private alternative to government investment in healthcare

Financial Mechanism – Shareholder Loan

Fund Description

- NearHealth seeks to raise US\$10 million and partner with ~150 doctors during its first 2 years
- Investments will be structured as shareholder loans, with a nominal 12.0% interest rate
- Doctor will have the opportunity to qualify for a “buy down” based on the number of pro-bono cases they manage to accept throughout the year
- Average estimated “buy down” will be ~(2.0%) leading to a net return hurdle for the clinic of 10.0%
- Over a five-year period, once the investors are repaid principle plus interest, the doctor earns out their clinic and becomes the sole proprietor
- An underwriting fee of 1% of assets upon closing will allow NearHealth time to source and execute doctor partnerships

Fund Highlights

Initial Fund Size	US\$10 million
Sample Portfolio	150 Shareholder Loans
Maturity	5 years
Fees	1% of Assets Under Management
Nominal Interest Rate	12.0%
Less: Average Buydown	(2.0%)
Return Hurdle for Doctor	10.0%
Less: Management Fees	(1.0%)
Net Return to Investors	9.0%
Underwriting Fee	1% of Assets on Closing

Due diligence: physicians

Target universities and locations



Rabat university



Casablanca university



Marrakech university



Fes university



Oujda university



High density of physicians in these areas

Targeted universities

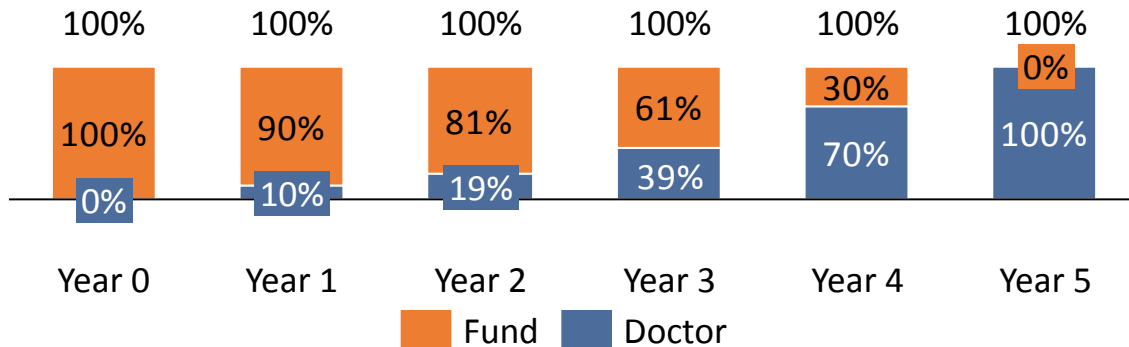
600 graduates per year

Selection criteria

- Since clinic IRR is highly correlated with the quality of the physician and proper incentive alignment, NearHealth will source doctor partnerships using the following criteria:
- **Doctor Entrepreneurs:** The ideal physician is top 10% of their class and would be interviewed to assure they are a self-starter with entrepreneurial drive
- **Financial situation:** NearHealth will prioritize doctors with no ability to self finance
- **Area of origin:** Focus on local physicians who have family in the targeted area (200km radius) to ensure that they are committed to the area
- **Personal Situation:** Giving preference to doctor couples willing to relocate together

Financial Characteristics

Doctor Earn-out Schedule

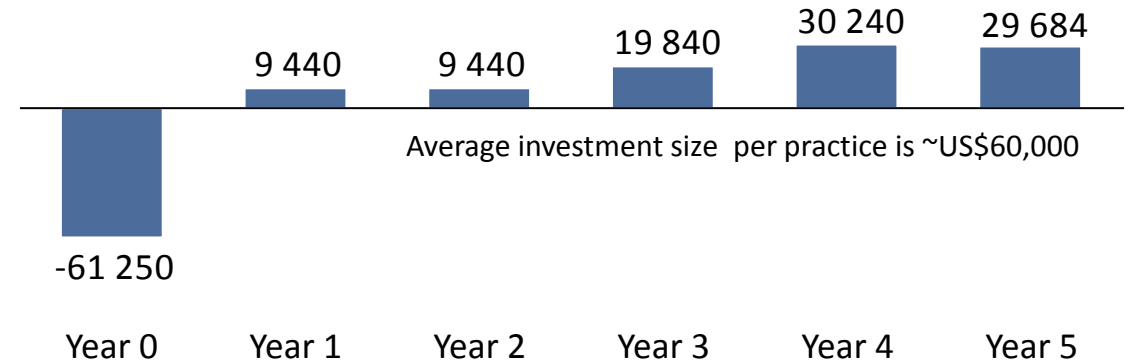


Buy-Down Mechanism

The Shareholder Loan interest rate scales down according to the number of pro bono cases each doctor takes per month, similar to a social impact bond

