AbdulGhani El-Ajou – CEO, aljeel Healthcare

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aljeel, a leading Saudi family-owned medtech distributor, has undergone a structural transformation in recent years and today attempts to maintain the dynamism of a family business while incorporating the structured processes of a publicly traded entity. Now CEO of the firm, AbdulGhani El-Ajou touches on some of aljeel's key initiatives, including an ongoing digital transformation, and a holistic and collaborative approach to value creation.

Since our last interview, you have moved from General Manager to CEO. What does this updated role entail, and what does it say about how the company is positioning itself in today's market?

We have instituted a robust governance framework at the holding level, comprising a proficient board with independent members and family shareholders. This strategic approach offers a diverse lens for shaping the company's future trajectory.

To fortify the board and our operations, we've instituted various committees, including the executive, nomination and remuneration, and audit and investment committees. While preserving the agility and dynamism typical of family businesses, we maintain structured processes akin to those of publicly traded entities. This strategy connects the forward-looking vision of a family enterprise with the disciplined frameworks of a publicly traded corporation.

How has this recent structural change impacted the day-to-day operations of the company?

Managing diverse committees can be demanding, potentially diverting attention from daily operations. However, this structural evolution has instilled discipline and broadened my perspective, especially from a shareholder value standpoint. Initially challenging due to the transition from family operators to board members, proper training from external parties and support from independent members facilitated a harmonized governance structure, clarifying the distinct roles of the board and management. This inclusive approach has enriched our decision-making processes, outweighing the initial challenges posed by the transition.

A notable development worth highlighting is the integration of our new ERP system, Oracle Fusion. This implementation signifies a noteworthy digital transformation, acting as the foundation for our future digital tools. This upgrade enhances our ability to serve customers effectively and positions us for sustained market growth.

How have you crafted the mechanics of value creation for the company in light of the organizational changes happening in aljeel?

Aligning stakeholder and shareholder interests to drive holistic organizational value has been a pivotal challenge. As CEO, I prioritize understanding and addressing both parties' needs, fostering a collaborative environment that maximizes overall organizational value.

This holistic value creation approach transcends conventional shareholder-centric models, emphasizing the symbiotic relationship between shareholders and stakeholders. Balancing familial heritage with professional responsibilities, we've bridged diverse perspectives to create a robust value-creation framework.

In our last conversation, you outlined aljeel's business model is to represent foreign firms in the Kingdom of Saudi Arabia. Is this still the case today?

Yes, representing foreign firms remains the cornerstone of our business model. However, aligning with Vision 2030, we've strategically invested in various segments along the healthcare and medical device value chains. This entails downstream and upstream business lines, expanding local content creation, and intellectual property development.

As the Saudi MedTech market evolves, what trends are you seeing and how is this impacting the company's performance? In particular, with more international clients potentially establishing on-the-ground operations in the country, how sustainable is your current business model?

Our company has achieved remarkable success in terms of business sustainability, outperforming most of our strategic and operational KPIs. Over the past five years, we have consistently experienced high double-digit growth, demonstrating our financial stability and readiness to venture into new areas within the healthcare sector.

One key aspect that sets us apart is our strong focus on representing international partners effectively in the Saudi Arabian market. We understand the importance of upholding regulatory compliance, enhancing brand visibility, boosting top-line growth, and providing exceptional customer service.

Our longstanding partnerships are built on trust and mutual benefit. We actively encourage our partners to engage with the Saudi government, invest in research and development, and localize their offerings. This collaborative approach not only strengthens our relationships but also drives growth for our partners in the dynamic Saudi MedTech landscape.

In terms of market accessibility, Saudi Arabia welcomes all MedTech players, offering a range of business models to suit diverse needs. However, our proven track record as a trustworthy representative has led to strong ties with over 50 global partners. These partners, satisfied with our services, prefer to continue working with us rather than pursuing direct market entry, highlighting the exceptional value we bring to the table.

You mentioned going into manufacturing. Why is it relevant for your country to produce medical technologies, and how does aljeel plan to invest in this area?

Economically, manufacturing and industrial activities play a crucial role in fostering a robust ecosystem. This is especially true in the healthcare sector, where local manufacturing not only supports economic growth but also contributes to job creation and skill development within the country.

From a strategic standpoint, the COVID-19 pandemic underscored the vital importance of local production capabilities for essential medical supplies. Overreliance on imports can pose significant risks during emergencies, highlighting the need for a resilient and self-sufficient supply chain. By manufacturing medical technologies locally, Saudi Arabia can enhance its preparedness and ensure a stable supply of critical healthcare products.

Moreover, Saudi Arabia's strategic geographical location serves as a bridge connecting the Gulf Cooperation Council (GCC), Africa, and potentially Pakistan. This strategic positioning not only facilitates trade and collaboration but also offers opportunities for the future, positioning the kingdom as a key player in the global healthcare market.

aljeel, with its rich legacy of 60 years in the industry, leverages extensive data and market insights to make informed decisions about product manufacturing. Rather than attempting to manufacture every type of medical product, aljeel focuses on developing complex and high-value-added technologies that align with market demand and the company's capabilities.

