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Client Alert

Corporate

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Saudi Arabia Permits Foreign Investment in Pharmacies

The Kingdom of Saudi Arabia issued Royal Decree number M/195 dated 03/09/1446H (corresponding to 03/03/2025G) (the "**Royal Decree**"), allowing foreign investment in retail pharmacies. This is a significant development as ownership of retail pharmacies has been restricted to only Saudi nationals. This Royal Decree is effective until a new health law is implemented.

The pharmaceutical industry in Saudi Arabia is governed by the Law of Pharmaceutical Establishments and Preparations issued pursuant to Royal Decree number M/108 dated 22/08/1441H (corresponding to 15/04/2020G) (the "**Pharmaceutical Law**").

The Pharmaceutical Law repealed Law of Pharmaceutical Establishments and Preparations issued pursuant to Royal Decree number M/31 dated 01/06/1425H (corresponding to 18/07/2004G) (the "**Repealed Pharmaceutical Law**") and eased certain restrictions on foreign ownership in wholesale pharmaceutical warehouses, factories for pharmaceutical and herbal products, and scientific offices.

However, retail pharmacies and establishments that prepare and sell herbal products were subject to a carve out and remained governed by the Repealed Pharmaceutical Law. As such, retail pharmacies continued to be restricted to Saudi investors.

The Royal Decree lifted such restriction on ownership of retail pharmacies, offering investors greater certainty in exploring opportunities in Saudi Arabia's pharmaceutical industry. This will likely increase foreign investors' appetite in acquiring or establishing retail pharmacies in Saudi Arabia, driving mergers and acquisitions activity in the retail pharmacy sector.

As such, the Royal Decree is a welcomed development in the pharmaceutical industry as it will drive competition and innovation in the retail pharmacy sector.

The Royal Decree hints to a new integrated health law. Although we anticipate that the new health law will continue to allow foreign ownership in retail pharmacies, we encourage investors in the pharmaceutical industry to stay abreast of legal developments in this market.