	# Pro-Bono		Effective Interest Rate
	Case Per Month	Buy-Down %	
	200	-2.50%	9.50%
	150	-2.25%	9.75%
	100	-2.00%	10.00%
	50	-1.00%	11.00%
	0	0.00%	12.00%

Average Repayment Schedule (US\$)



Key Assumptions

Assumption	Units	Amount
Initial Capex	US\$	(\$61,250)
Doctor Salary	US\$ / month	(\$2,000)
Operating Hours / Day	Hrs / day	8.0
Patients / Hour	Patients / Hr	2.50 to 3.50

NearHealth Return Benchmarking

Investor Targeting / Marketing Focus

Sustainable Investment funds

- NearHealth offers existing investment vehicles an entry point into Morocco
- Would leverage relationships with doctor community and universities

Pharmaceutical Companies

- Increased emphasis on sustainable investment at pharmaceuticals
- Appetite both for direct investment and impact health sphere in frontier markets

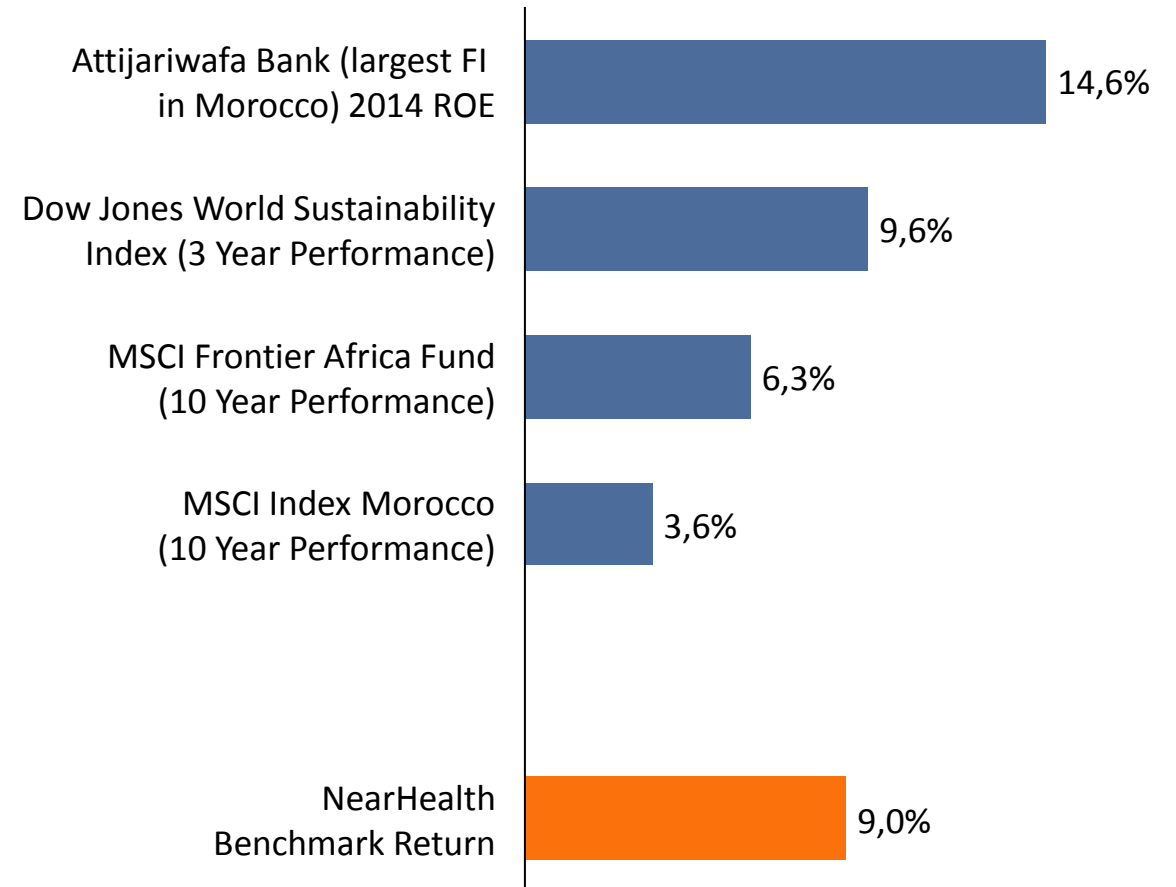
Medical Equipment Companies

- Increased emphasis on sustainable investment in healthcare
- NearHealth offers an entry point into Morocco for manufacturers

Foreign Aid / Government Stakeholders

- High net worth Moroccans, government agencies and local community leaders have significant stake in access to healthcare