The company's approach emphasizes scalability and value creation, targeting products that can quickly gain traction in the market. Building on existing sales channels, aljeel is strategically positioned to transition into manufacturing, supported by government subsidies and other forms of assistance to establish state-of-the-art manufacturing facilities.

Is the manufacturing done under license from global companies, or is aljeel creating its own products?

At aljeel, we have carefully crafted our manufacturing processes to optimize efficiency and drive innovation in the healthcare sector. Our approach encompasses three distinct models that synergize to ensure excellence in product development and delivery.

We engage in strategic licensing agreements with select partners, leveraging their expertise and cutting-edge technologies to enhance our product offerings while ensuring compliance with international standards. We also forge joint ventures with international partners to strategically invest in Saudi Arabia, gaining advanced manufacturing capabilities and contributing to local economic growth. Additionally, we embrace contract manufacturing for OEM products, including our proprietary offerings, allowing us to efficiently produce a diverse range of medical devices while maintaining agility and scalability. A key aspect of our strategy involves identifying products with open architecture, enabling us to leverage existing designs and technologies, streamline

development, and foster continuous innovation and customization. This comprehensive approach positions us as industry leaders committed to delivering high-quality, innovative medical solutions that meet the evolving needs of healthcare professionals and patients.

What are the trends on healthcare expenditure that you see, given that some voices suggest cost containment while others suggest market growth?

As Saudi Arabia's healthcare sector undergoes transformative changes, the imperative to strike a balance between cost management and market expansion has become increasingly crucial. The ongoing investments in preventive healthcare and population health programs signify a proactive approach to addressing emerging health challenges. However, with demographic shifts and evolving healthcare demands, there is a foreseeable increase in healthcare expenditures on the horizon.

In this evolving landscape, aljeel plays a pivotal role in shaping sustainable healthcare delivery models. By embracing global best practices and adapting to changing demographic trends, we contribute significantly to advancing healthcare services in Saudi Arabia. Our unwavering commitment to innovation and strategic partnerships further solidifies our position as key drivers of progress in the kingdom's healthcare journey.

In your previous interview with Pharma boardroom, you mentioned a deal with Illumina, which is a leader in genetic testing. Is this an area that aljeel wants to be more involved in?

Certainly, genomics is a deeply significant field for us at aljeel, fueled by a personal connection that underscores its importance. Our collaboration with Illumina commenced around three to four years ago, sparked by my own firsthand encounter with gene testing and sequencing.

Through our partnership with Illumina, we are actively investing in genomics and collaborating with regulatory bodies to support emerging preventive and precision medicine practices. These initiatives aim to empower people with crucial genetic insights, fostering informed decision-making regarding their future planning.

Moreover, this has started our investment in genomics startups and those focusing on rare diseases, particularly in diagnosis and treatment. As a family, we are deeply committed to

advancing genomic awareness and understanding within our nation. This commitment extends to partnering with the government and the wider population to democratize access to genomics knowledge and promote better health outcomes.

You have been in this business now for 17 years as you have mentioned. If you look forward, what legacy do you hope to have as the CEO of aljeel?

In my role as CEO of aljeel, my aim is to fortify its position for the future, thereby leaving a lasting impact. I am driven by two enduring goals that will define my legacy. Firstly, I am focused on ensuring the long-term sustainability of our business. This involves exploring avenues such as strategically integrating it into various healthcare value chains.

Secondly, I aspire to be remembered as the individual who prioritized personal growth and exploration for future generations within the family business. It is my belief that no family member, including my own children, should enter the business without first experiencing diverse opportunities and discovering their true passions. I advocate for providing them with the freedom to explore different paths, try various endeavors, and uncover what truly ignites their enthusiasm. While they benefit from the stability afforded by our sustainable business growth.

As the newly appointed CEO, my expanded role encompasses a pivotal shift in family governance and constitution, with a third-generation family member taking over the role of Chief Executive at aljeel Medical. This transition is not only significant for our family, but also underscores their confidence in entrusting leadership to a third-generation member.

Finally, do you have any closing statements or international messaging that you would like to deliver on behalf of aljeel and Saudi Arabia?

Saudi Arabia’s prospects are incredibly promising, sustained by several key factors contributing to its growth trajectory. A vibrant and expanding young population, coupled with a strong culture of innovation, and increasing accessibility to healthcare services, paints a picture of immense potential.

The tenacity and determination exhibited by the Saudi population serve as a driving force propelling businesses, including ours, towards greater success. We are genuinely enthusiastic about the opportunities ahead, fueled by the optimism surrounding the nation’s future.

While many other regions or countries may grapple with challenges, Saudi Arabia stands out as a beacon of progress and advancement. The upward trajectory of the kingdom’s economic and social landscape signifies fertile ground for investment and development.

Indeed, this is an opportune moment to be part of Saudi Arabia’s growth story. Looking ahead, the next decade to fifteen years is poised to be a golden age for the kingdom, characterized by unprecedented opportunities and transformative growth across various sectors, including healthcare and technology.

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