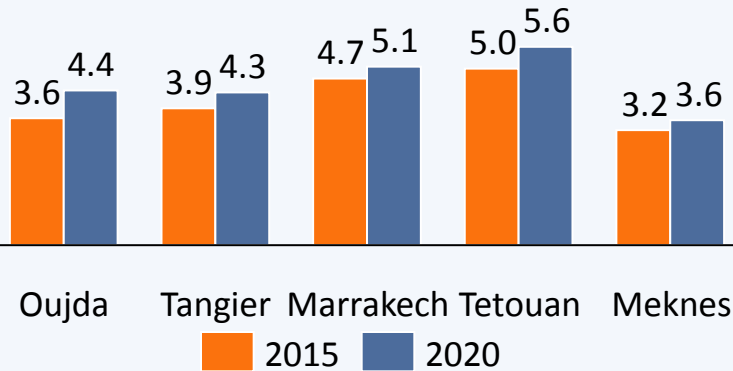
NearHealth Expected Return Benchmarking



What is the impact?

Healthcare accessibility increase

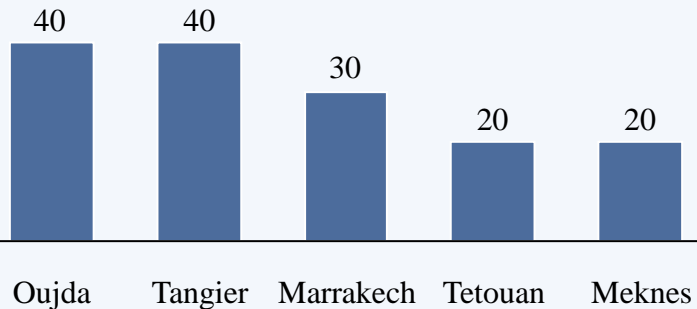
Number of Physicians in Morocco vs. East Mediterranean region, 2013



- NearHealth aspires to improve access to health and increase the number of physicians per 10.000 inhabitants to the above target levels

Unemployed doctors become employed

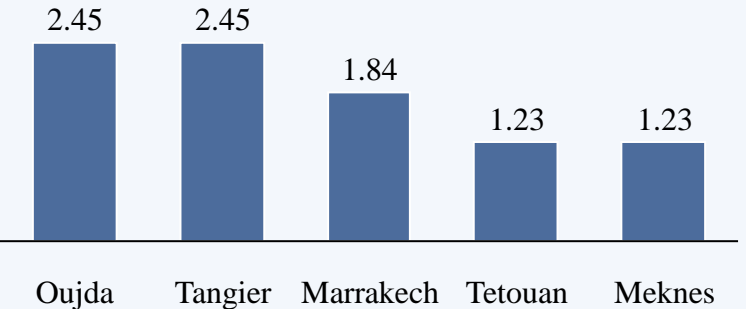
Number of doctors employed because of the initiative, 2016-2020



- NearHealth aims to maximize utilization of medical professionals providing job opportunities to the doctors
- 150 new job positions will be created to 2020 in Morocco

Government spending decrease

Government savings, \$m, 2016-2020



- NearHealth reduces the dependence of healthcare on the public sector
- Creating 150 NearHealth clinics in Morocco will save ~ \$9.2m of public funds to 2020

Potential risks and actions to address them

Financial Risks



Risk of **capital impairment** due to underperformance at the clinic level leading to an inability of the doctor to “earn-out” the practice

2 – 4% impairment rate built into the 9% return targeted by the fund

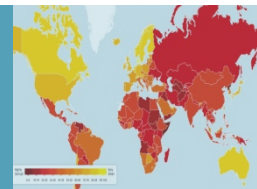
Economic Risks



Regional **economic decline** in Morocco could affect the ability of patients to afford the services provided by the clinics

Investment model **does not require** any material improvements in economic conditions; predictions indicate economic growth

Political Risks



Corruption could be prevalent eg. during sourcing infrastructure, interacting with government agencies to obtain legal permits

Focus on clean business; **best-practice sharing** with multinationals based in Morocco

Governance Risks

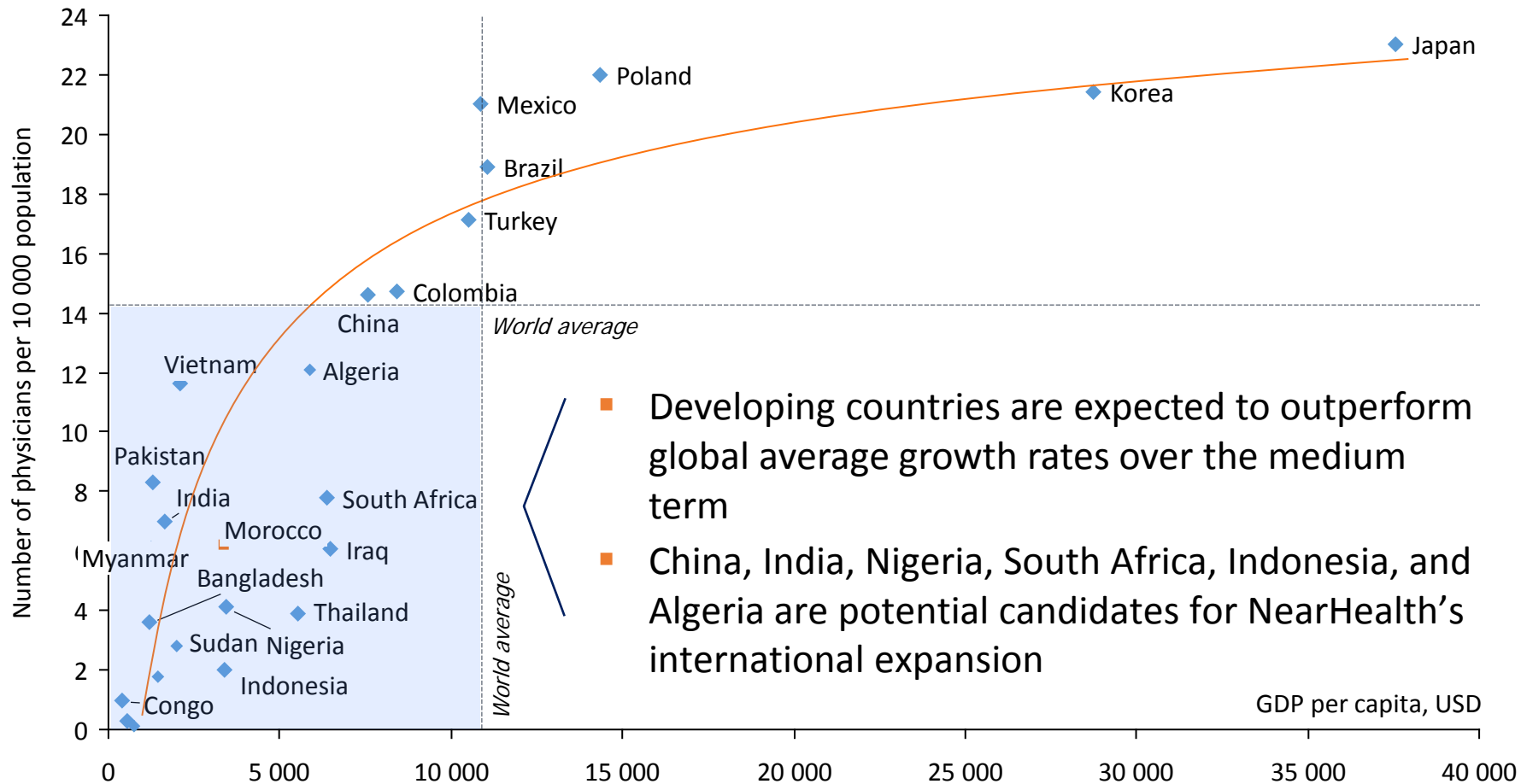


Alignment with the doctors to generate returns necessary for them to “earn-out” the clinic is critical for the fund’s success

Shareholder loan structure included in fund to allow termination under certain conditions and to continue with another doctor

NearHealth's expansion plans

GDP and number of physicians per 10 000 population in selected countries in 2013



- Developing countries lack medical infrastructure
 - 2.6/ 5.9 is the average number of physicians per 10,000 population in Africa/ SE Asia compared to 33.1 in Europe and to 14.1 in the world
 - 12.0/ 15.3 nurses per 10,000 population in Africa/ SE Asia compared to 80.5 in Europe and to 29.2 in the world
 - Only 0.8 hospitals per 10.000 population in Africa

Expansion plan: phases

Phase 1

2016

Budget: \$ 2.4m

Number of clinics: 40

- Proof of concept in the city of Oujda in the North-East Morocco (40 GPs) to benefit from the newly created university where the first batch will graduate next year

Phase 2

2017

Budget: \$ 6.6m

Number of clinics: 110

- Extend the network to the rest of Morocco:
 - Marrakech
 - Tangier
 - Tetouan
 - Meknes

Phase 3

> 2018

- Replicate the NearHealth approach on an international level in countries facing similar challenges, with a near term target of expansion in neighboring Algeria
 - Algeria
 - India
 - China
 - Pakistan
 - Indonesia
 - Bangladesh
 - South Africa
 - Nigeria

Team

Fund management team

Yassine Bhija

- 6 years in marketing & business development

PHILIPS

Devina Pasta

- 8 years in corporate strategy, business development & product management

SIEMENS

Dmitry Savelyev

- 7 years in management consulting

Strategy Partners Group >

Alex Yanitsky

- Healthcare private equity at Teachers' Private Capital, investment banking



RBC Capital Markets

Advisors

Ralf Halbach

- CEO, Roche Morocco



Najib Garti

- Owner of private clinic in Casablanca